

## NEWS RELEASE

European Union puts Canadian Winery Jobs at Risk  
*Highly subsidized European wines already have 50 per cent of our market*

Wednesday, January 17, 2007 (*Ottawa, Ont.*) – Canadian jobs are at risk due to actions by the European Union (EU) on behalf of some of their major wine producers who are taking on Canadian vintners through a formal complaint with the World Trade Organization (WTO).

“This is simply a matter of greed on the part of some of Europe’s largest wineries who aren’t satisfied with 50 per cent of the market in Canada and want to jeopardize the future of our small and mid-sized wineries,” said Dan Paszkowski, President of the Canadian Vintners Association (CVA).

Last year, the Federal government announced a tax plan that would increase the excise tax for larger Canadian wineries on wines which include some imported grapes but provide a break to wines made with 100 per cent Canadian grapes. The EU has filed a complaint with the WTO opposing the break for Canadian wineries. Hearings begin Thursday January 18<sup>th</sup>.

“Most wine producing countries do not charge excise tax, and both the US and Australia provide rebates to their smaller producers, yet the heavily subsidized EU has chosen to focus exclusively on Canada which will impact small and mid-sized wine producers who are already competing at a disadvantage,” he said.

“Since the excise benefit only applies to 100 per cent Canadian wine, it means that the benefit only applies to about 5 per cent of domestic retail sales, half of that would not even compete for shelf space with imported wine because it’s sold at the wineries,” said Paszkowski. “This further means that 95 per cent of Canadian wine retail sales face exactly the same tax system as wines exported to Canada by EU countries,” he added.

Ed Madronich, President of Flat Rock Cellars, a small winery in Niagara, Ontario, is shocked that large European exporters are going after their small piece of the market.

“I decided to live out my dream and build a small winery in Ontario that creates premium wine. I am shocked that countries like France apparently aren’t satisfied with Europe owning 50 per cent of our market as well as 90 per cent of their own. I guess they feel the need to force our domestic industry to its knees,” he said.

George Heiss, President of Gray Monk Cellars in Kelowna, BC is equally dismayed by the complaint with the WTO and says Canadians should show the EU what they think of such behavior.

“Canadians need to let the EU know that they won’t stand for such bullying tactics. The public can certainly send a message with their purchasing decisions in provincial liquor stores.”

While the excise exemption is not large, it is critically important to small and medium-sized Canadian estate wineries that use these new funds to reinvest in such areas as employment, technology, vineyards, with the goal of producing a higher value premium wine.

Currently, the Canadian wine industry creates 10,000 direct and indirect jobs but Paszkowski is concerned about how actions by the EU could eventually impact the future of small and mid-sized wineries and the jobs they create across the country.

“The Europeans provide more than \$US 2 billion in grape and wine subsidies which ultimately assist European products in entering export markets and giving them the ability to do so at a competitive price. When our country provides minimal assistance to a very small portion of our industry, the EU suddenly claims it’s unfair,” said Paszkowski.

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