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Chair

Mr. Merv Tweed

Standing Committee on Agriculture and Agri-Food

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•(1105)

[English]

The Chair (Mr. Merv Tweed (Brandon—Souris, CPC)): Good morning, everyone.

Welcome to the Standing Committee on Agriculture and Agri-food, meeting number 72. The orders of the day are, pursuant to Standing Order 108(2), a study of the agriculture and agri-food products supply chain in the beverage sector.

Joining us today from the Canadian Beverage Association is Jim Goetz. Welcome.

From the Winery and Grower Alliance of Ontario, we have Patrick Gedge, president and chief executive officer; and Murray Marshall, director.

I think you've all been informed of the process. I would suggest that if your other colleagues are coming in for future meetings we always like to be able to test and sample product.

I don't know if you've decided who is going to present first.

I'll ask Mr. Goetz to start, and we'll go from there.

Mr. Jim Goetz (President, Canadian Beverage Association): Thank you, Mr. Chair.

Let me begin by expressing my sincere gratitude for the invitation to appear today. We have tremendous respect for the work of your committee and, in particular, we are excited to contribute to your examination of the supply chain. I would like to use this time to tell you a bit more about our industry, the contribution we make in terms of jobs and growth, the valued products we deliver to consumers, and the broader opportunities we create for farming families among others.

I also want to share some information about the investments our members make in the communities in which we live, work, and raise our own families. And finally, I want to touch on measures our members are taking, often working closely with Parliament, to ensure Canadians enjoy a balanced range of beverage choices that are healthy, safe, and responsive to the preferences of consumers.

The obligation to serve the best interests of consumers and Canadians is one that we take extremely seriously. We look forward to exploring ways in which we can work collaboratively to build on that current success.

Let me start with our business.

Our economic footprint in Canada is substantial. Fuelled by more than 60 brands, the refreshment beverage industry generates approximately \$5 billion in annual sales from coast to coast to coast. Moreover, our members are responsible for more than 120 manufacturing, distribution, and sales facilities that can be found in every corner of the country. In total, CBA members directly employ 12,000 Canadians in steady, well-paying jobs, the vast majority of which are unionized with good benefits and solid pensions. That amounts to an annual payroll of approximately \$500 million.

Our involvement is realized in not only commercial but community terms as well. CBA members dedicate substantially to the places we live through a variety of charitable and local causes. Financially, this engagement can be measured in the millions of dollars each year, from the United Way to Special Olympics, from ParticipACTION to building local playgrounds. It's money, time, and leadership given to support local sports programs, youth development, health and wellness, and the promotion of literacy.

This local ethic also highlights a key point to the committee's work. Our members and their facilities can be found everywhere in Canada, from Newfoundland to the Lower Mainland and all parts in between.

The reality of the beverage business is that you must build plants and facilities where you find people who want your product. Pop, fruit juices, and other beverages are made relatively close to market and then shipped quickly to consumers. Ours is a manufacturing business that still places a premium on local presence and with very few exceptions, the products we sell in Canada are made in Canada.

This simple fact has significant implications for the committee's study on the supply chain.

For example, our members are one of the largest, if not the largest, block of customers for corn producers and corn growers, creating vital demand for that agricultural product. We are also the country's largest buyers of packaged aluminum and PET plastic.

Finally, our members oversee extensive vehicle fleets that create demand for steel, manufacturing parts, and of course, vehicle production and assembly in North America, and specifically in Canada.

In summary, our effect on agriculture and the wider supply chain is enormous. And let me be clear. We're committed to working together to foster this role further and as commercial conditions permit, generate still additional opportunity.

In turn, we ask little of government. We do not seek grants or financial aid. In fact, our only real request is that we work together to avoid unnecessary barriers to current and future success. Regulation is inherent to our industry. We accept that. In fact, we embrace it. Certainly, as the producers of consumed beverages, health and safety is absolutely our highest priority. In that respect, government, through agencies such as the CFIA and Health Canada, is one of our most vital partners. Together we ensure the highest standards of regulatory stewardship while also procuring the best possible conditions for growth.

We applaud, for instance, sustainable regulatory measures such as the new marketing authorization and incorporation by reference, IbR, tools adopted by Health Canada. These and other moves recognize the importance of leveraging analysis completed in comparable jurisdictions when it comes to our own safety approval process.

It was thanks to IbR, for example, that our industry finally received approval for stevia, the natural sweetener that has long since been cleared for safe use as an additive in other countries. In fact, stevia is a perfect example where unnecessary delay achieved no objective other than making Canadian consumers wait unnecessarily. Our proposal is this: where health and safety are not at issue, let's work together to move more effectively. That will benefit consumers, reduce costs, and ultimately permit our industry to dedicate valuable resources toward other priorities that produce growth.

Before concluding, I want to make two additional points.

First, we know there will be issues where we must work together. Establishing the appropriate levels of caffeine and calories that people consume is an important issue for public health. Our members have been voluntarily pursuing strategies that have had a demonstrated impact, and we want to indicate our willingness to continue to work to achieve progress in this field. If we sometimes bristle at suggestions that too little is being done, it is because we frequently feel that too little attention is paid to the specific efforts that the industry has made, particularly in comparison to others that must also take full part in the solution. To combat obesity will require a combined effort with balanced policies across a range of sectors.

Second, we want this committee to know that our industry does not wait for government to take action. We have voluntarily adopted guidelines that prohibit the marketing of any beverages but for those that are 100% fruit, vegetable, milk, or water to children age 12 or under. In addition, we have removed all full-calorie soft drinks from primary, middle, and secondary schools prior to government regulation that asked us to do so. Finally, we've implemented our "clear on calories" campaign, which greatly increases the front-facing, on-label nutrition information for consumers, giving them greater insight into their beverage choices.

In summary, our recipe for progress is simple: good science, collaborative action, sustainable change, fair application, and information for consumers. Working together, we believe such an approach will yield results in terms of both public wellness and economic benefit.

In closing, I would simply thank the committee once again for the invitation, and I welcome your questions.

● (1110)

The Chair: Thank you.

Mr. Marshall, are you presenting, or is Mr. Gedge?

Mr. Patrick Gedge (President and Chief Executive Officer, Winery and Grower Alliance of Ontario): We both are. We'll start with me.

Thank you very much, Mr. Chairman. The Winery and Grower Alliance of Ontario would like to thank the Standing Committee on Agriculture and Agri-Food for the opportunity today to speak about the wine and grape industry in Canada and specifically in Ontario.

[*Translation*]

My name is Patrick Gedge, and I am the president and CEO of the Winery & Grower Alliance of Ontario, or WGAO. I am accompanied by Murray Marshall, who is the president and CEO of Diamond Estates Wines & Spirits Ltd. and a director of the WGAO.

[*English*]

As a background to our organization, the WGAO is the leading industry trade association in Ontario, with its members representing over 85% of the wine produced in the province. You may know us more by brand names such as Jackson-Triggs, Trius, Inniskillin, Peller Estates, Colio Estate Wines, Magnotta Winery, Lakeview Cellars, and others.

Our members include both wineries and grape growers in the province, as we believe the continued success of the industry is best guaranteed by both groups working seamlessly together. In fact, to demonstrate that interdependence, our wineries purchase over 85% of the wine grape crop produced each year by independent growers in Ontario.

This presentation is extremely timely. An independent study has just been unveiled that sums up the economic impact of the industry in Canada, and in the provinces of Ontario, British Columbia, Quebec, and Nova Scotia, the major domestic wine-producing regions. The study was carried out by Frank, Rimerman and Company, which has conducted similar research studies for the U.S. industry as a whole, and some 20 individual states.

