

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Canada

Fresh Deciduous Fruit Annual

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Report Highlights:

Following an April frost, apple production in several of the provinces was dramatically affected. With production expected to be down by approximately 80 percent in those provinces, Canada's overall apple production is expected to decrease approximately 30 percent. Pear production numbers will also be affected by the frost. Moreover, the declining trend in pear production caused by the disappearance of the processing industry will continue into 2012, with a further estimated reduction of nearly 25 percent. Canada imports over 95 percent of its fresh table grapes and will continue to do so in the years to come. For 2012, Post forecasts a 4.3 percent increase in imports.

Executive Summary:

- Canada experienced a 5.2 percent increase in fresh apple production for marketing year (MY) 2011/12, up to 390,362 metric tons (MT) from 371,025 MT during MY 2010/11. Despite the improvement in 2011, the fresh apple crop will experience crippling losses in MY 2012/13, adding to low production figures over the past decade. In fact, apple production has been on a declining trend for a number of years. This is consistent with a longer term declining trend in planted area which in turn, reflects a declining profitability in apple cultivation.
- Post forecasts imports of fresh apples to jump 18.4 percent to 225,000 during MY 2012/13, coming off low domestic production. This low supply level in Canada, stable demand and a persistently strong Canadian dollar that gives imports a competitive advantage over the local production are the main factors behind this trend.
- Pear production will continue its declining trend, with an estimated crop of 6,250 MT for MY 2012/13, down 24.6 percent from 8,293 MT in 2011/12. This drop in production in MY 2012/13 is largely due to the April frost. However, Canada was already experiencing a downward trend, aggravated over the past several years by the slow death of the pear processing industry in Canada. In 2008 CanGro closed the St. Davids pear cannery in Ontario, the last one of 32 fruit canning plants that existed in the province.
- Post forecasts the volume of imported fresh pears for MY 2012/1 to remain flat, at 70,000 MT from 70,042 MT in 2011/12. Similar factors to those prevailing for apples influence this trend (strong Canadian dollar and stable demand). In addition, specific to pears is the disappearance of canning plants; ten years ago 13 percent of total imports of fresh pears were destined to processing. This has now dropped to zero, thus slowing import growth.
- Only a small fraction of Canada's grape production consists of fresh table grapes. Based on available data from Statistics Canada and information from provincial authorities Post estimates that Canada produces about 3-4,000 MT of fresh table grapes annually. Domestic consumption is basically satisfied through imports of table grapes, with annual volumes around 180-190,000 MT.
- Post forecasts a 4.3 percent increase in imports of table grapes for MY 2012/13, up to 180,000 MT from 172,550 MT in 2011/12.

