

Conseil de
l'orge du
Canada



Barley
Council of
Canada



OpEd – April 1, 2019

Tax and spend policies hurt beer drinkers, brewers and farmers

On April Fool's Day, the cost of your beer is going up again. That's no joke.

And on April 1, 2020, it's going to go up again. And again, the year after that.

Why? It is the result of legislation passed in 2017 by the Government of Canada that automatically raises the federal excise tax on beer every April 1.

This 'escalator' tax not only stacks the deck against beer, it runs in direct conflict with the government's stated priority of boosting our malting barley sector and helping our farmers and beer industry innovate and compete in today's marketplace.

So, how did we get here?

In 2006, the federal government introduced a progressive excise tax schedule designed to reduce the tax burden for small brewers. This was a positive signal to brewers and investors – and our country reaped the rewards from it.

From 2006 to the end of 2017, the number of brewing facilities in Canada grew from 268 to 817. The number of brand choices for consumers grew from 1,000 to 6,000 and several post-secondary institutions launched brewing programs to keep up with the booming sector.

Brewers did not expect this momentum to be disrupted after the 2015 election, and, to be fair, some of the moves by this government have been positive.

The Liberals stated focus was to help the middle-class and those working hard to join it. Beer is the beverage of the middle-class and Canada's brewers employ 14,810 Canadians in good middle-class jobs that pay an average annual salary of \$65,500.

Following the election, the industry was encouraged by the new government's focus on agriculture and brewing. The government under Prime Minister Trudeau committed to modernize the Beer Standard, the first real update to the regulation in 30 years and a concrete

step toward providing brewers with modern tools to innovate and compete. In January 2019, the federal government also announced, alongside the provinces, farmers and industry, a five-year, \$6.3 million investment in improving barley quality and production.

All these investments in barley quality, production, and brewing processes were welcomed by our industry and appreciated by Canadian farmers.

Canadians are exceptionally good at growing malting barley – the single most important ingredient in making beer. More than 60 per cent of Canada's 23,000 barley farmers grow malting barley with the bulk of it grown in Saskatchewan and Alberta. It makes sense for government, farmers, maltsters and brewers to invest in something we are good at.

However, the escalator tax on beer contradicts all of what the government has done.

Higher taxes make beer less affordable, reducing beer sales which lowers demand for barley grown by farmers. The price of beer is already 47 per cent tax and this latest increase, the third in two years, adds another \$40 million in excise tax to the price of beer. The federal increase makes beer less affordable and leaves everyone in the value chain with less to invest.

The escalator tax is a classic example of the federal government working against itself.

In Canada, each year, \$75 million worth of barley is purchased from farmers. This is used to produce 250,000 tonnes of malt which is used in the production of domestic beer. The sale of that beer generates \$5.7 billion in provincial and federal taxes – according to the Conference Board of Canada. No other sector in the Canadian economy comes close to giving you those kinds of returns.

Canadians are good at making beer and Canadians love beer. It's a significant supporter of local communities. Thousands of events are sponsored in full or part by breweries in communities across the country. Beer makes up 41 per cent of all beverage alcohol sales and brewing remains a very local industry – 85 per cent of the beer sold here is made here.

We have seen what freedom from this relentless tax burden can do. In 2018, the U.S. reduced federal excise taxes for American brewers, keeping beer affordable and freeing up dollars for them to invest in new and better equipment, expand facilities, train employees and develop export sales – into Canada, no doubt.

Finance Canada officials publicly stated in 2017 that they did not do any economic impact analysis on the effect of never-ending annual tax hikes on beer. This is taxation without consideration.

Hidden annual tax increases are not going to help improve beer sales, which have been flat for a decade. To stop working against itself, the federal government needs to repeal its 2017 legislation and stop automatically increasing beer taxes every April 1.

Phil de Kemp is the President of the Barley Council of Canada. Luke Harford is the President of Beer Canada.