Highlights of the analysis include:

Canadian wine production has an annual national economic impact of \$6.8 billion. Specifically, for every bottle of wine produced in Canada, there is \$31 of domestic economic impact generated in the country. For Ontario, the total impact is \$3.3 billion, and \$40 per bottle.

The wine and grape industry is responsible for more than 31,000 jobs in Canada, and in Ontario, 14,000 jobs.

Wine-related tourism welcomes more than three million visitors each year, generating more than \$1.2 billion annually in tourism revenue and employment. In Ontario, that represents 1.9 million visitors and some \$644 million.

Finally, and not least, the wine industry generates some \$1.2 billion in federal and provincial tax revenue and liquor board markups. In Ontario, that represents some \$602 million.

In the past, quite naturally, we've often been thought of as a fairly small, quaint, and local industry. Today the industry is a significant and growing economic contributor—nationally, regionally, and locally—as evidenced by the results of this study. The value chain in our industry is one of the most interdependent of any sector. The foundation of our industry rests with highly productive and market-driven grape growers who produce high-quality grapes for all price points in the market. They work very closely with the wineries and winemakers who purchase the grapes and ensure that we produce bottles of quality wine capable of competing successfully against imports. We have, for example, premium Vintners Quality Alliance, VQA, wines over \$10.00 and value-based International Canadian Blend, ICB, wines under \$10.00.

In addition to being highly integrated, our industry has a significant impact in multiple sectors: agriculture, food processing, manufacturing—wineries are in fact in the manufacturing category—services, and, not least, tourism. Our economic reach supports educational and commercial research institutions like Brock University in St. Catharines, the Cool Climate Oenology and Viticulture Institute, and Niagara College Canada. The tourism component is significant, complementing world famous Niagara Falls, and it creates local employment through accommodations, restaurants, and services.

During the past number of years we have seen many sectors in the economy suffer. We should recognize and celebrate the fact that the Canadian wine and grape industry continues to be more and more successful each year in terms of farm gate value, manufacturing productivity, product innovation, and sales growth.

We are helping grow the wine category in Canada. In 1995, wine represented 18.8% of all alcoholic sales in Canada, and this grew to 30.2% in 2011, an increase of 11.4%. During the same time, beer and spirits dropped 8.1% and 3.4% respectively. The growth potential of Canadian wine products and their economic impact continues to be enormous.

In spite of this success, the wine and grape industry operates on very thin margins and is highly capital intensive at both the farm and winery level. We need to ensure that the industry is sustainable and fully competitive over the long term.

• (1115)

With that, let me pass it over to Murray Marshall.

Mr. Murray Marshall (Director, Winery and Grower Alliance of Ontario): Thank you, Patrick.

Good morning, everyone.

I'd like to address three specific opportunities that we feel the federal government could consider.

First of all, the Government of Canada has been extremely supportive of our industry and should receive credit where credit is due. It has benefited our collective success. In this highly regulated industry, governments and the private sector have to work closely together in order for both to succeed in their objectives.

As Growing Forward 2 and related programs move forward, we would recommend a specific initiative or allocation that supports the domestic marketing and new product development of Canadian wines. We need to increase the pride and the awareness that Canadians have for domestic wine and ultimately create more demand over imports. Canadians are very keen to keep and grow jobs in this country. We can now quantify the impact of our industry in national support and local community and economic development.

As one specific example of building pride in our national products, we would encourage Air Canada, for instance, one of the world's great airlines, to follow the lead of VIA Rail and serve only Canadian wines on their flights.

We also know through LCBO research that new wine products generate some 60% to 70% of the growth in sales of premium products. Wineries make significant investments in the development and launching of new products each year in order to be competitive. This should be encouraged through government programming so that constant private sector innovation is recognized. Together we can leverage the economic ability of our industry to produce new jobs and new revenue to government.

While domestic product wine sales keep increasing, today we still have only 30% of all wine sales in Canada, while imports continue to represent and dominate at 70%. By comparison, other countries own their domestic markets and therefore achieve economies of scale that enable successful exportation of product. For example, just to give you a couple of countries for comparison, in Chile, 100% of the wine consumed in that marketplace is Chilean; 84% of the wine in Australia is Australian; and in the United States, 66% is from the U. S.

With the results of the economic impact analysis, we can set quantifiable metrics that will measure the success and the return on investment for any new and updated industry programs that support domestic marketing and new product development.

Second, it is important for us to support market demand for Canadian, and Ontario, grapes. This needs to be done in a way that makes domestic wines more competitive and not less competitive. As a result, we would strongly support the excise tax exemption be applied to the Canadian grape content in international and Canadian blended wines, or some equivalent action.

This is a large segment of wine sales that take place in the market, representing 73% of all Ontario wine sales in this province. In fact, the majority of the wine grapes grown in Ontario are used for ICB wines. This proposed change would make the industry more competitive while sustaining and growing domestic wine grape production.

Third, we need to be cautious about any fundamental policy changes that may negatively affect Canadian wine sales and empower importer competitors to gain even more than their existing 70% market share.

We have been very pleased with our discussions with the Minister of Agriculture concerning the potential deregulation of container sizes through the Consumer Packaging and Labelling Act. We believe the government fully understands our concerns about such a change and the potential unintended consequences that could allow imports to flood the market and stimulate a race to the bottom. Our biggest vulnerability with such change is in the bag-in-the-box products. Today, they represent 31 million litres of sales each year. The economic impact of these sales is some \$688 million to the Canadian economy.

In summary, the grape and wine industry serves as a great success story today in Canada. Its economic impact of \$6.8 billion, 31,000 jobs, and \$1.2 billion of government taxes and markups represents a significant opportunity for us to grow in the future.

We would like to thank you, the Standing Committee on Agriculture and Agri-Food, for the time to share these new opportunities to grow our Canadian wines sector.

• (1120)

Thank you so much.

The Chair: Thank you very much.

Mr. Allen.

Mr. Malcolm Allen (Welland, NDP): Thank you, Chair, and thank you to our guests.

Perhaps I'll start with Patrick, the folks in my home area, the wine industry. I guess we have to apologize. Patrick said to me earlier that it wasn't noon in Ottawa. I told him it was 12:30 in Newfoundland when we started, so it was actually afternoon, so we could have had samplers.

Mr. Patrick Gedge: We look forward to coming back at the appropriate time.

Mr. Malcolm Allen: Perhaps we should just bring the committee to Niagara; we could actually do the sampling.

Nonetheless, Mr. Marshall you finished the last statement. I want to use the last statement and work backwards from there, if I can, around the economic impact.

For those of us who are from Niagara like I am, we've seen this industry grow up, if you will, working through its early adolescent stage, and now becoming a mature industry with a mature product that on the international stage is actually doing remarkably well, and has won numerous awards throughout the world. Icewine is being recognized as a premier brand for us across the entire world—unlike in the days when we made Baby Duck. I recognize that may have some youthful memories for some of us, nonetheless, we're not there anymore.

But there's the economic impact: \$6.8 billion, 31,000 jobs, \$1.2 billion in government taxes and markups. And it's only 30% of the Canadian market that we actually capture. If we were to double that to 60% of the Canadian market—we'd still be below the U.S.'s 66%—what's your sense of what that would look like economically for the Canadian market? Quite clearly, we're looking at a true value-added industry, from grape in the field to product in the bottle retailing—the whole value chain all in one simple go-round.

Because this study was done, do you have any sense for projecting what that would look like if we simply went to the average that international competitors have in their home markets?

• (1125)

Mr. Murray Marshall: Thanks very much. I'll do my best to answer that because there are a few unknowns in this.