APPLES

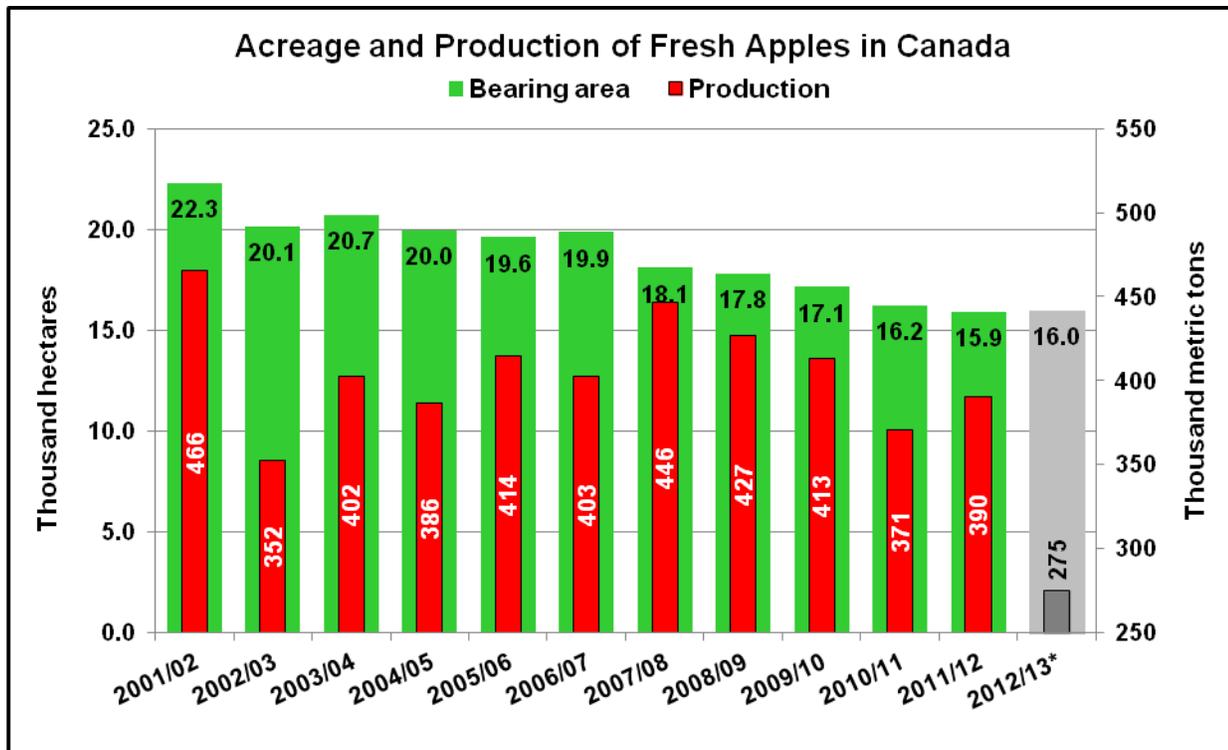
NOTE: "NEW Post" data reflect author's assessments and are NOT official USDA data

APPLES Fresh Canada	2010/2011		2011/2012		2012/2013*	
	<i>Marketing Year: July to June</i>					
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates
Area Planted	18,377	18,110	0	17,619		17,500
Area Harvested	16,139	16,245	0	15,914		16,000
Production	346,700	371,025	360,000	390,362		275,000
Imports	191,400	191,377	200,000	190,060		225,000
Total Supply	538,100	562,402	560,000	580,422		500,000
Fresh Dom. Consumption	369,100	359,833	395,000	403,402		335,000
Exports	29,000	29,029	25,000	26,350		15,000
For Processing	140,000	173,540	140,000	150,670		150,000
Total Distribution	538,100	562,402	560,000	580,422		500,000

Data in hectares or metric tons / *Post forecast

Production:

Following significant losses in the spring due to frost, Post forecasts nearly a 30 percent decrease in fresh apple production for marketing year (MY) 2012/13, down to 275,000 metric tons (MT) from 390,362 MT during MY 2011/12. Production is expected to be dramatically affected by losses in the east where spring frosts were the main growing challenge. Warm weather in February and March led to early blossoms that were decimated by frost in April. Some estimates indicate that Ontario apple farmers have lost about 88 percent of their crop. Of note, particular varieties, such as Northern Spy and Gala, are in good supply across Ontario. In a normal year, about 35 percent of available apples come from Ontario, in 2012/13, it is expected to be more like 5 percent. The situation is less severe in Quebec, where numbers are expected to be down about 20 percent. Meanwhile, the 2012/13 apple crop in the west has been very good and Nova Scotia an average crop.



Source: Statistics Canada / * Post forecast

In terms of longer term trends, the decline in fresh apple production in Canada is consistent with the declining trend in planted areas which, in turn, reflects a declining profitability of apple cultivation.

