



**Written Submission for the Pre-Budget  
Consultations in Advance of the Upcoming Federal Budget**

**Grape Growers of Ontario  
Ontario Craft Wineries**

**July 31, 2020**

**Recommendation 1:** That the government replaces the Excise Duty Exemption on Wine made of 100% Canadian-grown grapes with a trade compliant program that continues to encourage the production of wine made of 100% Canadian-grown fruit and the purchase of locally grown processing grapes.

**Recommendation 2:** That the government establishes a vine replacement program to ameliorate the effects and limit the spread of the harmful Leafroll and Red Blotch grapevine viruses that is impacting the viability of Canada's grape growing industry.

**Recommendation 3:** That the government enhance the Agricultural Business Risk Management Programs to manage perils associated with COVID-19 including loss of market due to processing issues and retail closures.

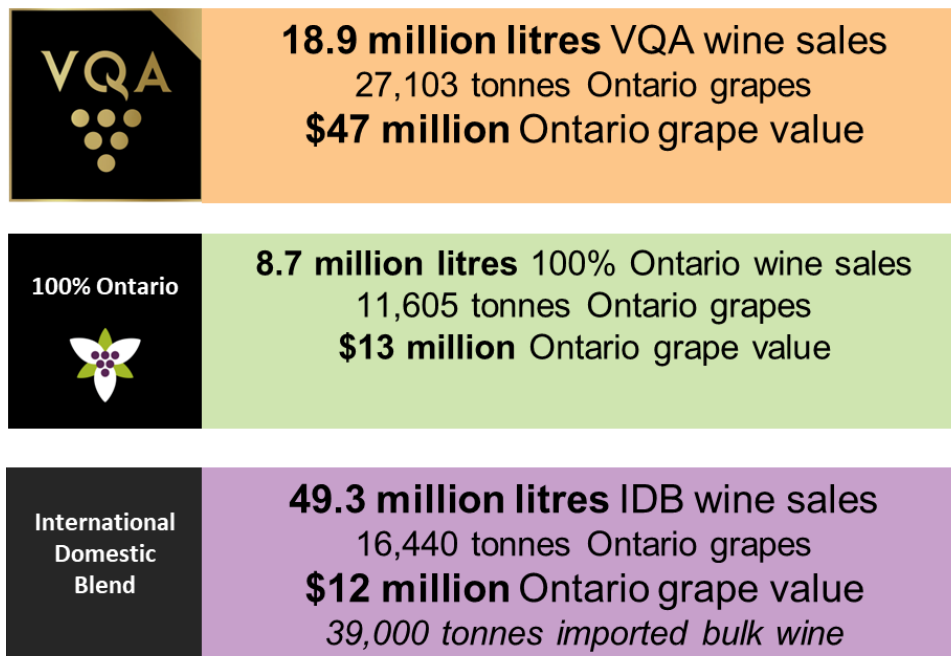
The Grape Growers of Ontario (GGO) is the official organization acting under the authority of the Farm Products Marketing Act, which represents all of Ontario's 500 processing grape growers including 180 wineries. Ontario Craft Wineries (OCW) is the association that represents over 100 small to mid-sized wineries across the province of Ontario.

Ontario is the largest grape growing province, with the Canadian grape and wine industry employing over 37,000 people and supporting the Canadian economy with approximately \$9 billion every year, including \$1.1 billion in tax revenue.

The Grape Growers of Ontario (GGO) and Ontario Craft Wineries (OCW) thank the Government of Canada for its ongoing commitment to Ontario's food and beverage industries. These are unprecedented times which highlight the importance of food security and a local agricultural economy.

COVID-19 has shuttered winery retail stores and all but eliminated hospitality sales (bars, restaurants and events) which represent 38% of the sales in the province of VQA wine which is made of 100% Ontario-grown grapes. Although some Ontario wineries have improved online sales, small and mid-sized wineries rely heavily on the 2.4 million tourists that normally visit Ontario winery stores each year. The effects of COVID-19 are being felt throughout the grape and wine industry, and growers are facing reduced grape purchases and an uncertain future. Now, more than ever, is the time for Canada to support its domestic wine sector, including Canadian farmers, small Canadian businesses and local economies.

#### Supporting Local Grapes



**Recommendation 1:** That the government replaces the Excise Duty Exemption on Wine made of 100% Canadian-grown grapes with a trade compliant program that continues to encourage the production of wine made of 100% Canadian-grown fruit and the purchase of locally grown processing grapes.

The Canadian grape and wine industry is facing the repeal of the federal excise duty exemption on wine set out in subsection 13(2) of the federal Excise Act, 2001, within 2 years as a result of a World Trade Organization (WTO) challenge by Australia against federal and provincial wine measures. The agreement with Australia requires that updates on implementing this commitment will be provided at six-month intervals.

