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Chair

Mr. Bev Shipley

Standing Committee on Agriculture and Agri-Food

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• (1535)

[English]

The Chair (Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC)): Colleagues, I'd like to call the meeting to order.

It's meeting number 58 and, as you know, we're dealing with the study of promoting domestic trade and agriculture and agrifood products with the intent of reducing interprovincial barriers.

Today we have two witnesses. We have, on video conference from St. Catharines, Ontario, the Winery and Grower Alliance of Ontario. Also with us is Marc Godin, from the microbreweries in Quebec.

We always like to try to move to the video conference first, Mr. Godin, just in case. Once in a while we run into a bit of a glitch, and it gives us an opportunity to come back.

With that, I'll move to the Winery and Grower Alliance of Ontario, with Patrick Gedge, president and chief executive officer, and Del Rollo, secretary treasurer.

You can open with 10 minutes of opening statements, please.

Welcome.

Mr. Patrick Gedge (President and Chief Executive Officer, Winery and Grower Alliance of Ontario): Thank you very much, Mr. Chair.

Good afternoon.

My name is Patrick Gedge, and I'm president and CEO of the Winery and Grower Alliance of Ontario.

As you mentioned, Del Rollo is with me, who is the secretary/treasurer of the Winery and Grower Alliance of Ontario, as well as the director of Eastern Estates Wineries and government relations, Constellation Brands Canada.

[Translation]

We are very pleased to be with you today, and we are very proud to discuss our industry and its impact on the economies of Ontario and Canada.

[English]

The WGAO is the only trade association in the Ontario wine and grape industry that is composed of both wineries and independent grape growers. Our members produce 85% of all the wine produced in Ontario; purchase over 85% of all the grapes grown by independent farmers in the province; operate the largest iconic tourism wineries in the province, such as Inniskillin, Peller Estates,

Jackson-Triggs, Trius Winery at Hillebrand, Château des Charmes, etc.; and represent 89% of all the exports of Ontario wine to some 73 countries around the world.

Every single person who deals with the wine and alcohol file comes away with the realization that this is really complex. I cannot tell you how many public servants and ministers have ended a discussion with that comment. But we could not agree more, because our major role as an association is to inform and share facts and experience about the industry with government. More often than not, there are unintended consequences that need to be understood and analyzed before final public policy decisions are made.

Our core message to government is that our \$3.3 billion, 14,000-job industry in Ontario creates jobs and investments in this province and in Canada through agriculture, manufacturing, retailing, and tourism. Nationally, our economic impact, as you know, is some \$6.8 billion and 31,000 jobs. Every bottle of Ontario wine sold generates \$39.67 of economic impact. Imported wines are our competitors at all price points, and they create jobs and investments in Italy, France, California, Australia, Chile, etc.

So the best and most sustainable source of increasing revenue to the government is through supporting the growth of the domestic wine and grape industry in Canada, not in other countries. The driver of such growth is an increase in the sales of Ontario VQA wine, which represents 25% of all Ontario wine sales, and International Canadian Blends—ICB—wines, which represent 75% of Ontario wine sales. Both of these categories of Ontario wine compete against imported wines: VQA against appellation wines over \$10, normally over \$12; and ICB against imported value wines, which are under \$10.

Our potential to grow the sales of both categories of wine is enormous. Overall in Canada, our market share of wine is some 30%, compared to 70% for imported wine. In most wine-producing countries, their domestic market share is typically between 75% and 99%.

At the same time, the portion of wine sales to all alcohol sales continues to increase, making our category more and more attractive but also more and more competitive. As one example of an opportunity for growth, the market share by value of Ontario wines sold through the LCBO is some 22%. In British Columbia the comparable number for B.C. wine sales through their liquor board is 43%. In many provinces in Canada, the market share of domestic wine is higher in their liquor boards than that of the LCBO, home to the largest wine and grape industry in Canada, so there are real opportunities for growth.

Please continue, Del.

Mr. Del Rollo (Secretary/Treasurer, Winery and Grower Alliance of Ontario): We are still a relatively young industry in the world of wine, but we have made enormous strides over a few decades. In terms of our size, our industry is still very small and therefore does not have the same economies of scale to compete worldwide. That said, the quality of our wine is highly recognized, as evidenced through winning awards at prestigious international shows such as Vinexpo, the International Wine and Spirit Competition, and Decanter.

Over time, we need to grow our industry and its critical mass in order to become more competitive in the marketplace. This means that our primary focus needs to be on growing domestic wine sales within our individual provinces, and then within Canada. The more that we own our home market, like every other wine-growing region, the more we will have the capacity and economics to grow our exports and brand recognition worldwide.

This explains why we have had two requests for the federal government, as articulated through our national organization, the Canadian Vintners Association.

First, we need to make Canadians more aware of domestic wine and its quality and value. This is not a short-term ambition, but will take years of exposure and of attracting more and more consumers to give it a try. Then our wine will speak for itself.

To achieve that goal, our request has been for a national domestic marketing program through Agriculture and Agri-Food. We have done a detailed business case to demonstrate the return on investment of a \$35-million program over five years, which we had hoped would be in the budget. Regardless, we will be making a formal application to the Growing Forward 2 agri-marketing program for \$12 million over three years, with fifty-fifty cost sharing.