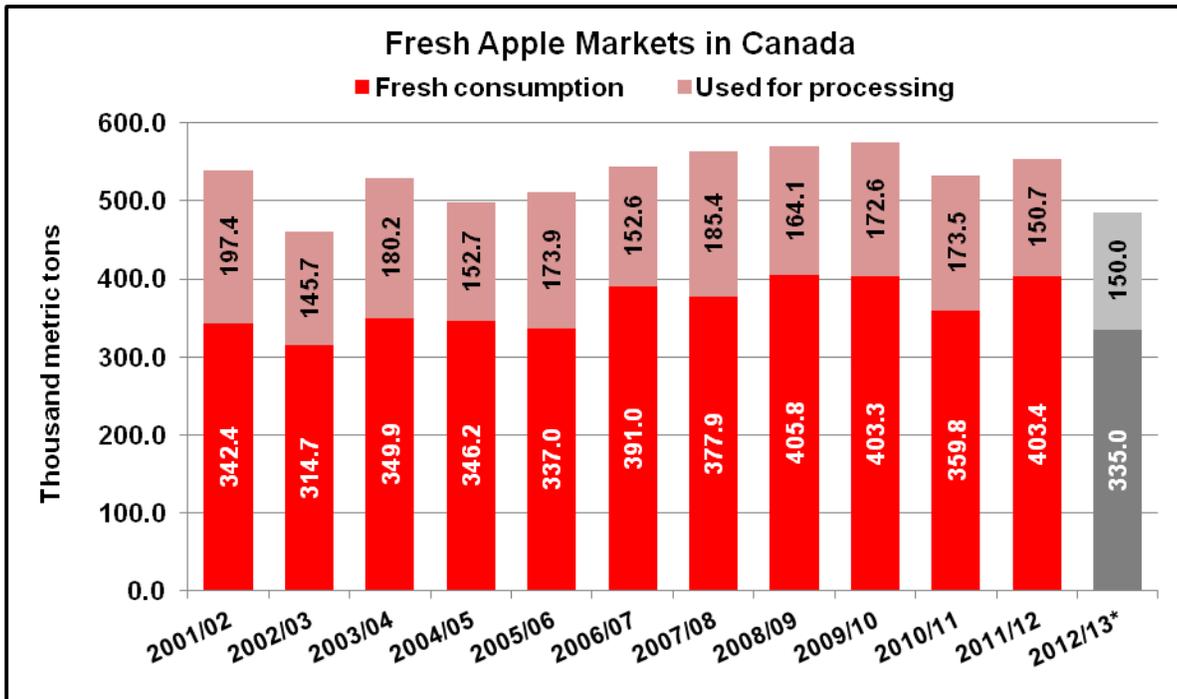
Bearing area for MY 2012/13 remained flat compared to MY 2011/12, but reflects the continued declining trends for production. Bearing area declined for the five previous consecutive years, with a drop of 3 percent from MY 2010/11, and a total drop of nearly 30 percent since MY 2001/02. Changing agricultural practices, resulting in higher density plantings on smaller areas, and a reduction in the number of smaller producers, exiting because production costs outpaced market returns, are the leading factors underlying this trend. Some anticipated that production areas will decline further next year after the devastating impact of the MY 2012/13 crop.

More affordable imports from the United States, Chile and other low cost countries, combined with high production costs and a strong Canadian dollar continued to force the apple industry to downsize. Many apple growers are responding to the evolving market situation by converting orchards over to new plantings of vinifera grapes and other fruits, as well as by turning land over for new housing development projects.

Growers that intend to remain in the industry are turning to newer, more popular varieties such as Ambrosia and Honeycrisp and new, modern intensive planting systems in an attempt to remain competitive with imports. To assist producers adapt to industry pressures and changing markets, Canada's federal and provincial authorities ran replant programs between 2008 and 2010.

