As much as 50% of wine listed as domestically produced is merely bottled in Canada, or is made from imported grapes or concentrates. Because of the recent development of the industry in Canada, most Canadian wineries are not yet of sufficient scale to be cost competitive with the enormous wine-making facilities of California and Europe.

- The Canadian wine industry has shifted in recent years away from sweet sparkling wines to higher quality table wines based on European and Californian varietal grapes. However, the supply of high quality domestic grapes is erratic and twice as expensive as grapes imported from competing areas. This problem is exacerbated by the agricultural policies of the B.C. and Ontario governments that restrict the access of wineries in their provinces to imported grapes through marketing board supply management policies.

b) International Trade Related Factors

- The Canadian and U.S. tariff rates on wine are as follows:

	Canada	U.S.
Still wines	20¢/gallon	37.5¢ - 62.5¢/gallon
Sparkling wines	$4.00/doz. bottles	$1.19/gallon

EXEMPT 15(1)

- Currently there is an international wine glut, caused primarily by EEC subsidies to grape producers that have resulted in increased production with no increase in domestic demand, and falling world prices as these wine surpluses are dumped in other markets. In addition, several years of bumper harvests in California's grape producing regions have compounded the world-wide oversupply. The major threat to the Canadian wine industry is this competition from low-priced wines imported from countries with large wine surpluses. The quality and competitiveness of Canadian wines is steadily improving, but the industry still requires some protection to compete successfully with subsidized producers elsewhere. As well, EEC and U.S. vintners have cost advantages due to larger scale operations, secure grape supplies and pricing advantages due to reputation and brand recognition.

- The U.S. wine industry currently has a 100 million gallon surplus from the record 1982 grape harvest in California, and is being hurt by the strong U.S. dollar and the importation of government-subsidized wines from Europe. This is a major problem because U.S. wine drinkers are more price-sensitive than brand-loyal with price wars pushing the cost of 4 litres of wine to as low as $4. U.S. wine makers have filed a petition to the International Trade Commission charging EEC wine makers with illegally selling wine in the U.S. at prices below their production costs.

- Wine industry analysts are predicting 3% to 4% growth in U.S. wine consumption this year. However, with only 7% of the population consuming nearly two-thirds of all table wine sold, the potential for future growth is substantial. The wine industry in the U.S. is attempting to launch a co-operative campaign among vintners to promote wine consumption among non-drinkers.