One of the strengths of our industry has been the ability to work hand in hand with our agricultural products. Every winery today in Ontario is de facto a grape grower. Today we all produce our own grapes, but there is a very healthy and evolved independent farmer whose specific business is to grow tender fruit, grapes being a big part of that. Part of our goal is to work with our stakeholders to make sure that the raw material, the grapes in the vine that are planted in the vineyards today, can work with us. We have a very collaborative relationship in terms of doing that.

To be able to achieve the 66% market share in both the combination of ICB wines and our wines of appellation, VQA wines, we would require significant investment in agriculture, in conversion of existing farmland today, to be able to meet that demand. The opportunity from a microclimate and vinification standpoint exists specifically in Ontario, to a great degree in British Columbia, and in new burgeoning markets—we've heard now of Quebec and Nova Scotia—where new plantings and pioneer work and experimentation are taking place. There's also conversion of crop, specifically in Ontario. Some lands that were previously used to grow tobacco are today being planted with vinifera, world-class grapes for wine-making. That's where the twinning needs to take place.

It's about building momentum, and it's about establishing attainable growth metrics that provide the economic stimulus for us to do this. That stimulus works right through the supply chain, right from the vineyard through the processing piece of it, through the agri-tourism component of it, which is so vital, and throughout the rest of the supply chain. The capacity for us to do it is in front of us. The market opportunity is there. The projections for per capita consumption are to take the existing national per capita consumption of wine from 13.8 litres annually to just over 15 litres, through responsible and informed usage—people converting from different alcoholic beverages to wine under the consideration that it's a food product. We see that opportunity, as people drink more responsibly, for us to be able to provide greater value and greater wines to them. It's linked and it's attainable, and it requires an aggressive plan, but one that we aren't afraid of.

The Chair: Sorry, your time's up.

Mr. Zimmer.

Mr. Bob Zimmer (Prince George—Peace River, CPC): Thank you for coming to committee today and presenting. I appreciate it.

We definitely understand the impacts economically—\$500 million in payroll alone, Mr. Goetz, you had stated, and then you had stated also \$5 billion in annual sales, and \$6.8 billion in sales for the wine industry—they are massive. We appreciate what you do.

As a government, we really want to cut down regulations where necessary. We realize that to have a role, we have to regulate what needs to be regulated, to operate in a parameter that works for Canadians, but we also want to streamline what we think is too onerous or just doesn't need to be there.

Would you have any recommendations for the committee in terms of regulation? What you think we could do? Is there anything we can do that would answer that question?

• (1130)

Mr. Jim Goetz: My answer to that would be, again, to bring up the stevia example, as a low-calorie sweetener that our members have been wanting to introduce into Canada. It's continuing down the path of fast-tracking ingredients and safety assessments where we know other parts of the world have already approved these ingredients.

Stevia is a perfect example. To the best of my knowledge, it was approved in all western countries, Europe, the United States, years before it was in Canada, and that creates a bottleneck, both on our members' ability to bring new products to the market—particularly stevia, as an example, a low-calorie sweetener—and to bring more options to the table for consumers. We were happy to work with Health Canada to eventually get it approved. It is now.

Perhaps the committee can come forward with some recommendations particularly geared towards Health Canada. We understand that food and beverages are very personal, and that there obviously has to be a significant health assessment before new products or ingredients are introduced into the market, absolutely. We work with Health Canada on a daily basis on that. But continuing to look around the world when ingredients are already approved, piggy-backing on some of that expertise that is already in front of various governments, and using that to streamline a process would be extremely helpful.

Mr. Bob Zimmer: How about you, Mr. Gedge?

Mr. Patrick Gedge: Interestingly enough, much of the regulation in our industry comes at the provincial level. The federal government has actually addressed a number of issues over the past number of years that have helped us, including Bill C-311 recently, which was quite special.

From our standpoint, our focus is very much in terms of trying to incentivize the industry, to be able to compete with all countries in the world. That's why one of our focuses in terms of our presentation is related to the excise tax exemption on the Canadian content in International Canadian Blend wines. That is important for two reasons. One reason is that it will continue to increase demand for Canadian grapes, and as we were talking earlier, that is the fundamental of our industry growing into the future—it's pretty hard to make wine without grapes. Anything that incentivizes us to purchase more Canadian grapes will, in turn, help stimulate the entire value chain for our industry.

Then the second part is that an excise tax exemption for the Canadian portion of ICB wines will allow the wineries to be more competitive against foreign imports, and then hopefully, over time, we would increase our 30% market share to 31% market share, to 32% market share, to 33% market share, and trust me, even a 1% or 2% change in market share has real significance in terms of the

growth of our industry and the types of dollars that we talked about earlier.

Mr. Bob Zimmer: Mr. Marshall and Mr. Gedge, you spoke basically about your wish list, but I'd like to give Mr. Goetz some time to do that. You did speak about what you wanted, the top five.

Mr. Goetz, if you were to give me your top five things that you want for your industry, because you have the opportunity to put it on record, you have the time before committee, what would those top five things be, other than what you've mentioned. Because there are obviously some big issues out there. What would you bring before a committee, if you could? Here's your opportunity to do that.

Mr. Jim Goetz: Other than the regulatory process, I don't know if I have five asks of the government.

One issue, though, that's obviously been coming up quite a bit is the issue of childhood obesity and obesity in general. We spend a considerable amount of time talking to both provincial and federal governments about that issue and putting in the window everything that our industry is doing to address consumer needs and to address the issue of obesity.

There is not another industry in the food and beverage sector that has done so much to try to address that issue as our sector has, mainly through, as I mentioned before, our "clear on calories" campaign. We were the first industry across all of our producers, not just individual companies but across the entire industry, to decide on a front-of-pack calorie labelling program, which very quickly lets consumers know exactly how many calories are in that beverage they consume. In addition, our industry has approximately 30% of our sales in either low-cal or no-cal beverages. We like to say, with reason, that there is a beverage out there for every lifestyle. If you enjoy a full-calorie beverage, they're there, or if you enjoy zero-calorie or sugar-free or different sweeteners, they are there too.

Certainly recently there has been an increased focus on our industry. Some advocates out there like to try to communicate to government that our industry is the sole cause of obesity. We know that is not true. There is a mountain of science out there that says that is not true, that obesity issues are very complex and are about the calories you take in and the calories you burn. One thing we would look for this committee and particularly the Department of Agriculture to do is to try to bring some balance to that debate. Singling out one product as a sole reason that obesity rates are increasing is short-sighted and, quite frankly, is the easy way out on this file.

Statistics Canada shows that over the last 10 years there has been a 31% decrease in the consumption of full-calorie beverages and yet at the same time obesity rates have continued to rise. You can chart those, and they go in different directions. If our industry's products were the sole cause of this problem, it would not be a problem anymore, simply based on those declining consumption rates. The reason those consumption rates are dropping is that our members are bringing different products to the market—bottled water, flavoured water, sports drinks, and a variety of juices. That's why those consumption rates are dropping.

I don't have a list of five, but certainly the agriculture committee assisting us in bringing some balance to these conversations would be extremely helpful.

• (1135)

The Chair: Thank you.

Go ahead, Mr. Valeriote.

Mr. Frank Valeriote (Guelph, Lib.): Thank you, gentlemen, for appearing before the committee.

We generally hope that we don't have any questions that lead to any discomfort, but I have to ask you this, Mr. Goetz. You say this, "If we sometimes bristle at suggestions that too little is being done, it's because we frequently feel that too little attention is paid to the specific efforts our industry have made, particularly in comparison to others."

You were referring to a phrase you said earlier, "sustainable progress".