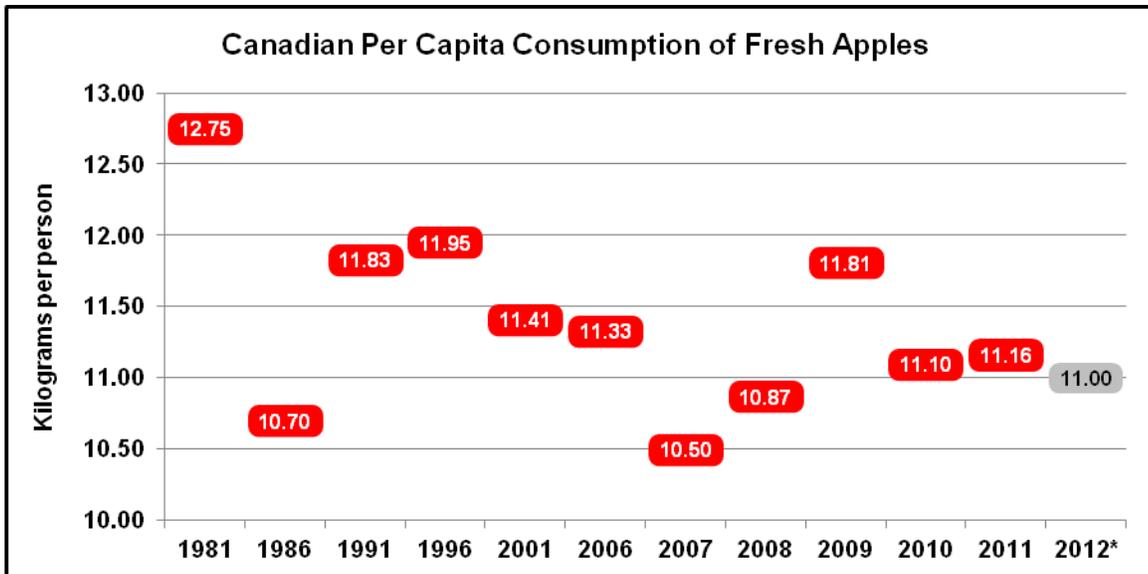
Consumption:

Of all fresh apples available in Canada, about three quarters are consumed fresh and about one quarter is used in the processing industry (for use in apple juice, pie filling, apple chips, etc.). The share of the fresh apple market in Canada has continuously increased over the past decade, reflecting consumer preferences for fresh fruit versus processed products. Between 30 and 40 percent of domestic fresh consumption comes from imports.



Source: Statistics Canada / *Post forecast

Consumption in MY 2012/13 is expected to drop 17 percent, mostly related to market conditions. Per capita apple consumption, which is not only a function of market conditions but of total population numbers as well, has remained remarkably stable over the past three decades, ranging between 10.5 and 12.75 kg (kilograms) per person, with an average around 11.5 kg per person. Over the same period, Canada's total population increased by nearly 40 percent, with an increase in ethno-cultural diversification. The consumption trend reflects the popularity of apples as a universal fruit consumed not only across generations, but across various cultures and ethnicities as well.



Source: Statistics Canada / *Post forecast

We reported last year on a consumption trend away from some of the more traditional varieties, noting a newspaper article: "For many Canadians, McIntosh means iMacs and MacBooks. McIntoshes just don't age well." At the same time, the Ontario Apple Growers Association reports that "one in every three apples eaten in Ontario is a Gala, most likely grown in Washington state or Chile. In the last decade, Gala apples, firm and crisp with a mild sweetness, cornered a 33 percent market share of the Ontario apple growing industry. The McIntosh: only 12 percent." For decades in a row and for generations of Canadians, McIntosh used to be the most popular variety of apples. But not anymore. It will probably remain, though, "culturally significant, if not gustatorily popular." Given that in MY 2012/13 some varieties were more affected by the frost, it will be interesting to see if this consumer preference trend is cemented by production realities.

Over the past two decades or so there has been an undeniable shift in consumer preference when it comes to apples. As a result, older apple varieties have been replaced with new cultivars, and many growers have adopted a new variety strategy as a way to improve profitability, as new varieties tend to sell at a premium price and have gained significant consumer appeal. For instance, another newspaper article reports that "Honeycrisp apples sell at a 50 percent premium." The same article indicates that "apple consumers can be segmented into different groups: urban, comfortable country, plain rural living and youth 18 and under," and advises that "it is important to align apple varieties with the customer base." Data from Nielsen reported by yet another article show that among the fresh bagged apples the most popular varieties in 2010 were Gala, Royal Gala, Red Delicious, Granny Smith and Golden Delicious.

The Canadian Horticultural Council reports that McIntosh, Red Delicious, Spartan, Idared, Cortland and Empire are the major varieties produced mostly in Eastern Canada. In British Columbia it is Gala, with almost 40 percent of production, which has moved ahead of Red Delicious and McIntosh as the most popular variety. According to the same organization, the introduction of new varieties has been particularly important in British Columbia, where growers have been planting new varieties like Gala, Fuji, Braeburn, Jonagold, Honeycrisp and Ambrosia. New plantings of Ambrosia, which apparently

commands the highest premium among all apple varieties in British Columbia, have nearly doubled every year in the past five years, and the variety has been so well received by the market that producers cannot keep up with demand.