Secondly, we want to have consistent treatment of every grape grown in Canada, regardless of whether it is used in appellation or blended wine. Currently, Canadian grapes are exempt from the excise tax only if they are used in a bottle of 100% Canadian wine, yet in Ontario over 50% of Ontario grapes are used in blended wines. We want to increase the demand for Canadian grapes in all provinces, so a consistent application of excise tax would provide the foundation for future growth of our industry.

Finally, in spite of the great allure of the wine industry, it is characterized by long-term capital investment and long-term modest returns. We compete against wines made in every country of the world. Let us grow our industry, enchant consumers, and create long-term sustainable jobs in our own country.

Thank you very much.

• (1540)

The Chair: Thank you very much for your presentation.

Now we'll move to Mr. Godin, please, from the microbreweries in Quebec.

[Translation]

Mr. Marc Godin (Secretary Treasurer, Association des microbrasseries du Québec): I will speak in French. I assume the microphone is working properly?

[English]

The Chair: It should be fine.

[Translation]

Mr. Marc Godin: Thank you, Mr. Chair.

The Association des microbrasseries du Québec is pleased to have been invited by your committee to help it to better understand the competitive and legal environment that limits the growth and competitiveness of Canadian microbrewers. Even though the Canadian microbrewery industry seems to be doing well, its development, competitiveness and even its survival are seriously compromised by the concerns and inconsistencies of the present patchwork affecting the legal structure in which it must operate. As you will see from the brief overview I will give, the current Canadian legal structure is not adapted to the global competitive context or to the reality of the new economy of microbreweries.

If our policies and regulations are to frame domestic practices to enable Canadian producers and processors to prosper and reinvest in the country's economy, you might say that this structure and this legal environment are rather dysfunctional. Most of the policies and legislation governing alcohol production and distribution in Canada were created in reaction to pre-prohibition social disorders. They were amended afterwards, but only in a piecemeal way, in response to isolated events and realities in each jurisdiction, without anyone taking the step back that was needed to reassess the overall competitive context and to harmonize the policies and regulations federally. Under these conditions, it is easy to understand why we are saying that our structures and legislation are somewhat ill-adapted.

I will give you a few examples. One thing in particular that comes to mind is the distribution cooperative that was created in Ontario under the name Brewers Retail and is now known as The Beer Store. This cooperative, which was created by regional Ontario brewers, defended the interests of those brewers for decades. It became the only legal system for distributing beer in Ontario. It passed into the hands of foreign breweries, which bought our Canadian breweries.

These foreign breweries are therefore benefiting from competitive and legal advantages that were put in place by Ontario breweries and the Ontario government to compete with Canadian microbreweries. Needless to say, this is completely absurd. Another thing that comes to mind is the federal measure that was put in place in the early 1990s to reduce the administrative burden of Canadian breweries and increase their competitiveness internationally. This was in reaction to the massive invasion of foreign beers on the Canadian market. It was a very good measure in itself, and the breweries and the Canadian economy benefited from this.

This interprovincial trade agreement on beer between Quebec and Ontario, which dates back to 1991, as well as the authorization of the free transfer of beer stocks between plants in Quebec and Ontario, is a very good thing. It allows us to exercise some competitiveness, but the problem is that, once again, the foreign multinationals are the ones benefiting from this advantage to the detriment of Canadian microbreweries.

Although Canadian microbreweries generate more positive economic and social benefits for Canada and its regions, they cannot take advantage of these benefits. So we are operating in an environment where there is a double standard. It is unfair.

I have another example I'd like to share. In Canada, unfortunately, we tolerate anti-competitive, if not illegal, practices. In fact, our current legislation and structure allow foreign multinationals to negotiate exclusivity agreements with large grocery chains and bar owners. Foreign companies can establish agreements of favouritism and even exclusivity with foreign multinationals to make it difficult to get access to regional products in Canada in large grocery stores. These practices have been deemed anti-competitive and illegal. However, our authorities to date have turned a blind eye, saying that this had not prevented our industry from progressing and that they did not want to intervene when it came to rules of the free market and competition.

● (1545)

When the market rules are unfair and unfavourable for their own economy, the authorities of the jurisdictions in question are required to intervene.

Lastly, I wanted to make you aware this afternoon of the fact that there is no dialogue among the provinces and the various jurisdictions to harmonize the policies and strategies, and to favour our domestic economy. In addition, the regulations are not consistent.

As you know, the Canadian Food Inspection Agency is reviewing the definition of beer, which is very important because it would have a decisive impact on the scope of the regulations for beer production, labelling, distribution and taxation. Too broad a definition would favour beverages sweetened with refined sugar, which are not really beer. However, too restrictive a definition would hinder the creativity of microbrewers.

You can understand why we believe that, even though the goal of reducing the administrative burden and obstacles to domestic trade is very noble, it will not be enough. This should not be the priority. We are even convinced that, in the current legal structure, it would risk further harming microbrewers and, as a result, Canada's economy. Yet that was what was done first. What we think the priority should be is developing a better understanding of the overall competitive context and the inequalities that our current regulations are producing.

If we aren't careful and if we continue in the same direction that we have accidentally taken or, rather, that has been perniciously produced in the last few decades by foreign competition, Canada will become a simple water bearer for foreign multinationals; Canada will provide the roads, trucks, consumers and even the regulations so that Canadians can subsidize the business of foreign multinationals.