On water, the use of water, we know or we're led to believe that there's an incredible problem in India because of irregular water extraction for the beverage industry. We know it's an issue in every country: sustainability with respect to the availability of fresh water. Wars were fought between tribes in the Old Testament over wells. We no doubt know that wars will be fought in the future over fresh water—trade wars and other more catastrophic wars.

One of the questions recommended to ask by the library on this was the fact that a number of Canadian universities moved to ban the sale of bottled water in vending machines. You know, I haven't drunk bottled water for years and years, but I'm conflicted because I also drink pop. I drink Diet Coke and Diet Pepsi, to name a couple of brands, and there's still water in those drinks.

One of the reasons this ban on water is embraced in Guelph is, one, the use of plastic and, two, the price that's paid for the water that's being extracted outside of the city. I think I did a calculation once. It's .003¢ per litre, and water is a public resource; it's owned by all of us.

I'm just wondering if you've done any calculations on what it costs your industry in its use of water, whether in your opinion it's paying fairly back to the public for its use of water. I can't imagine there's any innovation that can be undertaken to reduce the consumption of water except maybe in the making of the packaging of the product, recycling that water. Can you talk to us more about water?

Second, you mentioned stevia, a wonderful discovery. Are there any other products on the horizon that your industry is looking at using for health purposes that you could use some specific help on?

Mr. Jim Goetz: Let me address the water question first, specifically your question about water consumption. If water is drunk out of a bottle of water or out of your tap, you're still consuming water. We need to hydrate on a daily basis or bad things happen to you health-wise. That water is going to be consumed, regardless.

We do not view the selling of bottled water products as an either/or situation: a municipal water source versus bottled water. In fact, the majority of Canadians who do consume bottled water consume

municipal water while they're at home and will occasionally buy bottled water when they are on the go as a convenient and healthy way to hydrate.

Specifically to your question about cost, many of the provinces have enacted water-taking fees for food and beverage manufacturers, which our members pay in the jurisdictions where those are in place. I don't know off the top of my head how many provinces have done that, but it is a majority of them.

Our members also pay municipal taxes, which help pay for water infrastructure, as do any other retail outlet or manufacturer. With regard to your comment, the water that we use, be it bottled water or in juice or pop production, I feel we are, absolutely....

Our industry is at the forefront—because water is so essential to our products, obviously—of continuing to drive down the amount of water that is used in the production of our products. All food and beverage manufacturing uses water, some considerably more than ours does. A lot of that is due to the safety protocols that are put in place for the production of any kind of food and beverage.

Specifically to your comment, and particularly coming from Guelph, in the manufacturing of bottled water, only 1/100 of 1% of all water withdrawals in Canada is for the production and manufacturing of bottled water. Putting that into the perspective of the amount of water that is wasted in municipal water systems through leakage every year—the amount that goes back into the ground and obviously takes thousands of years to surface again—it's not even comparable. The amount of water that is taken for beverage production compared to that which is wasted in infrastructure leaks throughout all municipalities across Canada is not comparable.

• (1140)

Mr. Frank Valeriote: Stevia?

Mr. Jim Goetz: Stevia is certainly a sweetener that our industry is very excited about, to bring more products to market. We have products in the United States, for example, and in Europe, that have been very popular for years. We are very pleased that's been passed and we can now bring those products to market.

As far as what else is on the horizon, I'm unaware of any other sweeteners that are coming down the pipeline. Stevia was the big one and it's a kind of breakthrough.

There are issues with stevia as far as its shelf life is concerned and its use in food and beverages. It's not as stable as other sweeteners. That being said, our industry is working diligently to address those issues and to bring more variety of choice to consumers in Canada so they can pick and choose the beverage that best suits their lifestyle.

The Chair: Thank you.

Mr. Richards.

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

I have some questions for each organization today if we can find the time, hopefully we'll get to both. I'll start with the Winery and Grower Alliance of Ontario, so whichever of you would like to answer my questions.

I noted that you mentioned tourism and the impact of tourism in your remarks. I also happen to chair the parliamentary tourism caucus, so that piqued my interest, obviously. I want to go down that path a little bit. I do have some other questions that are more directly related to, of course, our agriculture committee as well.

You mentioned that we need to do better at getting a bigger share of our domestic market with our Canadian wines, and I certainly would agree. I'm a big fan of Niagara wines and Prince Edward County wines as well. I'm a lover of Burgundy varieties. I would take—I'm not sure if he's a member of your alliance or not—a Norman Hardie Pinot or a Chardonnay from somewhere like Malivoire over just about any other Chardonnay or Pinot anywhere in the world. So I just wanted to let you know that I'm definitely a part of trying to increase that Canadian share.

• (1145)

Mr. Patrick Gedge: Keep at it.

Mr. Blake Richards: I noted you mentioned the impact on tourism. I had some stats from the Insight 2013 Conference that indicated that the tourism economic impact generated from this sector was about \$476 million. I know you mentioned in your remarks about \$1.2 million in revenue.

I think that was also including employment revenue related to the tourism industry. But whichever figure you use, certainly there's no doubt there's a big tourism-related impact, and certainly no other agricultural sector would have that kind of impact on tourism, without any question.

I was curious if you could briefly tell me if there are any tourism-related policies that you think could help to grow the wine business in Canada.

Mr. Patrick Gedge: Maybe I'd start and then pass it on to Murray, who lives tourism every day of his life.

One of the things we've seen from other jurisdictions when they've done economic impact analyses is the importance of tourism. We suspected before this that it would be very important, particularly in Ontario and British Columbia, given how close we are to the border and how important tourism is in general.

When the figures came out, I think even we were surprised by the overall economic impact and how important it is. You see a high correlation between tourism to winery regions and overnight stays, and of course as we all know in tourism, your real key is to get people to stay overnight because that's when the real dollars and revenues increase for the economy.

The key for wineries...If you're the smallest of the smallest winery, you're number one and in a lot of cases your only distribution is at your cellar door, it's right there. So the lifeblood of a small winery is someone coming through that door and buying right from the tourism facility.

That's also why they have to make those investments in terms of the winery being visitor-friendly and tourism-friendly. You have to make that investment because that's where they're going to sell when they start their business. Even for the larger wineries, they've made the investments over time because we're in the hospitality business

as well. Wine and food, and regional food and regional wine, all sort of interconnect together as being extremely important.

When we talked in our presentation about having a domestic marketing program, that is really all about trying to own more of our market, and part of that is to increase the focus on tourism in wine regions because if we can do that, then we can start to see the dollars work their way through the entire value chain.

Mr. Murray Marshall: Patrick is bang on. Within our industry we have a specific committee that's dedicated to the agri-tourism side. As an industry, we view it as one of our most enhanced opportunities to create a first impression with consumers. With people who get to the winery door, we have an opportunity to make them advocates, not only for our wine that we produce ourselves as individual wineries, but also for our regions. Whether that's Ontario, where my businesses reside, or the Okanagan Valley, Quebec, or Nova Scotia as well. Getting the people to the door and getting them to extend their stay in our region builds those champions and advocates for your brand inside the marketplace. Your ability to sustain their call of mind and remind them of the experience they had on-site is important.

We benchmark training at individual wineries in terms of what they're doing and how they're doing it. Education is hugely important for those staff components. Partnering with other tourism activities, whether in Niagara, the Shaw Festival...Prince Edward County has developed a tremendous regional tourism program. We think it is fundamental. It couldn't be more simple for us.

The Chair: You're out of time.

Mr. Atamanenko.

Mr. Alex Atamanenko (British Columbia Southern Interior, NDP): Thank you, gentlemen, for sharing your concerns. As you probably know, I represent some of the wine industry in southern Okanagan. I'm sure those folks share the concerns that you folks are sharing, Mr. Gedge and Mr. Marshall.