We know the Canadian government understands the importance of, and the need to support, 100% Canadian-grown local product and will defend our interests. In a letter dated March 25, 2020 the Honourable Bill Morneau, Minister of Finance recognized the contribution that the Canadian wine industry makes to the national economy and the importance that the industry attaches to the federal excise duty exemption for 100% Canadian wine. The letter indicated that the Government is prepared to support the wine industry in managing the impacts of the trade challenge.

The excise duty exemption has played a critically important role in the growth of the Canadian-grown grape and wine industry. Any excise duty support resulting from a new negotiated WTO agreement must continue to encourage the production of wine made of 100% Canadian-grown fruit and purchase of locally-grown processing grapes. The principles of the current “excise tax” program that supports 100% Canadian grown wine must be maintained in any replacement program.

Wine made of 100% Ontario-grown grapes generates \$98 per bottle of economic return to the economy as compared to \$25 per bottle of International Domestic Blend (IDB) wine made of only 25% Ontario grapes and 75% imported bulk wine. There are 5.5 Canadian jobs supported for every 1,000 cases of 100% Ontario-grown wine sold compared to 1 job per 1,000 cases of IDB wine. Supporting 100% Canadian-grown wine supports Canadian agriculture, grape growers, all Canadian wineries, and our local economy.

The Wine Grower Value Add Program advanced by Wine Growers Canada that proposes expanding the program to include International Domestic Blend (IDB) wine, which in Ontario contains only 25% Canadian grapes, and introduced in the House by Member Dean Allison on May 14, 2020 does not meet this test. In fact, supporting IDB wine encourages the production of wine made of imported grapes, and reduces the financial incentive for processors to produce wine made of 100% Canadian-grown grapes.

One reason given by processors for using imported grapes is a lack of infrastructure such as grape crush capacity, fermentation tanks and wine storage. If the government wishes to support Canadian-grapes used in IDB wine, an infrastructure program to increase winery capacity to facilitate Canadian grape processing would be of greater benefit to the Canadian agriculture industry and the local economy than a subsidy on wine made of 75% imported grapes.

Now, more than ever, is the time for Canada to support its domestic wine sector including Canadian farmers, small Canadian businesses and local economies. Government policy that emphasizes local, 100% grown in Canada wines is critical to ensure our recovery and a sustainable Canadian grape and wine industry.

We are encouraged by the comments received July 29<sup>th</sup> from the Honourable Marie-Claude Bibeau, Minister of Agriculture and Agri-Food Canada: *"I recognize your concern regarding the ongoing World Trade Organization dispute initiated by Australia on the federal excise duty exemption for 100 percent Canadian wine. The Government understands the importance of the excise duty exemption. We are prepared to support the wine industry in managing the impacts of this trade challenge with a view to ensure the long-term success of grape growers and wine makers. The Government is looking at support options that align with the existing program suite, our international trade obligations, as well as our current economic outlook."*

We welcome Minister Bibeau's offer to work with the grape and wine industry and look forward to bringing our ideas to the table to find a solution for the betterment of the industry as a whole, and we will follow up with her office.

We are confident that with your help and support for 100% Canadian-grown, our grape and wine sector will be more resilient to face a changed future.

**Recommendation 2:** That the government establishes a vine replacement program to ameliorate the effects and limit the spread of the harmful Leafroll and Red Blotch grapevine viruses that is impacting the viability of Canada's grape growing industry.

The Canadian grape and wine industry is threatened by harmful grapevine viruses, Leafroll which causes significant yield losses (30-50%) and delays fruit ripening, and Red Blotch which can cause significant reduction in brix (sugar) and delays ripening, which can impact wine quality.

The Canadian Grapevine Certification Network (CGCN) is a collaboration of Grape Growers of Ontario, British Columbia Wine Grape Council, l'Association des vigneron du Québec, and the Grape Growers Association of Nova Scotia. CGCN has been established to develop a National domestic clean plant certification program to ensure that Canadian growers and wineries have access to clean, virus-free, quality grapevines. However, as a perennial crop, grapevines require significant investment to establish, requiring 4 years from planting to produce a mature crop of grapes.

A vine replacement program is vital during today's economic uncertainty to assist growers in removing infected vines and re-establishing vineyards with clean vines to ameliorate the effects and limit the spread of these devastating grapevine viruses.

**Recommendation 3:** That the government enhance the Agricultural Business Risk Management Programs to manage perils associated with COVID-19 including loss of market due to processing issues and retail closures.

COVID-19 reinforces why supporting our local farmers is important. The current Business Risk Management Programs, particularly AgriStability which is intended to protect against large income losses falls short in its current structure.

The GGO supports enhancements to the Business Risk Management Programs and effective policies to manage perils associated with COVID-19 including loss of market due to processing issues and retail closures. Enhancements to AgriStability that have been recommended by the agricultural industry are to increase the AgriStability trigger to 85% from the current 70% and remove the reference margin limit which uses the lower of a farm's historic reference margin or allowable expenses.