A better understanding of the global trends and competitive environment, combined with a political will and a vision for the domestic development of the sector, that is what we believe should be addressed first.

The short time and limited time for my appearance today does not allow me to give you all the recommendations that we would like to put to you, which is why we will limit ourselves to three wishes or recommendations, and even plead with you to take a leadership role with regard to the following.

First, we would like you to act as a centralizing agent for information — and I think that is what you are doing today — but also as an expert advisor with government authorities and all the departments and agencies to raise their awareness of the critical importance of considering the global context and competitive issues before defining new policies or before trying to amend existing regulations. In addition, it would be important to insist on greater dialogue between government stakeholders and better consistency between the policies and regulations in force. We're talking about consistency of regulations.

We also hope that your committee will be able to act as a guardian of the interests of Canadian producers, processors and consumers. In fact, we hope that you will ensure that the market conditions and regulations are fair for all Canadian producers and processors.

● (1550)

Microbreweries are not looking for competitive advantages, but simply to compete in a fair market.

As you know, microbrewery beers are distinguished by their taste and distinctiveness. We have sort of given beer back its nobility and enabled the industry to renew itself.

In Quebec alone, we have created over 120 companies and thousands of jobs, but our potential for development and contribution to Canada's wealth is unfortunately limited, if not compromised, by the constraints I have spoken about today.

We would ask you to become the leaders who will respect the specific character of microbreweries, which will enable them to reach their full growth potential and contribute to Canada's economy.

Thank you.

[*English*]

The Chair: Thank you very much for the good presentations.

We'll now go to the rounds of questioning. I encourage members to stick to the points around the interior barriers, the internal barriers between provinces.

We'll start with the NDP and Madam Raynault, please, for five minutes.

[*Translation*]

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

Mr. Godin, thank you for being here today.

I am pleased to see you again. We met a few weeks ago in Joliette at a round table on microbreweries. I was there with my colleague from Berthier—Maskinongé. We had some very good discussions during the event.

You said that the measures adopted in the early 1990s favoured interprovincial trade. Could you explain how that happened?

Mr. Marc Godin: Yes.

An interprovincial agreement was reached between Quebec and Ontario to enable Canadian brewers with production units in both provinces to exchange or transfer stock between their various plants. For instance, a brewer in Toronto could take its stocks brewed in Toronto and distribute them freely in Quebec and Montreal. And a Montreal brewer with a production unit in Ontario could do the same.

It allowed Quebec and Ontario brewers to generate savings through better logistics and, as a result, be in a better position to deal with the price war, not to mention dumping by foreign brewers.

Ms. Francine Raynault: In your presentation, you said that 120 businesses had been created. How many jobs did that create? One hundred and twenty is a pretty big number.

• (1555)

Mr. Marc Godin: They are small businesses, but I will give you a general idea.

Ms. Francine Raynault: SMEs are important in our region, and they create a lot of jobs.

Mr. Marc Godin: Our 120 SMEs created over 1,000 direct jobs. At that rate, if growth continues, we will soon reach 2,000 direct jobs.

Ms. Francine Raynault: That's very good because, as I just said, small businesses and SMEs create jobs in our region.

Mr. Marc Godin: And these businesses reinvest their profits in the regional economy.

Ms. Francine Raynault: Indeed. Of course, they also help businesses in our regions operate.

You mentioned the new economy for brewers and inequalities in the legal patchwork. Could you expand on that?

Mr. Marc Godin: If I'm not mistaken, you asked two questions.

Ms. Francine Raynault: Yes.

Mr. Marc Godin: What was the first question?

Ms. Francine Raynault: I will ask my two questions now.

Mr. Marc Godin: Okay.

Ms. Francine Raynault: I was talking about the new economy for brewers.

Mr. Marc Godin: People say that it is a new economy, but really it's a return to local and regional economies using Canadian products, using Canadian labour and using all the resources. Some people say that it is a new economy because it is changing the established paradigm. However, before prohibition, Canada had many microbreweries and regional breweries. There were over 300 in Ontario and over 200 in Quebec.

Unfortunately, with the concentration of the control of breweries by foreign multinationals, we found ourselves in a situation where the majority of degustation beers and specialty beers were imported products. So we ended up with a trade imbalance in Canada. So what we are calling the new economy of microbreweries is, in fact, a return to our roots. It's a return to our local and regional economies.

Ms. Francine Raynault: Let's talk about the inequalities in the legal patchwork.

[English]

The Chair: Could we have a short answer, please?

[Translation]

Mr. Marc Godin: I will try to give you an example —

[English]

The Chair: I think what we might do is allow you to have the time, and we'll come back to another question.

Mr. Marc Godin: Thank you. I appreciate that.

The Chair: Now I'll go to Mr. Keddy for five minutes. Because we have a video conference, please identify where the questions are going.

Thank you very much.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Thank you, Mr. Chairman.

I welcome our witnesses.

Mr. Godin, you talked about your relationship with the microbreweries and the CFIA. You had some concerns that you've flagged on the present rules. I think your statement was that you didn't want to see the rules change without consultation. Has that been a difficulty in the past?

Does your association of microbreweries not have some regular dialogue once a year or sit down with the regulatory board, provincial or federal, and try to see if there are changes coming or being gazetted?