Just so I'm clear, your alliance would be part of the Canadian Vintners Association. Is that correct?

• (1150)

Mr. Murray Marshall: Yes, absolutely.

Mr. Alex Atamanenko: My first question is on this idea of the excise tax exemption. Often when I've met with the Canadian Vintners Association and other folks from my area this was certainly a recommendation. My policy always is to follow up, and make the minister aware of that as just another way of doing that, which I'm sure other folks here have done.

Have you seen any movement on this? That's the first question.

Second, should this be one of our recommendations to the minister as a result of the study?

Mr. Murray Marshall: We're going to tag team this answer.

We continue to be able to make the economic case and bring forward to government what is a very direct line in terms of opportunity in the marketplace and the ability to not only extend our existing market share but to drive our market share as a result of an appropriate.... It's not to say what exists today isn't appropriate but it's the only word I can use. Today the total content of a blended wine, which by law has a minimum of 30% Canadian content, receives a foreign excise tax. In certain circumstances that blend is much more than 30% Canadian, but once 1% is imported content the whole bottle attracts the foreign excise tax.

Our goal—through education, and through information, and through the ability for us to demonstrate to government what the payback would be—is to apply the 100% taxation issue on the Canadian content.

Mr. Alex Atamanenko: I'm going to interject here because I understand that, and I appreciate that.

You haven't seen any definite movement in this direction yet, so can we help you on that by making this a recommendation?

Mr. Patrick Gedge: You certainly can. You'll notice we didn't come with a shopping list of 20 things, but have focused on a few specifics.

Mr. Alex Atamanenko: I understand. Thank you.

The next topic is the Consumer Packaging and Labelling Act, and you folks have raised concerns. I'm wondering, Mr. Goetz, if this is a concern to your industry.

Mr. Jim Goetz: We look forward to continuing to work with members of Parliament on food labelling. It's always quite a contentious issue—

Mr. Alex Atamanenko: It's not labelling. It's the size of the containers. If we deregulate the size of containers, for example, we've met with processors from Quebec, ones that make ketchup and all the other products, and they're really concerned this could be detrimental to the industry. I'm wondering if you have the same concerns.

Mr. Jim Goetz: Our industry has been advocating for many years to do away with the requirements for importing on the container size simply because we see them as being onerous. Those products eventually do make it to market anyway through other channels and again for consumers to be offered choice, determining what size of container a product comes in we see as little bit outdated, quite frankly.

Mr. Alex Atamanenko: If I understand correctly, then, your position would be contrary to the position of the alliance and also some of the processors we heard from in other processing industries.

Mr. Gedge and Mr. Marshall, you've had discussions with the minister. Have you received any commitment to maintain the regulations as they are? This is a huge issue, and you've given us specific examples. If you haven't received that, would you then also recommend that we make this one of our recommendations in our report?

Mr. Patrick Gedge: We've certainly had discussions with the minister. I think the minister understands what we're talking about, and understands the potential implications. I can't say we've gotten any indication that the overall philosophy or course of action will

change, but I know they're gathering feedback from processors and others right across the country.

We would certainly want that to be part of the recommendations coming from this committee, again, respecting that it is a vulnerability we have as an industry. We now have the economics of the industry, so we can actually do attribution of how important this is from a quantifiable standpoint. It is very, very significant.

• (1155)

The Chair: Thank you.

Mr. Wilks.

Mr. David Wilks (Kootenay—Columbia, CPC): Thanks, Mr. Chair.

Thank you to the witnesses for being here today.

Mr. Goetz, from the perspective of government regulation vis-à-vis your industry, are we starting to find the balance with regard to the additives that are put into the drinks? Are we getting there? Are we as close as we're going to get? What types of improvements do you think you could see coming?

Mr. Jim Goetz: We are getting there, particularly when it comes to, on our end, offering consumers a wide variety of choice. With the approval of stevia, and working closely on a couple of other ingredients that are coming down the pipeline, our industry is being given the tools now to offer Canadians the array of beverages that are offered to consumers in Europe and the United States.

We are getting there. Again, some of the tools that have been put in place for faster approval of ingredients are extremely helpful. We thank the department for putting those processes in place. It's a matter now of ensuring that we follow them. When other ingredients come to the forefront, or are discovered, or are put before Health Canada for review, those tools for fast-tracking them, once the safety of the ingredient has been established by other large jurisdictions, recognized jurisdictions, are tools that will help Canada keep up and be competitive, as well as offer consumers more choice.

Mr. David Wilks: Thank you very much.

Mr. Gedge and Mr. Marshall, I have two questions for you.

First, you mentioned that we live in this microclimate with regard to the grape industry, which is true, whether it be the Okanagan Valley, or Ontario in the basin of the Niagara, or, to some degree, in my riding of Kootenay—Columbia. Creston has found a way of finding a grape that works in their area.

Having said that, where do we find the balance between the grape industry and the other fruit industries that are trying to live in the same microclimate, whether it be apple, pear, peach, or any of that? Where do you see that balance?

For my second question, I would revert back to my three years in the drugs section with the RCMP. There seems to be a certain element of our society that's figured out that hydroponics is not a bad thing.

Has the grape industry ever looked at hydroponics from the perspective of being able to grow not only around but outside that microclimate?

Mr. Patrick Gedge: Let me just comment on the first part.

One of the things we've seen in Niagara, to use that as one example—and Murray mentioned this earlier in terms of tobacco in some parts of the province but also in terms of tender fruit—is a conversion of some of the land from tender fruit to grape growing. At the end of the day, it's really about the economics and the sustainability of an industry. Here we have an industry where we know there's enormous potential mathematically, both in terms of market share as well as consumer demand over time. It becomes a more and more attractive industry for farmers. Again, it's not about farming successfully for one year, three years, five years. It's about farming for 10, 20, 30, 40 years.

I think that conversion is taking place. We just have to make sure that, at the end of the day, we have a sustainable economic industry that is actually selling the wine in the marketplace—because it doesn't do any good to grow the grapes and then not be able to sell it.

Mr. Murray Marshall: I'll quickly add to that. Fifteen years ago, in the Niagara region there were three fruit-processing facilities. Today there's zero. They've all moved to the United States. The ability to get to the market, for whatever reason, especially in the last few years, to be competitively priced, has been challenging. There's a conversion of those crops—apricot, peach, pear, plum specifically. Today they are moving into vineyard property. Frankly, the economic value on the income per acre, and the availability to sell it into a market that has demand, is driving some of that conversion.

As to research, I sit on the board of the Winery and Grower Alliance of Ontario where we fund, using federal government money, different terms of research. Greenhouse propagation of root stock is very active right now. We're looking at expanding the grape varieties planted in the vineyard, and we're doing all of that work in the greenhouse environment, bench studies. We go out and use test plantings. We're using the University of British Columbia, the University of Guelph, and Brock University, all of which have agricultural programs. Brock has the Cool Climate Oenology and Viticulture Institute. The Niagara College Teaching Winery, a community college based in Niagara, has a vinification program as well as a test vineyard and winery inside the educational facility.

So long term, a continued pioneering spirit, driven by innovation and education, exists in our industry. It's never been stronger. There is a closer tie through all levels of our industry—from the grower, the processor, and now with our government stakeholders. All are working cooperatively.

• (1200)

The Chair: Thank you.

[*Translation*]

Ms. Raynault, you have the floor.

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

Thank you to our witnesses for being here today.

Mr. Goetz, in your brief, you said that you didn't wait for government guidelines to make changes and announce the potential calorie content in soft drinks and juices. However, we also know that moderate-income households will often buy a cheaper product because they can't afford a better quality one such as fruit juice. People will buy a fruit drink with a higher sugar content.