Trade:

Post forecasts an 18.4 percent increase in Canadian imports of fresh apples, up to 225,000 from 190,000 MT during MY 2011/12. This increase will nearly match the record high level of 191,383 MT in 2010/11. The United States is the largest supplier of fresh apples, with a stable market share of about 80 percent. A low production level in Canada, stable demand and a very strong Canadian dollar that gives imports a competitive advantage over the local production are the main factors behind the current trend. The five-year average is close to 174,000 MT.

Canada: Imports of fresh apples

Marketing year: July-June / Quantity in metric tons

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
World	178,317	166,628	173,448	184,006	191,377	190,060
for processing	30,157	22,523	30,883	36,504	48,911	48,709
organic	2,999	5,588	7,616	9,477	9,741	10,129
other	145,160	138,515	134,947	138,025	132,723	131,221
United States	139,641	132,597	138,656	144,420	155,388	150,965
for processing	30,070	22,523	30,129	36,155	47,233	46,252
organic	2,123	4,344	5,429	6,506	7,262	7,415
other	107,446	105,728	103,096	101,759	100,892	97,300
Chile	21,211	19,199	18,942	23,933	20,630	21,741
New Zealand	7,486	6,922	7,501	7,333	7,767	7,702
South Africa	2,958	1,992	2,924	1,963	3,308	4,075
China	5,832	5,084	5,116	3,855	2,285	2,855
All other	1,189	834	309	2,502	1,999	2,722
Import Market Shares						
United States	78.3%	79.6%	79.9%	78.5%	81.2%	79.4%
Chile	11.9%	11.5%	10.9%	13.0%	10.8%	11.4%
New Zealand	4.2%	4.2%	4.3%	4.0%	4.1%	4.1%
China	1.7%	1.2%	1.7%	1.1%	1.7%	2.1%
South Africa	3.3%	3.1%	2.9%	2.1%	1.2%	1.5%

Source: Global Trade Atlas

Note: Tariff lines for organic apples were introduced on January 1, 2007

In MY 2011/12 the import volume of fresh apples into Canada, both globally and originating from United States, dipped to around 190,000 MT. Over the past decade Canadian total imports of fresh apples increased by 72 percent, while imports from United States increased by 86 percent. The second largest supplier of apples is Chile, which has a strategy focused on developing export markets. Chile's market share in Canada increased from 7 percent to 11 percent over the past ten years, with a high of 13 percent in 2009/10.

In 2007, Canada was the first country to introduce Harmonized System (HS) customs codes for organic products. Available statistics show an increase of 75 percent in the volume of imports of organic

apples. These represent about 5 percent of the volume of total apple imports and up to three quarters of these originate in the United States.

Canada: Exports of fresh apples

Marketing year: July-June / Quantity in metric tons

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
World	37,427	49,661	30,373	21,266	29,029	26,350
for processing	3,674	14,429	4,346	3,776	5,139	5,583
other	33,752	35,232	26,027	17,490	23,890	20,767
United States	28,603	40,831	26,141	17,213	23,128	20,786
for processing	3,525	14,237	4,249	2,746	3,022	3,918
other	25,078	26,594	21,892	14,467	20,106	16,867
Mexico	2,926	3,057	1,645	1,069	1,872	1,175
United Kingdom	2,398	3,364	1,127	1,223	1,560	1,623
All other	3,500	2,409	1,460	1,765	2,469	2,766

Source: Global Trade Atlas

Canadian exports of fresh apples have steadily declined over most of the past decade, reflecting the decline in production and reduced profitability and competitiveness in export markets. Given the significant decline in production, Post forecasts a 43 percent decline in exports during MY 2012/13 from 26,350 MT in 2011/12. MY 2011/12 was the first time in a decade when Canada's export volume actually increased. However, that small increase represented one half of what Canada used to export ten years ago.

