

Voluntary Report – Voluntary - Public Distribution

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Report Name: Canada Partially Settles WTO Wine Case with Australia

Country: Canada

Post: Ottawa

Report Category: Wine, Trade Policy Monitoring

Prepared By: Mihai Lupescu

Approved By: Evan Mangino

Report Highlights:

Australia reached a partial settlement with Canada on its World Trade Organization dispute over Canadian federal and provincial wine measures. Within four years, Canada will eliminate a federal excise duty exemption for domestic wines, Nova Scotia will end a preferential markup for local wines, and Ontario will alter several measures favoring locally produced wines. These changes may require regulatory and/or legislative changes.

In January 2018, Australia requested consultations with Canada at the World Trade Organization (WTO) regarding a variety of federal and provincial measures that Australia asserted provide preferential treatment to domestically produced wines and discriminate against imported wines. The United States, New Zealand, and other wine exporting countries joined the consultations, noting their material interest in the outcome of the dispute. WTO case documents can be found here [DS537: Canada – Measures Governing the Sale of Wine](#).

On July 27, 2020, Canada [announced](#) reaching a partial settlement with Australia. As part of the agreement, Canada committed to the following:

- To [repeal](#), by 2022, the federal excise duty exemption on wine produced in Canada from 100 percent domestically grown grapes, set out in subsection 135(2) of the federal [Excise Act, 2001](#); the excise duty applied to wine that contains more than 7 percent of absolute ethyl alcohol by volume is currently \$0.665 CAD per litre;
- To [terminate](#), by 2024, the Nova Scotia Liquor Corporation’s [Emerging Wine Regions Policy](#) (EWRP) that assesses a preferential 43 percent markup to wines from small wineries (including all of the wineries in Nova Scotia) rather than the 120 percent markup applied to wines bottled in the province and the 140 percent markup applied to all other wines;
- To [change](#) the following measures in Ontario:
 - o By August 31, 2020, to convert any existing restricted beer and wine authorizations issued under [Ontario Regulation 232/16](#) to unrestricted beer and wine authorizations, and to ensure that no additional restricted beer and wine authorizations are issued under that regulation;
 - o By 2021, to amend the definition of “small winery” in subsection 43(2) of [Ontario Regulation 232/16](#) to increase the annual worldwide sales threshold from 200,000 litres to no less than 375,000 litres;
 - o By 2023, to eliminate the tax difference between Ontario wine and non-Ontario wine sold in off-site winery retail stores, including wine boutiques; currently, there is a difference of 13 percentage points between the [wine tax](#) applicable to Ontario wines versus non-Ontario wines, including imported wines;
 - o By 2023, to amend subsection (2) in section 25 of [Ontario Regulation 232/16](#) to gradually reduce the amount of dedicated retail grocery store shelf space from 50 percent to no more than 40 percent; the dedicated portion of retail grocery store shelf space is reserved for wine that is either quality assurance wine, or wine produced by a small winery (e.g., manufacturer and all affiliates produce less than 200,000 liters of wine annually), or wine produced by a small wine-producing country (i.e., less than 150 million liters of wine produced annually from grapes grown in that country).

According to a [press release](#) issued by the Australian government, “with agreement to remove restrictions at the federal level and in Ontario and Nova Scotia, discussions continue on the last province of Quebec”. In Quebec, locally produced wines can directly access grocery and convenience stores, avoiding provincial liquor board markup charges.

About 60 percent of wine consumed in Canada is imported, with nearly 420 million liters imported in 2019, valued at \$2 billion USD. Of this total, nearly half was imported from EU countries, with Italy and France as the top suppliers. In 2019, Canada imported 60 million liters of wine from Australia, valued at almost \$170 million USD. A similar volume was imported from the United States, valued at more than \$390 million USD.

For more information on the Ontario wine market, please see FAS/Canada GAIN Report [CA2019-0035](#).
For more information on the Quebec wine market, please see FAS/Canada GAIN Report [CA2019-0034](#).

Attachments:

No Attachments.