Mr. Marc Godin: I believe that we haven't been invited, or involved, or proactive in doing this enough.

Mr. Gerald Keddy: If regulatory changes are coming your way, are they federal changes or provincial ones? It's incumbent upon governments at every level to be proactive when their regulatory changes are being made and to make sure that industry—in this case, the microbreweries—understands that these changes are coming and the reasons why they're being implemented.

Mr. Marc Godin: Yes. Currently the review of the beer definition was initiated by

• (1600)

[Translation]

the Canadian Food Inspection Agency

[English]

They are proposing a redefinition, but we are realizing that different provinces and different players in the industry wish to have a different definition and already have different definitions here and there in their legislation. We're concerned that if we don't take the time to sit down with all the players to agree on a common definition, it might create some problems in putting the policies and the regulations into practice—

Mr. Gerald Keddy: Okay.

Mr. Marc Godin:—especially if you start doing interprovincial trade.

Mr. Gerald Keddy: Yes, absolutely: one regulatory regime and one definition for every product.

At Halloween, for example, a lot of microbreweries will make a pumpkin beer. It is a bit sweeter and it has a bit of a different taste. It's still beer and it's still made like beer, but it has some different ingredients in it. I want to zero in on what your main concern is. If you're making that product and you want to ship that product to Toronto, let's say, any regulatory changes and the way it's treated in Ontario could be slightly different from how Quebec does it, and you would not be able to ship that beer into Ontario.

I'm not saying that's the issue, but maybe there are issues like that. It's helpful for us if you can give us specific examples of cases you've already had that prevent interprovincial trade.

Mr. Marc Godin: To be honest with you, I am not prepared to go into the details. We are in the process of documenting our own position and our own recommendations regarding this.

Mr. Gerald Keddy: That's perfect.

Mr. Marc Godin: Unfortunately, today I am not yet capable of discussing the details.

Mr. Gerald Keddy: That is not a problem, Mr. Godin. If you could follow up, that would be helpful to the committee.

Mr. Marc Godin: Yes, we will.

Mr. Gerald Keddy: Do I have a little time left?

The Chair: Make it very short.

Mr. Gerald Keddy: I wanted to ask the grape producers about this.

You folks mention in your submission the excise tax on blended wines. Apparently, if it's an appellation, if it's 100% Ontario wine, you can avoid the excise tax. If it's a blended wine and you have some grapes in there from other areas—I am assuming other areas in Canada, or perhaps the States—you can't avoid the excise tax. Do they not have a formula that would allow you to work that on a percentage basis?

Mr. Patrick Gedge: No. Unfortunately, that does not exist. When the changes were made years ago, the excise tax exemption applied only to bottles of wine that were made from 100% Canadian grapes. It did not take into account the fact that you have Canadian grapes going into blended wine.

Our objective is really simple. It's to treat every Canadian grape in the same manner from an excise tax basis, so that regardless of whether it goes into a 100% product or is part of a blended wine, the

Canadian grapes get exempted from excise tax. That way, you are basically incentivizing the entire industry to continue to buy Canadian and, in our case, Ontario grapes.

The Chair: Thank you very much.

Thank you, Mr. Keddy.

I will go to Mr. Eyking for five minutes, please.

Hon. Mark Eyking (Sydney—Victoria, Lib.): Thank you, Mr. Chair.

Thank you, guests, for coming.

My first question is for the wine producers.

When you're in Europe, whether you're in the Bordeaux area or the Rhine River areas, you see way more loyalty with regard to people drinking their local wines. There is more knowledge and there is more loyalty. You see it in all the restaurants. You see it everywhere.

You mentioned that big gap: that we could be selling local wines in our regions. Look at the Niagara area. It's only 100 kilometres or so away from Toronto. You would think that if we were doing it right, that whole area, the Toronto area, would be drinking half the Niagara wine, but that's not the case. How do you get that loyalty, whether it is in restaurants or in markets? How do you make that happen?

• (1605)

Mr. Patrick Gedge: It's a great question. I don't think there's one silver bullet in order to achieve that. I think it's a whole mixture of a range of activities.

Over the last number of years, we have certainly enhanced all of our marketing activities within Ontario, B.C., and even Nova Scotia. You have to keep top of mind in front of consumers the type and quality of wine that we are able to produce within this country. Often what happens, frankly, in any consumer marketing, is that people are operating with perceptions from 10, 15, or 20 years ago in terms of what you are able to produce.

We find that the best way to ultimately sell more Ontario wine is to get people who haven't tasted it, or who have tasted it a long time ago, to taste it now, and then we'll start to work on the conversion. Out of personal experience, they will start to appreciate it and, as consumers, start to demand more Ontario wine or Canadian wine. The result is that this demand will then start to affect what restaurants carry, as an example.

Del?

Mr. Del Rollo: There's one other point I would mention, because we are competing with the rest of the world. I'll use the European Union as an example. They have a budget of over a billion dollars to market their wines around the world. Canada has a target on it—specifically Ontario—as one of the best markets to sell wine to.

When we look at our industry and what we're spending to market our wine, in comparison to what the big foreign companies are spending in coming in from France, from Italy, and from the European Union as one of the largest areas, it's a real challenge for us to compete from a domestic wine standpoint.