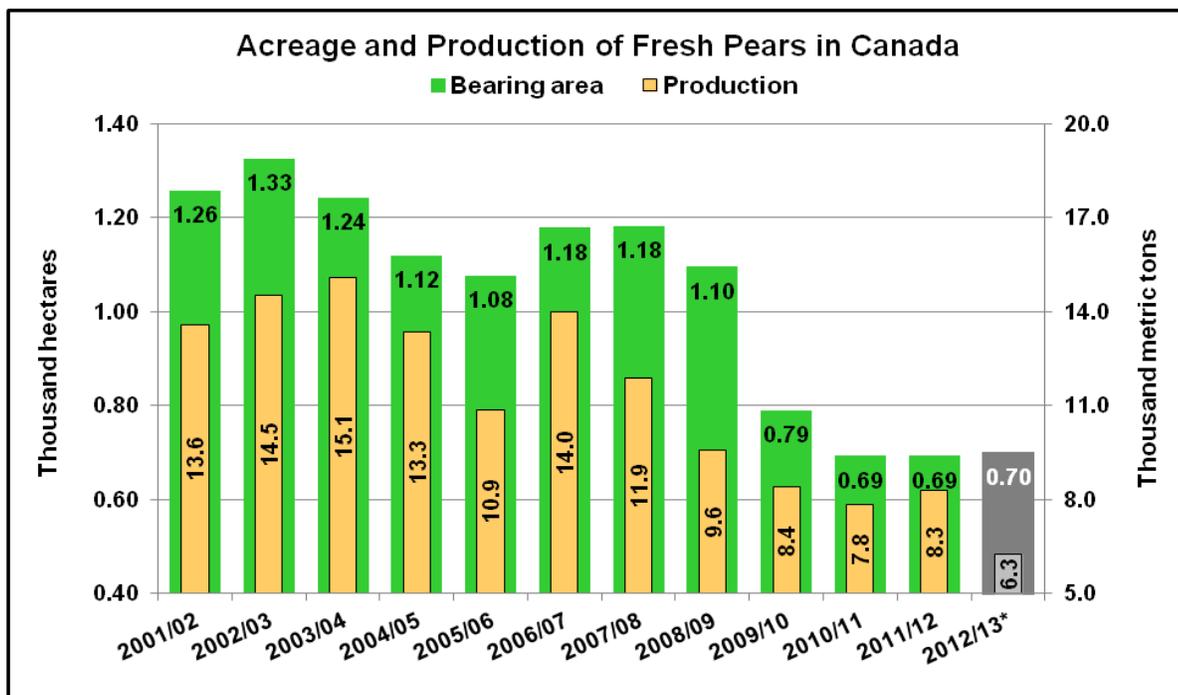
NOTE: "NEW Post" data reflect author's assessments and are NOT official USDA data

PEARS Fresh Canada	2010/2011		2011/2012		2012/2013*	
	Marketing Year: July to June					
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates
Area Planted	761	800	0	812		800
Area Harvested	696	693	0	693		700
Production	7,800	7,833	7,500	8,293		6,250
Imports	68,300	68,221	70,000	70,042		70,000
Total Supply	76,100	76,054	77,500	78,335		76,250
Fresh Dom. Consumption	75,700	75,533	77,200	78,058		76,000
Exports	200	161	100	107		50
For Processing	200	360	200	170		200
Total Distribution	76,100	76,054	77,500	78,335		76,250

Data in hectares or metric tons / * Post forecast

Production:

Post forecasts a drop of nearly 25 percent in fresh pear production, down to 6,250 MT during MY 2012/13 from a level of 8,293 MT in 2011/12. Pears were also dramatically affected by the spring frost. Additionally, there has been a declining trend in the profitability of pear cultivation, a major contributory factor has been the slow death of the pear processing industry in Canada. In 2008, CanGro closed the St. Davids pear cannery in Ontario, the last of 32 fruit canning plants that existed in the province.

