

Provincial Sensitivities

Wine Industry and Grape Growers

o The wine industry and particularly grape growers in B.C. have stated that the terms of the FTA will result in the virtual elimination of their sector. As a result of the Free Trade Agreement, provinces will have to reduce their discriminatory pricing practices over a 7-year period.

Response

Agriculture Minister John Wise met on December 3, 1987 with industry and provincial representatives to discuss the impact of the agreement and to find appropriate solutions. Consultations between Agriculture Canada and provincial governments and industry are ongoing.

The wine industry in British Columbia has developed largely as a result of provincial government programs and policies such as blending requirements, mark-ups and marketing board pricing practices.

Wineries have been forced to run a large number of small relatively inefficient plants as a result of provincial government restrictions. It is this web of artificial supports and trade barriers that has led to a situation in which Canada's overall grape production is out of balance with market demand, requiring perennial surplus disposal programs by federal and provincial governments.

There will be adjustment by both the wine industry and grape growers. The federal government is reviewing the impact at this time to assess the implications of the Free Trade Agreement on the sector's competitiveness and viability. The Free Trade Agreement will only be speeding up an adjustment process that has been on-going for this sector.

However, the government has a proven record of commitment to these industries and that commitment will continue as this industry faces the future. The government will take whatever measures are necessary to help cushion the impact of adjustments in this sector. Provincial governments will also have to take a great deal of initiative to assist this industry.

The wine sector was included in the FTA because it has been a long-standing trade irritant with the United States. The status quo was not an option. If Canada had not negotiated an agreement within the context of the Free Trade Agreement, we would have faced heavy retaliation from the U.S. industry. As well as a GATT panel action Canada was facing a 301 action on wine which targeted beer and distilled spirits, areas of clear export interest for Canada.