Hon. Mark Eyking: If, for instance, you visit a winery and you really like the wine, you take a case of it home or whatever, but then you go to the liquor store and you can't find it, or you ask at a restaurant and you can't see it. Is there a way you can connect through the Internet to demand or receive that wine? Right now, you can get it shipped only within the province. Or is it interprovincial right now? Can you get a case of wine delivered interprovincially?

Mr. Del Rollo: I'll speak to that and answer those two points. Yes, you can certainly order wine. I'd say that 95% of wineries sell their wine online. In Ontario, they can ship within the province of Ontario. Currently we cannot ship into I'd say half the provinces.

Some provinces have opened up their doors. I could ship to British Columbia, but we are not able to ship into Quebec, as an example, which would be one of the target provinces for us because of its proximity. We are not able to ship into that province due to the regulations in each province.

Hon. Mark Eyking: So it would be a good idea for the federal government to get the provinces together and let that wine flow, right?

Voices: Oh, oh!

Mr. Marc Godin: I would agree.

Hon. Mark Eyking: My question is for the microbreweries. Back home, we just opened a microbrewery and we can buy beer right at the brewery. Is that also possible in Quebec? Can you go right to the breweries and buy the beer?

Mr. Marc Godin: Yes, most microbreweries have what we call "*un magasin à l'usine*" or factory outlet.

Hon. Mark Eyking: But the biggest problem you have is getting the beer from those microbreweries into the corner stores and the liquor stores.

Mr. Marc Godin: Yes, our main challenge is to have access to the tap lines in the bars and to the shelves in the grocery stores, because unfortunately most large multinational brewers negotiate exclusivities with the retail space owners. It's illegal, officially speaking, but it's simply tolerated, and there is no way we can grow significantly until this is solved.

Hon. Mark Eyking: Are you also at a disadvantage—

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

Hon. Mark Eyking: Okay. Thank you.

The Chair: We'll now go to Mr. Payne for five minutes, please.

Mr. LaVar Payne (Medicine Hat, CPC): Thank you, Chair.

Thank you to the witnesses for coming today.

I do drink the odd beer. I don't know a whole lot about the microbreweries, but I understand that they're growing by leaps and bounds in Quebec. Is that correct?

Mr. Marc Godin: Yes.

Mr. LaVar Payne: Do any of your microbreweries have production facilities in Ontario? You were talking about the ability for one of those facilities to move products back and forth across the border, and I don't know if that's currently the situation, if any of them have that.

•(1610)

Mr. Marc Godin: To my knowledge, no Quebec microbreweries own an Ontario-based production facility. The advantages are so great that some of us are seriously considering it, including me and my own company. We're based in Gatineau, across the river, and it would be relatively simple for us to establish a production facility in Ottawa or in the Ottawa Valley. We could therefore take advantage of the same interprovincial agreement that the large brewers have taken advantage of in the past.

But for most Quebec microbreweries, it doesn't make economic sense to do it unless they really want to dedicate themselves to the Ontario market.

Mr. LaVar Payne: And expand the market, obviously?

Mr. Marc Godin: Yes.

Mr. LaVar Payne: You answered the question before I even had a chance to ask it, so I thank you for that.

Mr. Marc Godin: Okay.

Mr. LaVar Payne: I wanted to talk a bit to the folks from the winery business. As I understand from your website, consumption of wine is growing faster than that of spirits and beer, and sales represent only 30% of all wine sold across Canada. I know that there have been some issues in terms of shipping across borders. One of our colleagues actually had a bill that enabled that to happen. He was from B.C., so I think that might be the reason B.C. is doing that.

I know that in fact some wine is being ordered and shipped to Alberta by the case, and not necessarily ordered online. Somebody said it's illegal, but I would have to confess that I'm the one who's doing that. I'm not going to name the winery because I don't want them to get into any trouble. I'm probably the one who'll get into trouble, but certainly, I believe some of the laws around shipping wine across interprovincial borders need to change.

Why would we have interprovincial trade barriers when we're trying to open up markets around the world? It just doesn't make any sense to me. Also, we certainly have a great opportunity to build upon our sales and marketing here in Canada.

Do you have any other comments you'd like to make in that regard?

Mr. Patrick Gedge: You're quite correct in your statistics and what is permitted and not permitted. There is a certain level of permission in terms of what you take with yourself if you're crossing from Ontario to Quebec, for example, but to join a wine club or to have it actually shipped to Quebec is not something that you can do.

The unfortunate thing—just to make it a bit local—is that Niagara wineries have a tremendous number of visitors from Quebec. The marketplace in terms of the wineries, the cycling, Niagara-on-the-Lake, etc., is very attractive to Quebec visitors. If they were to find a wine or a winery where they really liked what they tasted, it just seems really odd that they couldn't join a wine club and in fact continue to enjoy that over time.

Mr. LaVar Payne: Well, it only makes sense to me. My wife and I were in Niagara and toured a few of the wineries down there, and we really enjoyed that. We're from Alberta, so I actually had that stuff shipped to me in Alberta. The wine is so nice and tasty that I have a hard time resisting it.

Mr. Patrick Gedge: It simply shows that you're willing to support all-Canadian product.