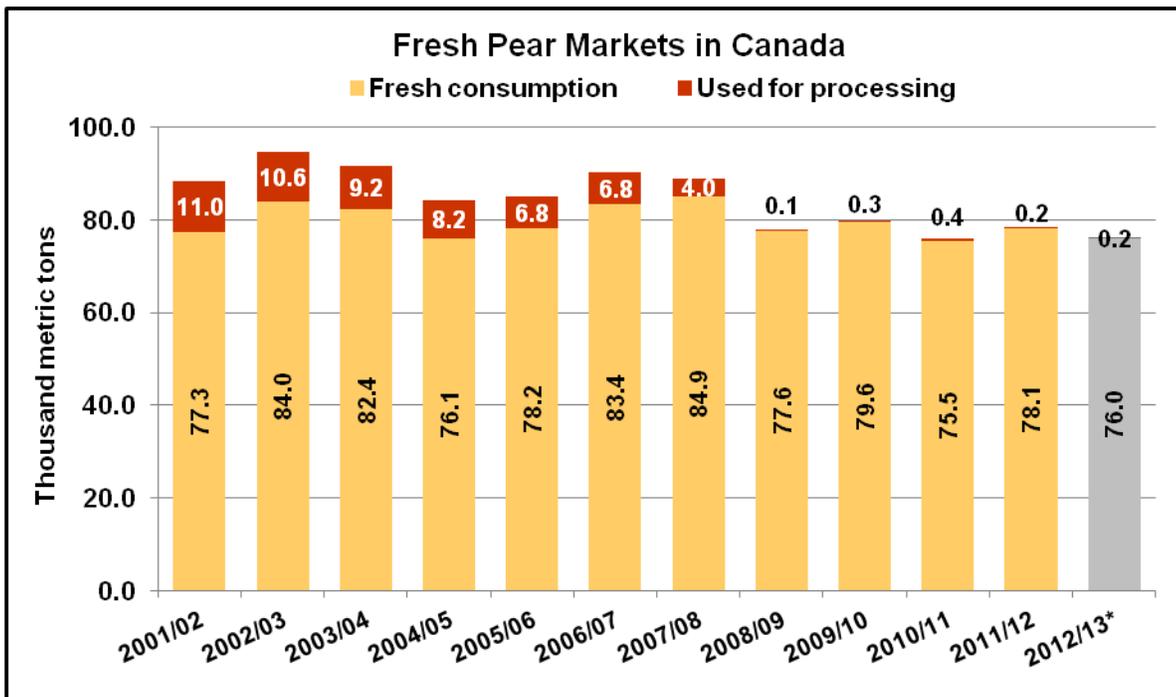


Source: Statistics Canada / * Post forecast

Bearing area declined an additional 1.5 percent since MY 2011/12, while overall pear planted area declined by more than 45 percent over the past decade. Pear production is also down by the same percentage since MY 2001/02.

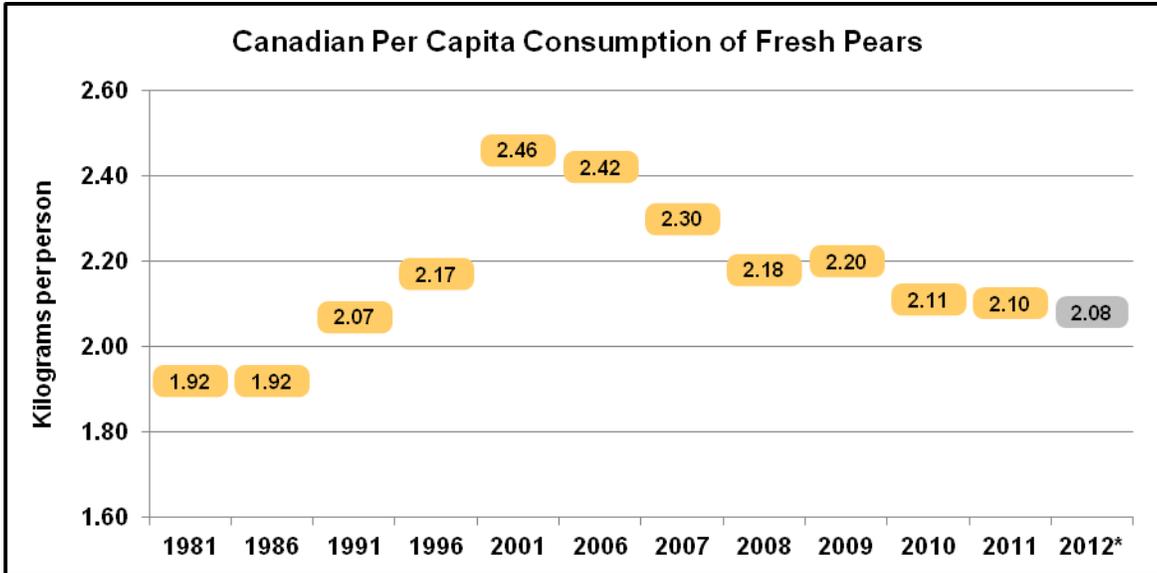
Consumption:

