

Supply

to more than \$38 million. Also, the grape and wine industry is one of the most heavily taxed enterprises of its size in Canada. While the growers realized \$19 million in gross revenues last year, the federal and Ontario governments earn through excise and sale taxes approximately \$100 million. In per acre yield this would represent an earning for both governments of \$8,500 per acre. But this only touches the surface of the problems confronting the Canadian wine producers and the grape-growing industry.

Beginning last April the government imposed an exercise to increase on table wines, fortified wines and brandies. Wine sales plummeted downward, and in the October budget some relief was given to fortified wines. The tax continues on table wines, which is the most marketable product, and on brandies produced in Canada. Canada is the only wine-producing country which is literally taxing its own industry so heavily that imported products are awarded the advantage. Countries such as Austria, Italy, South Africa, Australia and West Germany impose no tax on their domestic wine products.

In terms of tariff protection, the Canadian government has not only effectively removed the \$2 per gallon preferential treatment for Canadian brandy, but it instituted a policy under the Tariff Board decision of March, 1979, whereby the 20-cent per gallon tax grape juice used for wine-making purposes entering Canada was removed.

This allows for the importation of cheaper Brazilian grape juice into provinces other than Ontario for processing into wine which then competes with our totally Canadian-produced wines. Even if the imports are processed into non-alcoholic products, they are successfully closing the door to a market for Canadian surplus grapes.

My second question to the minister is: Why is there the necessity for the continued importation of offshore grape juices when the vineyards of Ontario can supply all the grape juice concentrate required for wine production in the country?

The specific case of the Canadian brandy industry most dramatically illustrates how government taxation has affected grape growers, distillers and consumers. Since 1972 the Rieder Distillery, which is located in my area, has played an important role in the agricultural life of Niagara grape growers. It began operations by purchasing 580 tonnes of low quality and surplus Labrusca grapes. By 1979 it was purchasing 4,000 tonnes of those same grapes. These were surplus and low quality grapes for which the distillery provided the only market.

Growers need this outlet and the Department of Agriculture recognized this need. In 1980 alone the projected purchases are estimated by the Agricultural Products Board at between 4,000 and 5,000 tonnes of grapes. The total cost to the Canadian taxpayer will be in the area of \$2 million. The declared objective of this policy is as follows: because of the surplus which became apparent this year as a result of the April tax increase, the federal government will buy the grapes and have them processed by the wine industry into brandy which will be stored until the market is more favourable. It is both a contradiction and a flagrant waste of money to impose

an excise tax which has cut the sales of brandy by 50 per cent since April of this year, and to turn around and buy the surpluses to be made into more brandy which will not be sold as long as the tax remains.

Brandy sales from 1978 to 1979 increased by 364 per cent, placing it first in Canada's brandy market. All those gains have been eliminated by the April excise tax increase. Mr. Rieder, the founder of the market for waste and surplus grapes, simply stated that he will stop buying grapes, sell off his existing stock at whatever price the market will bear, and close up shop.

In light of the minister's earlier commitment to the wine industry and to the grape grower of Niagara, I ask him to take such action as is necessary to restore this Canadian product to a competitive position so as to assist the Canadian distiller and provide some market to the Canadian grape grower for his surplus crop. I would be pleased to hear his answers.

Mr. Whelan: Mr. Chairman, I am sure the hon. member is well aware of what we have to do with land resources. I remember when the hon. member was mayor of a certain city and he annexed a large agricultural section of the Niagara area. He knows that it is under provincial jurisdiction, and that the federal government has nothing to do with land resources. I know what I would have told the mayor at that time, if I was a farm representative on a municipal board. I would have said, "You only have so much of that class land, you should not take it for urban development and roads".

With regard to the federal land policy, we have done all the mapping for the provinces, showing the various classes of land. Under the constitution we cannot move in and say that land shall not be used in the way someone is suggesting it should be used; I wish we could.

When the hon. member talked about the tax on grapes, let us be fair about who takes the biggest share on grapes which go into the making of wine. It is the province of Ontario. The province of Ontario takes double that of the federal government. We lowered the tax on wine. We said we would not implement the Crosbie tax.

I know the hon. member did not want the Crosbie tax on wine, and we fulfilled that part of our promise. Somehow brandy was forgotten, but let us be fair about brandy. Who created the brandy industry? It was the Minister of Agriculture for Canada who created the brandy industry and a former manager of the Grape Marketing Board who was later my executive assistant. We developed that program. He made representation to me when he was minister. He did the kind of things, Mr. Chairman, which made it possible for us to start a brandy industry. We are not finished with that yet, as far as I am concerned, and some of the members on this side of the House—

● (2310)

The Deputy Chairman: The hon. minister may have a chance to conclude his answer after the next speaker is finished. The hon. member for Malpeque.