Mr. Del Rollo: I would add one point, if I may. When we're talking to the various liquor boards and so on, one thing is the concern about how to handle this and make sure there are proper regulations put around it. I would look to the United States and what is done between the different states. There are software programs and there are the abilities to be able to regulate how the wine is shipped and create the appropriate policies, so that whether it's taxes or otherwise, it's all taken care of. I would suggest that if the concern is about taxes and so on, there are ways to regulate this, so that we can ship wine from province to province but those provinces still benefit from the sale of that wine.

• (1615)

The Chair: Thank you very much.

Mr. Del Rollo: That's where I think we need to get to.

Mr. LaVar Payne: Thank you.

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

This may be the last time we actually see him at committee. We may have to get a replacement after his acknowledgement of illegally shipping wine.

Voices: Oh, oh!

The Chair: I'll now move for five minutes to Madam Brosseau, please.

[*Translation*]

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

I would like to thank all the witnesses who have shared their experience with us today.

Mr. Godin, page 3 of the document entitled “Un portrait de l'industrie brassicole au Québec” states that there were three large brewers and 63 small brewers in May 2013. In 2014, the number of small brewers had increased to 76.

What is the difference between a small brewer and an artisanal brewer?

Mr. Marc Godin: According to the Loi sur la Régie des alcools, des courses et des jeux, in Quebec, a microbrewer is a brewer that produces less than 300,000 hectolitres of beer a year. A large brewer produces over 300,000.

Ms. Ruth Ellen Brosseau: Very good, but we are still talking about growth in that respect.

We have microbreweries in the Mauricie region, but we also have the Ferme Nouvelle-France, an NPO that opened a few years ago. It brings together farmers and seed companies. There is also a malt house. The Festival brassicole de la Mauricie, which takes place annually, highlights our region's barley products that are made into

beer. The number of people who attend the festival grows considerably every year.

I love beer. I am proud to buy locally when I can. It's a Quebec product from our region.

There was a bill that was introduced before Parliament that promoted local foods but, unfortunately, it did not pass. But I think that Canadians and Quebecers increasingly want to buy locally.

Could you tell us the dream of small brewers in Quebec? Do they want their products to be more available in bars, supermarkets and gas stations? Gas stations in my region carry a variety of artisanal beers. What would really help microbreweries in our regions to increase their sales?

Mr. Marc Godin: Currently, in Quebec, microbreweries have only 7.1% of the market. If we were on a level playing field and we had the same access to the shelves and tap lines as the large breweries, that market share would be between 12% and 15%. A market share like that would mean thousands of additional jobs in Quebec, hundreds of additional hop farms and malting plants, hundreds, perhaps thousands, of specialized points of sale that would be profitable as a result of selling Quebec products. That is the microbreweries' dream.

In Quebec, there are almost 16,000 retail groceries. Of that number, only about 800 resisted the temptation to accept the gifts and kickbacks provided by the big breweries in order to make room for microbreweries. Those were the retailers who refused to allow exclusivities, in other words. So we have only 800 points of sale out of 10,000, 15,000 or 16,000 grocery stores. You can see how much that limits our development. We have moved from 1% to 7.1%, but the message I would like to leave with you today is that, if nothing is done, that's as far as it will go.

• (1620)

Ms. Ruth Ellen Brosseau: I quite agree.

Mr. Marc Godin: In addition, foreign multinationals are in a better position than we are. They keep putting obstacles in our way and competing with us. Ten years ago, our shares of the market were so insignificant that the large foreign breweries paid us no heed at all. Today, they are seeing that the trend in the market and in the industry is clearly towards regional products. So they are coming up with strategies to put up barriers in the way of our access. It is important for something to be done to change that situation.

Ms. Ruth Ellen Brosseau: As I prepared for this today, I read an article and I think—

[*English*]

The Chair: Very quickly, please, Madam Brosseau.

Ms. Ruth Ellen Brosseau: Okay. I'll just talk about Beau's beer.

[*Translation*]

The brewery producing that beer is not very far from where I live. It is in Ontario and its beer is well-known here. You can easily get it at the LCBO Beer Store. It is difficult for that brewery to get a market share in Quebec, it has not expanded into the market there. However, it was easier for them to export to New York. They said they just had to fill in a form.

Do you have any comments for us on that?

Mr. Marc Godin: You are right. We are in the same situation in Quebec.

Let me tell you about something that happened to me.

A few years ago, my company wanted to take part in the Ottawa Wine and Food Festival. It took us almost four months of work and cost us \$2,500 to bring 12 small kegs of beer to Ottawa, two kilometres from my place. We have a situation where it is actually easier for us to export our beers to Japan, France and the United States than to our neighbours in Ottawa. We have the same problem in Quebec.

[English]

The Chair: Thank you very much, Madam Brosseau.

Now I'll go to Mr. Zimmer.

Mr. Bob Zimmer (Prince George—Peace River, CPC): Thank you, Chair.

Thank you for presenting to us today.

Marc, what you suggest I think illustrates why we're doing this study in the first place. We have international trade markets opening up all the time, and it's incredibly frustrating for us as a federal government to see established within our country these little fiefdoms that are problematic for trade. Most Canadians don't even see this happening. That's why we're trying to highlight it. Thank you for coming today.

I want to talk to the wine guys first.