Do you think that imposing a tax on certain products will change consumers' habits?

[*English*]

Mr. Jim Goetz: First, to address the issue of removing certain beverages from schools, we did move on that before. Most of the provinces now have food and beverage guidelines as far as what can or cannot be sold in a school. Our industry, years before even the first province came forward with across-the-board nutrition standards for food and beverages, removed full-calorie beverages, pop, from schools. That was done nationally prior to all of the provinces moving on that.

Regarding taxation, first of all, our products are already taxed. Our products are charged PST, GST, provincial taxes in each of the provinces by jurisdiction.

As far as changing consumer behaviour is concerned, we have a real-world example of where taxes like this were pursued, and that's Denmark. Denmark, in 2011, introduced a fat tax on certain products, which had additional taxation added to certain products that were deemed too high in fat content. They also had plans to introduce what they called a sugar tax, which would apply to both food and beverages, based on their sugar content.

Within two years, Denmark now has reversed that tax because of a number of reasons. First of all, it was proven that it did not change consumer behaviour at all when it came to consumption, except for the fact that consumer behaviour changed as far as driving across the border to Germany to buy products that did not have a tax on them. It also cost Denmark, a small country, 2,400 manufacturing jobs, which left the country.

There have been a couple of other small examples where taxes had been directed toward one product. For example, the State of West Virginia has had what they call a soda tax in place for many years. West Virginia ranks in the top 5% of states with the highest rates of obesity in the United States.

So as far as changing consumer behaviour is concerned, it can change consumer behaviour but not for the intended result, in our opinion.

• (1205)

[*Translation*]

Ms. Francine Raynault: So a considerable level of public awareness is needed.

Let's move on to wine. In your brief, you said that Chile owns 100% of its domestic market, that Australia owns 84% of its market and that the United States owns 66% of its market. What can we do in Canada to encourage more and more people to drink our wine?

Asking Air Canada to serve Canadian wine is fine, but—

Mr. Patrick Gedge: That is something we should do because it's a very concrete measure we can take. What's more, it's a matter of taking pride in Canadian products.

[English]

It's interesting how different countries have commanded their market share within their own countries even though there's presumed free trade. We certainly know that on an international basis there's a lot of agricultural subsidization, etc., in other countries and incentives in terms of their domestic industry. That's not something we focus on. We focus on being able to expose our domestic product to more and more Canadians because one of our feelings is that we have a level of quality in our products that is competitive with anyone in the world. One of the biggest challenges is to get people to try our products, as opposed to habits that have developed over the years and decades in terms of drinking foreign, imported wines.

One of the reasons that we've focused some of our commentary on the importance of a domestic marketing product is to get more and more Canadians introduced to our wine. We're absolutely convinced that if Canadians start to try our wine, we're going to start to build loyalty among them. But we have to break them of the habits that they've always had in terms of buying foreign wine. And they get used to it. Now what we want to do is give them a new opportunity to taste today's Canadian wine, and we're absolutely convinced that with that we'll build a loyal following.

Mr. Murray Marshall: Clearly, it's a matter of perception. It's historically based. Our industry generic initiatives are driven at entry-level consumers and consumers who are new from a wine consumption standpoint so that we can make a great first impression.

Many of the people, including most of you people in the room today, helped pay for some diapers around my house when you purchased and drank Baby Duck or Spumante Bambino.

Voices: Oh, oh!

Mr. Murray Marshall: At the time, those were wines made with great quality from the grapes that were available in the ground at that time. Today, that crop does not exist.

Just like the processing of fruit—there was a question on fruit—the juice grapes that were used to make those wines don't reside there anymore because there's no domestic juice business. That valuable vineyard land has now been converted into European varietals or global varietals like Chardonnay, Cabernet, Pinot Noir, and Sauvignon Blanc. These are fantastic grapes that can grow in a cool climate.

We now have to continue to expose both Ontario and the visitors who come to the winery to these wines. We have 35,000 visitors coming to the winery a year to taste wines that are made in the backyard, that are made in the plot of land behind, so that there's an

actual story of the root, the vine, and the terroir working together to make a great and incredibly strong product.

This is something that takes time. It's driven by education. It's driven by the availability of great fruit. I promise you that any grape region in the world can only make great wines when they grow great fruit. For us, that links back not only to the wineries that grow all of their own fruit, but to the wineries that grow their own fruit and then work with independent farmers, independent grape growers, in terms of crop load, use of herbicides and pesticides, trellising systems, and all of their viticultural practices, so that the optimum fruit can be available for the winemakers today, who are incredibly talented, to make great wine.

It's happening every day in the vineyard, not only in Ontario but in British Columbia, and now in Quebec and Nova Scotia to a great extent. It's done by pioneers, but it starts in the field.

● (1210)

The Chair: *Merci*, Madam Raynault.

Mr. Lemieux.

Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC): Thanks, Chair.

I wanted to explore a little bit more the link between the consumer, for example, and the wine industry. I'm not sure that I quite caught your comment about the bag-in-the-box in terms of wine. What was your comment on that?

Mr. Murray Marshall: Today, one of the very specific categories in wine consumption globally is the bag-in-the-box category. It is a larger size of format so that the cost per litre actually comes down. As the chairman of the VQA of Canada, I'm proud to tell you that VQA Ontario has now approved the bag-in-the-box for VQA wines

Mr. Pierre Lemieux: Good.

Mr. Murray Marshall: —which we believe is a tremendous step forward.

Mr. Pierre Lemieux: Okay. So you're competing with whatever other bag-in-the-box wines there are.

Mr. Murray Marshall: Yes, any that would be out there.

Mr. Pierre Lemieux: That's good.

Mr. Murray Marshall: The bag-in-the-box consumer today is in our target market because they're people who are in the early stages of their wine appreciation. The person who buys a wonderful Bordeaux or a classic big Australian isn't the person looking for a bag-in-the-box. It's somebody who's at the entry level in the category, and for us to build a first impression—

Mr. Pierre Lemieux: I think what's interesting is that you're responding to consumer demand—

Mr. Murray Marshall: Exactly.

Mr. Pierre Lemieux: —so you're being flexible and you're being competitive and innovative. Now you have products on the shelf to compete with other products that may or may not be of Canadian origin.

Mr. Murray Marshall: That's right.

Mr. Pierre Lemieux: That's good.

Mr. Murray Marshall: I have just one other point in terms of the carbon footprint and the weight, because there are more litres in less packaging.

Mr. Pierre Lemieux: Yes, it's better.

Mr. Murray Marshall: Also, for a Canadian producer, the route to market is hundreds of kilometres at the outside. On the carbon footprint of the same product coming from Australia, Chile, or Argentina, for example, there's no comparison.

Mr. Pierre Lemieux: Right, and let me ask you this as well. There was a great private member's bill that was meant to free grapes, to allow cross-border and interprovincial trade on grapes. You mentioned tourism, so I'd like to know your views on that. What's your view on interprovincial trade of wine or, in other words, no barriers to your wine or Ontario wine moving into other provinces? Does your organization support that?

Mr. Patrick Gedge: Yes. As an organization we support it, and we're a member of the Canadian Vintners Association nationally, which obviously supports it. We think it's something that will be good for the industry.

Mr. Murray Marshall: We absolutely do support it. We know it won't necessarily grow the market share for our industry, because that's a consumer who is already an advocate. But what we hope is that when they get to their destination—if someone has purchased the wine in Ontario and is taking it back to Saskatchewan or conversely is taking it from B.C. to another place—they will say they are ready to try Canadian wines again.

The economic driver is not going to be enormous, because the total tonnage that may get consumed as a result of it is probably small, but the marketability and the ability to influence opinion are significant.