You know as well as I do that Dan Albas had a bill that we passed through. We anticipated that there would be an end to a lot of these problems that we're still talking about, that interprovincial trade would open up, and that everything would be grand, but here we are.

Knowing that I'm speaking to the converted, I know that you already know the issues. What I wanted to talk about is that you said an awareness campaign needs to occur about Canadian wines and how good our product really is. We have the Mission Hill Winery in B.C. We have many other vineyards and wineries in B.C. You have them in your region as well. What does that awareness campaign look like from your perspective?

Mr. Patrick Gedge: We developed a strategy through our national organization, the Canadian Vintners Association, in order to put together a vision, if you like, of how we would position ourselves in the marketplace and to also use that as a baseline for making a proposal to the federal government for a future campaign.

Core to that strategy is that we believe—and our research shows—that Canadians do want to buy Canadian and local products. That's a fundamental truth, and it comes out in the research. The problems you have are making them aware of how and where they can get it and building up their experience with the product. As I said earlier, there is no substitute for someone actually tasting the bottle of wine themselves and then deciding, "You know what? I really like that." If you like that one, then let's try another two, three, or four different types, different varieties or whatever, and then you're starting to convert people.

But if people simply buy by habit what they've always bought over their entire lifetimes, or what their parents bought or whatever, then frankly you're not going to increase market share. You have to be able to provide those new opportunities at something like Taste Canada in order to start getting people to think about how they can get exposure to Canadian wine and how it pairs with food and culinary.... Then people start, but you have to get them to have that personal experience.

Mr. Bob Zimmer: Thank you for that. I was thinking a trade show I was at. A few trade shows back in my riding would be perfect for people to test those new varieties, because again, you don't know what you don't know, and they would be the perfect place to demonstrate this.

Getting back to the breweries, I would ask you a question. From your perspective as a Quebec beer producer, are you asking for reciprocity? You want to be able to sell your beer into Ontario freely. Are you suggesting that Quebec should sell Ontario beer equally without obstruction?

• (1625)

Mr. Marc Godin: Yes, perfect. That's it exactly.

Mr. Bob Zimmer: That's awesome. How about across the country?

Mr. Marc Godin: Absolutely: why not?

Mr. Bob Zimmer: That's awesome.

Mr. Marc Godin: We are open to that. The competition between craft brewers doesn't come from other Canadian craft brewers. It comes from foreign product importations.

Mr. Bob Zimmer: Thank you for appearing today. I think that's all I have. I do see a rise in the craft breweries, and to see that you want the open market to freely compete with the next guy is exactly what we're for and supportive of, so keep going.

I'd like to give the rest of my time to my colleague Mr. Maguire.

The Chair: He's just going to take his full five minutes.

Mr. Larry Maguire (Brandon—Souris, CPC): Thanks very much.

I also appreciate the opportunity to hear your presentations today. We have microbreweries in Manitoba that are providing small amounts of product. Some of them are going very well, and I appreciate your comments about being able to see them expand and trade into many other areas.

I see here one of your asks, particularly for the microbreweries, is the whole area of wanting to be able to offer product in each province in Canada, as you just replied to Mr. Zimmer. Are there many major impediments standing in your road in regard to being able to do that at this time? Some of the local breweries I've spoken to don't see a big problem with that, but I'd like to hear your comments on it.

Mr. Marc Godin: Our own government in Quebec simply needs to be more open to the idea. We're trying to explain to them that we have absolutely no concerns in regard to seeing beer from other provinces come into Quebec. That's not an issue at all.

I feel like giving you again a personal example that I lived. In the process of investigating the possibility of opening an Ottawa-based production facility, I met with both LCBO officials and RACJ officials.

The LCBO gentleman was very open. He said that they would welcome us any time and that they had just one rule that we would need to comply with. We would have to produce at least 2,500 hectolitres of beer in Ontario in order to be considered as a full Ontario-based producer and, from there, we would be able to bring in Quebec beer that we brew in Gatineau, and obviously, they said, they hoped that the Quebec government would allow the same thing to happen the other way.

I don't know if I should be saying this here, but when I met with the Quebec officials to do the same thing, I had to sit down with four lawyers. They said to me that maybe if I told them what my intentions were, if the *échange* was *équitable*...

It just sounded so much easier one way than the other. We need to change that.

[Translation]

We in the Association des microbrasseries du Québec,
[English]

will take the responsibility to make our officials aware that it's not an issue, not a concern. We want this free trade to happen between the provinces.

Mr. Larry Maguire: For my other question, I'll turn to the Winery and Grower Alliance.

I want to thank you for your presentation today, Patrick and Del. I have a similar question for you. I believe you said in your presentation that you were looking at expanding that share of the 30% wines versus the 70% of imported wines—

Mr. Patrick Gedge: Yes.

Mr. Larry Maguire: —and looking at domestic marketing programs to be able to do that.

I'm assuming—correct me if I'm wrong—that as an alliance you're working with a lot of the wineries you indicated in your presentation. Are you also then of course affiliated with the Canadian Vintners? Are you working with vintners across the whole country with regard to trying to do two things there, to expand that percentage and to deal with plans to do that?

You're talking here about an agri-marketing program, but are there other programs that you could use locally? I'm assuming that this isn't all regulatory. Some of it may be cost, and some of it may be quality.