Mr. Pierre Lemieux: Right. When that law passed, some provinces reacted negatively and threw up other barriers. Did your organization respond to that? What are the barriers in Ontario right now? I'm not exactly current on what they are.

Can a tourist come to Ontario, pick up a case of wine, and drive or fly back to his home with a case of wine under his arm?

Mr. Murray Marshall: As a producer of outgoing wines, Ontario's completely silent, funnily enough, because they attract the taxes either at the cellar door or at the retail store, so they are still getting all of the taxes from provincial and federal standpoints.

Depending on which province is getting the incoming wine, there are some issues. For us in Ontario today probably the largest barrier is the province of Quebec. There is so much that takes place on this bridge anyway, whether it's domestically produced or from a foreign supply, that again it's not a barrier. It's potentially an inconvenience, but at that point it's nothing more than that.

● (1215)

Mr. Pierre Lemieux: Let me ask you another question about the LCBO. Certainly in the past number of years, the LCBO has really taken on the beer market by expanding their beer selection. It's heavily advertised in nice glossy magazines that come in the summer on a hot day showing ice cold beer. There have coolers full of beer.

I know that overall, nationally beer sales have dropped, but when you go into a locale like an LCBO, as a seller of Ontario wine have you found that wine sales have dropped as a result of beer being sold by the LCBO? In other words did your association find it disadvantageous for beer to be sold because the consumer says, "I'm not going to buy two bottles of wine. I'm going to buy a bottle of wine and some beer"?

Mr. Murray Marshall: Colour me a bit biased. The LCBO today sees itself as the retailer of choice for beverage alcohol. Unfortunately there's a pretty big competitor in Ontario called The Beer Store. It happens to be 96% foreign-owned, and it controls the sale of beer from both the on-premise standpoint and the retail standpoint.

The LCBO saw an opportunity, and over time it has really evolved that opportunity, and it has dedicated an increasing number of linear feet of shelving and warehousing space and purchasing dollars for beer.

Candidly speaking, they prefer to sell beer because the markup structure in the LCBO is a little bit higher. They make more money per unit of beer sold just because the markup is higher than it would be on a bottle of wine. Frankly they make more money when they sell spirit, because the markup structure is higher on spirit. This is the Ontario model.

They have made a definitive choice to expand their beer offerings, in order to drive traffic to their stores and frankly away from another retailer, and that's their choice.

Mr. Pierre Lemieux: Sure. Did that benefit your wine market?

The Chair: I have to stop there. I'm sorry. We're way over time on that. They were good questions.

Ms. Brosseau.

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

I'd like to thank our witnesses for being with us today.

Mr. Goetz, I have a few questions. I was going through your website and I read a press release saying there was information from Statistics Canada that between 1999 and 2011 there was a decrease in soft drinks.

Why do you think that was? Why do you think people are consuming less? Is it because of education, or is it because of some kind of trend?

Mr. Jim Goetz: It's the variety of products that are on the market now. I always use the example that when you used to walk down the beverage aisle in your average grocery store, it was blue on one side and red on the other. That was really it.

There are a lot of products on the market now from sports drinks to bottled water to flavoured bottled water. There is a much wider variety of products available to consumers, and so their beverage choice has evolved over years.

People are drinking as much. Again back to Mr. Valeriote's point, everyone has to consume a certain amount of liquid per day in order to stay hydrated, whether that is water from a tap or something else. There's just a far greater variety of products on the market now.

Ms. Ruth Ellen Brosseau: So the soft drink manufacturers are branching out into bottled water and fruit juices and that kind of thing.

Mr. Jim Goetz: Absolutely.

Ms. Ruth Ellen Brosseau: I was wondering if you could talk a little bit about fortified drinks. I was grocery shopping not too long ago and I ended up buying orange juice. When I got home and tasted it, it tasted kind of weird. It was fortified with fish oil.

That's something; we're fortifying a lot of our juices. Is that a trend we have in Canada? I think it has been accepted since 1996 that we're fortifying more and more of our juices. Is that something to be expected as a growing trend in Canada?

Mr. Jim Goetz: Yes. I'm unfamiliar with the example you mentioned, but absolutely, and it's not just the beverage sector. It's across food and beverages. Absolutely, it is. Fortification of various food and beverage products has been a growing trend in Europe and the United States as well as in Canada.

As food and beverage manufacturers, both large and small, try to meet the demands of consumers, you're going to see that, and it is one area where the food and beverage industry works closely with Health Canada to ensure that all ingredients used in fortification are approved. Then it's up to the consumers to decide which products they wish to purchase.

• (1220)

Ms. Ruth Ellen Brosseau: Obviously it's approved by Health Canada, so I guess it's not an issue. You've brought to our attention the problem of red tape and making it easier to get things to the market. I take it this issue of new fortified elements in drinks is not a problem to date?

Mr. Jim Goetz: No, it's not. The only problem—

Ms. Ruth Ellen Brosseau: For example, stevia?

Mr. Jim Goetz: Yes, going back to stevia, that was a problem. It took far too long. Every other jurisdiction that I'm aware of had approved stevia for use as a sweetener years before Canada was able to get through the approval process. Again, it's a matter of government working with other governments as well as with the industry to try to cross the t's and dot the i's when it comes to safety and health. But when other large jurisdictions have already acted with approvals, I think there is a way that the Government of Canada can then look at that, use some of that analysis, and speed up the process to give consumers more choice.

Ms. Ruth Ellen Brosseau: There is a lot of awareness and education about childhood obesity and how we should be eating better and healthier. You think the government obviously has a role to play in combatting obesity, more than just taxing soft drinks. You think it's more of an education, an awareness, like a national food plan for Canada, a national food strategy idea. Is that right?

Mr. Jim Goetz: Absolutely, and thank you for that question.

There are advocates out there, again, as I mentioned, who would like to hang the obesity issue on the hook of one industry, who say if we were only to eliminate certain products from our diets or tax them, that would be the magic bullet to help us curb obesity.

There are very few experts out there who agree with that perspective. Obesity is a complex issue. If you lead a balanced, healthy lifestyle and you're following the Canada food guide, there is nothing wrong with enjoying a full-calorie beverage at the end of the day. Eliminating that from a diet is not going to cure the obesity issue in Canada.

I think government does have a role to play in educating Canadians about balanced diet. The government has a particular role to play in educating Canadians about being active and moving more. A full-calorie beverage, for example, has anywhere between 100 and 160 calories. There are gender differences but in general Canadians should consume approximately 2,000 calories a day. You can make beverages of your choice fit. Where we take issue at points in time is when governments take aim at one particular industry or one particular line of products as the unique cause of obesity, when experts agree that approach just does not work.

The Chair: Thank you.

Go ahead, Mr. Payne.

Mr. LaVar Payne (Medicine Hat, CPC): Thank you, Chair. My questions are through you to the witnesses—and thank you for coming today.

I have a couple of questions for Mr. Goetz. First of all, you talked about stevia. One of the issues with it is the stability. Is there some issue in terms of shelf life with it? Could you clarify that for me?

Mr. Jim Goetz: As far as sweetener is concerned, certain additives and certain ingredients, be they sweeteners or other things, don't mix as well, quite frankly, in a food or beverage product. Stevia is one of those. There are products that stevia can be used in. There are others that it is not as productive to use in. When you take a glass of water, you put sugar in it, you stir it, it dissolves and it stays dissolved.

There are some issues around stevia as far as its ability to be used in some products, but our members have worked very hard in other jurisdictions for years to find those products in which it does work.

• (1225)

Mr. LaVar Payne: The other comment I wondered about is that in terms of packaging, we quite often hear about different cities/provinces wanting to ban certain packaging products, plastics or whatever. I'm just wondering if that's had an impact on your businesses.

Mr. Jim Goetz: Thank you for bringing that up. I think Mr. Valeriote raised this as well in his question; I don't think I got to the answer.

There have been municipal initiatives popping up around the country about banning certain packaging, and I'd like to address that head-on. Usually it surrounds the use of PET plastic. The fact is that PET plastic is the most-used consumer goods packaging in the world for a reason. First of all, it is extremely recyclable. It can be recycled up to 20 times into PET again, without losing almost any of its actual energy or breaking down. There is not really a more recyclable type of package on the market, which is why you see not only the beverage industry using it, but also other products—salad dressings, etc.—moving to it.

I should point out on the recycling matter that PET plastic is recycled across Canada on an average of about 70%. It varies province to province, with different recycling, but it's approximately 70%. I would point out that the European Union recycling rate for PET is 48%. So Canada is a leader in that.

Mr. LaVar Payne: We're well in front, then.

Mr. Jim Goetz: Yes, absolutely.

Mr. LaVar Payne: I'm not sure how much time I have here. I have some questions.

The Chair: You have time.

Mr. LaVar Payne: For the winery folks, I don't drink a lot of pop. I drink water, coffee, and I hate to tell you this, but I do drink some Scotch. But I have found here in Ontario a very nice wine.... "Let it all hang out there."

Some hon. members: Oh, oh!

I was at a restaurant with my wife and her sister, and we found this Ontario wine. It's probably the smoothest red wine I've ever had. I tried to track it down, and it took a while. I found out who was the maker of the wine. Even before our colleague's bill went through, I managed to ship quite a few bottles of that wine to Alberta. I've told many people that I've already broken that law several times; however, I'll just leave that.

One of my colleagues talked about the barriers. Are there any barriers in Alberta? I'm not sure if there are.

Mr. Murray Marshall: No. Our company, as an example, actually has staff in Alberta who work for us on the ground, selling to the different retailers, whether it's Costco, the Real Canadian Superstore, or Willow Park. They are advocates of our brand.

The way it sets up in the private marketplace in Alberta is that the AGLC has a warehouse, they run the warehousing side of it. Then the individual retailers work with sales and distribution companies to assemble what they're going to do. They pay the AGLC. The AGLC pays me every Friday. It's fantastic. It's a private market that works. It's a good example of how it can work.

The number of stores, of points of retail in the marketplace today, is about double what it was while it was being run by the province. However, the volumes have really not gone up, and there's been a shift in terms of the product pricing. There continue to be some very interesting wines in the marketplace, but they aren't in broad distribution. So it's more specialized.

Mr. LaVar Payne: I've been trying to help market this Ontario wine to some of my friends back home. They got me to organize shipping for them.

Mr. Murray Marshall: That's terrific.

Mr. LaVar Payne: Ontario wines, yes.

The Chair: Thank you, Mr. Payne.

Mr. LaVar Payne: I had some more questions.

The Chair: Everyone in the committee always has extra questions. I have a couple. You referred to other countries owning their domestic markets. Are they doing it by regulation or because they make a good product and people want to buy it?

The U.S. is at 66%. I'm suggesting they may have a more open market, but are the other countries doing it by regulation?

• (1230)

Mr. Murray Marshall: I'll give you an example. Today 60% of the wine that France makes is sold in the export market because they produce such an oversupply of grapes. Funnily enough the oversupply of grapes drives government investment through a program called the euro fund, whereby they invest money to sell the agricultural product in export markets because they grow more fruit than they need. This is similar to Australia. Remember that Australia, as we demonstrated, absorbs in that marketplace—they have an 84% market share. In France the market share is about 80% as well.

Italy, on the other hand, consumes most of their product within the country. They're enormously loyal to Italian wines—14 different provincial regions grow grapes and make fantastic wines. The best wines stay in Italy. They also sell part of their surplus through the euro fund.

We're a burgeoning industry; we're not in oversupply. We use every grape we can get our hands on and we buy more, the more it's planted. As the footprint for vineyards expands, we believe our market is going to grow because we have tremendous confidence in our winemaking and our viticultural/agricultural practices.

The Chair: You're not suggesting that the government regulate to improve your position in the marketplace?

Mr. Murray Marshall: Absolutely not.

The Chair: Is there such a thing as a genetically modified grape?

Mr. Murray Marshall: No, but I can tell you that work is being done in that area on two different projects: in British Columbia in Summerland and in Niagara at Brock University. It's part of what I'm going to call an overarching program. The head of the research program at Brock University's Cool Climate Oenology and Viticulture Institute has now moved into the Okanagan Valley and is establishing a similar protocol in research in British Columbia.

The Chair: Mr. Goetz, does your organization have an opinion on energy drinks?

Mr. Jim Goetz: We represent energy drink manufacturers and distributors. We are working very closely. You're probably aware that energy drinks are being moved from the natural health product category into a food category. That will line them up with how energy drinks are sold in 160 other countries.

The Chair: So that's a good thing?

Mr. Jim Goetz: We support that process.

Along with the move from the natural health product category to the food category, energy drink producers will have to adhere to a number of requirements, particularly when it comes to labelling. There will be a nutritional facts label on these products, similar to all other food and beverage products.

Caffeine levels are going to be capped at a maximum of 180 milligrams of caffeine for a large single-serve container. We should put that in perspective. Your average short coffee from a well-known coffee chain has 175 milligrams of caffeine. We are supportive of that process, and we are working very closely with Health Canada on the transition.

The Chair: In closing, as a committee we hear the issues you've raised whenever we see other parts of the world that have approved the process and met all the requirements and yet we tend to delay so we can do our own process. I think that's probably something we've heard in every food variety and also in the supply chain, particularly in the grains sector—the ability to buy something 10 minutes across the border that's been tested for seven years, but because it hasn't been approved in Canada we can't get it.

Mr. Valeriote.

Mr. Frank Valeriote: With the permission of the committee, could I ask Mr. Goetz a question about beer?

The Chair: With the will of the committee we'll give you one question.

You have 30 seconds.

Mr. Frank Valeriote: In 30 seconds, should we apply the same interprovincial cross-border free trade on beer as we do for wine?

• (1235)

Mr. Jim Goetz: We represent the non-alcoholic, non-dairy sector, so beer is not in our purview.

Mr. Frank Valeriote: Okay.

The Chair: Perfect.

With that, I thank you for being here today and for your presentations. I'm sure you can look forward to a final report that

says we've listened to what you've said, and some of the recommendations.

With that, I'll thank everybody and wish everybody a happy Easter.

Have a good break.

Mr. Valeriote, do you have a question on new business?

Mr. Frank Valeriote: Yes.

Mr. Chair, a number of us attended an Ontario farmer's breakfast this morning. One of the conversations I had was with respect to non-business risk management programs that are being deployed by each of the provinces. The ones I was speaking about were specifically in Ontario. They had met with the minister of agriculture, who happens to be the Premier of Ontario, last week to talk about it, and they were getting into an area about which we have heard very little.

I'm wondering if—sooner rather than later, because I don't know when our next strategy session will arise—we might talk about getting some briefing on those programs that we talk so rarely about. There may be somebody in the federal government or from the Library of Parliament who has a good understanding of them; I know they're different in each province. I'm wondering if at some point we might collectively have a briefing here, between studies or whenever.

The Chair: It was my intention to have a subcommittee planning meeting shortly after we return, to finalize some of the go-forward matters.

Mr. Frank Valeriote: Okay.

Thank you.

The Chair: Seeing no other comments, the meeting is adjourned.

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