I think we have raised the quality of Canadian wines tremendously over the last few decades. Your industry has matured tremendously, and we have really good products, and that goes along with pricing them. Can you also indicate to me what are the easiest or quickest mechanisms you've used to expand that market and what you're looking at? If you're looking at 50-50 or going 70-30 the other way, I think we have the quality to do it.

• (1630)

Mr. Patrick Gedge: Thank you very much.

On your first point, we are fully coordinated and integrated with the Canadian Vintners Association, and we're a member of the CVA. We have a national strategy that is complementary to our provincial strategy in Ontario and to the provincial marketing strategies in British Columbia and Nova Scotia. We look at this from a holistic standpoint. All the pieces have to work together in order to ultimately be effective for the consumer.

We also have marketing funds within Ontario and within British Columbia, and we would look at how those funds can work in tandem with federal funds to have an efficient and an effective overall program. We think that's absolutely the key to our success. You can't run things independently and separately. They have to be totally complementary.

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

That brings this round to an end.

Witnesses, I thank you for your openness. What you've been able to enunciate very clearly about the restrictions that come along with interprovincial barriers helps us. This was our last meeting in terms of witnesses for this study. We'll be putting together a report for it.

What we have heard is that there are so many interprovincial barriers. There was the agreement on internal trade that was signed in 1995 by the federal government, the provinces, and the territories in terms of reducing interprovincial trade barriers, and we know that over time a number of barriers have come down, but in talking to a number of witnesses it almost seems that sometimes those barriers get backfilled again by new ones. In talking about it, it seems to me that it leads to protectionism.

When I listen to the entrepreneurs in front of us, this isn't what it's about. It's about you having a great product. Whatever we have in Canada—and it didn't matter whatever the witnesses we had—we have this incredible product in Canada. As we have opened international markets, it sometimes seems easier to get those barriers levelled out than those within our own country and between our provinces and territories.

Thank you so much. It's been an interesting discussion. We appreciate all of you taking the time to come out and join us and be a part of this study.

A voice: Thank you very much.

The Chair: We just have the one group today, so I have about an hour to talk to you for the second hour.

Voices: Oh, oh!

The Chair: No, I won't.

You will notice that we have two individuals here today. Jean Michel has been around for 33 years, I believe. He has served the House of Commons for 33 years. He has also served this committee for I'm not sure how long, but since I've been here.

A voice: A year and a half.

The Chair: It's been a year and a half, and he is now taking his retirement.

Jean Michel, we just want to say to you that you have some colleagues who have come out and who you know well. They've taken unpaid leave to come and be a part of this.

Voices: Oh, oh!

The Chair: Our committee has a card that we want to give you to say thank you but also to wish you well in your retirement. All the best. Have a healthy and great time away.

• (1635)

We hope that you will from time to time come back and visit—

The Clerk of the Committee (Mr. Jean Michel Roy): On CPAC.

Voices: Oh, oh!

The Chair: —and that we may see you in the halls of the House of Commons.

Thank you so much for your service not only to this committee but to our country and to the House of Commons.

[*Applause*]

The Chair: We know how important it is to have someone who's very knowledgeable about being clerk of a committee and who the chair leans on from time to time to get direction so that we stay on track with what we're doing. We have that again today with the new clerk, Jean-Marie David. I'll call him "J.M." How's that?

We welcome you to this committee. I hope you will enjoy it as much as we have with Jean Michel.

Mr. Jean Michel Roy: J.M.—

Voices: Oh, oh!

The Chair: Thank you so much.

Folks, on Thursday the minister will be here. Don't forget that we're in Room 253. It will be televised. The first hour is with the minister and the second hour is with the departments. Just as a heads-up, make sure that when the departments are there we stay away from the policies and we direct for information that supports the minister. I look forward to that.

Now that we're at the end of this study, we'll look to get some direction in terms of when that report will be made available to us. Maybe we can get that a little later, maybe on Tuesday.

Mark.

Hon. Mark Eyking: Mr. Chair, maybe the parliamentary secretary can.... It seemed to me that there was an agreement that we could get this bill through on the Grain Commission, the bill that was put forward last December.

The Chair: Bill C-48.

Hon. Mark Eyking: Yes, that's what it is.

Gerald, can you give us a heads-up on what's going on there this spring?

The Chair: Mr. Keddy.

Mr. Gerald Keddy: We put it through to the House leaders. My understanding is that it's being held up by.... I don't know how to say it.

The Chair: It has come across an interprovincial barrier.

Mr. Gerald Keddy: My understanding is that what we had discussed here and what we had talked about, quite frankly, was that we would try to move it fairly quickly through second reading, that we wouldn't delay the bill, and that we would take a lot of time to study it at committee and a lot of time for third reading. Apparently, that has fallen apart somewhere in the process.

I'm being polite, so I'm not going to point fingers, but we would like to have the bill tabled and we'd like to move it forward, obviously.

The Chair: I think maybe we can continue to work to see if we can get that to happen.

Hon. Mark Eyking: That's if things happen quickly. We have good open water here for our committee to take it on.

The Chair: Yes. Open water?

Hon. Mark Eyking: That's an east coast term.

An hon. member: I thought there was ice all over.

Mr. Gerald Keddy: Don't worry. It's all still frozen yet.

The Chair: Thank you very much. We'll see you on Thursday.

The meeting is adjourned.

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