Since the closure of the last pear canning plant in Ontario back in 2008, basically all pears available in Canada are consumed fresh. One decade ago, approximately 10 to 15 percent of available fresh pears were used in the processing sector. In the last couple years, only a few hundred metric tons of fresh pears are processed in Canada, mainly as artisanal production sold in farmers' markets. About 90 percent of domestic fresh pear consumption comes from imports.



Source: Statistics Canada / *Post forecast

Per capita consumption of fresh pears has been on a constant decline over the past decade, reflecting the diminished appeal of this fruit among consumers. While the Canadian population increased by about 12 percent since year 2000, the overall consumption of fresh pears has remained relatively stable, explaining the declining trend on a per capita basis.



Source: Statistics Canada / *Post forecast

Trade:

Post forecasts that imports of fresh pears will remain flat in MY 2012/13, at 70,000 MT. A lower domestic production level in Canada, stable demand and a very strong Canadian dollar influence this trend, and will bring imports back to more traditional levels. An additional factor affecting pear trade has been the disappearance of the canning plants; ten years ago 13 percent of total imports of fresh pears were destined to processing. This has dropped to zero today contributing to the slowdown in import growth.

Canada: Imports of fresh pears

Marketing year: July-June / Quantity in metric tons

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
World	76,497	77,250	68,461	71,511	68,221	70,042
for processing	3,332	2,431	58	205	14	0
organic	717	1,486	1,339	1,578	1,427	1,686
other	72,448	73,333	67,064	69,729	66,780	68,356
United States	40,366	44,098	35,440	42,277	37,936	39,668
for processing	3,332	2,431	58	205	14	0
organic	385	1,068	1,030	1,245	820	1,042
other	36,648	40,599	34,353	40,827	37,103	38,626
Argentina	14,960	10,871	11,584	9,757	10,598	9,724
China	12,810	12,823	12,517	10,931	10,428	10,460
South Africa	2,933	2,889	3,438	3,526	4,647	5,469
Australia	952	1,694	1,860	1,951	1,622	1,681
Chile	2,468	2,996	2,074	1,343	1,494	1,189
All other	1,899	1,773	1,440	1,631	1,417	1,851
Import Market Shares						
United States	52.8%	57.1%	51.8%	59.1%	55.6%	56.6%
China	16.7%	16.6%	18.3%	15.3%	15.3%	14.9%
Argentina	19.6%	14.1%	16.9%	13.6%	15.5%	13.9%
South Africa	3.8%	3.7%	5.0%	4.9%	6.8%	7.8%

Source: *Global Trade Atlas*

Note: Tariff lines for organic pears were introduced on January 1, 2007

The United States is the main supplier of fresh pears, with China and Argentina as major competitors. Since the introduction of organic HS codes in 2007, the import volume of organic pears has remained stable at some 1,500 MT, or about 2 percent of total imports. Typically, the United States supplies about three quarters of organic imports. In MY 2011/12 its share dropped below 60 percent, but is expected to rebound somewhat in MY 2012/13 to 1042 MT.

Canada has an insignificant volume of exports of fresh pears.

FRESH TABLE GRAPES

NOTE: "NEW Post" data reflect author's assessments and are NOT official USDA data

GRAPES Fresh Canada	2010/2011		2011/2012		2012/2013*	
	<i>Marketing Year: June to May</i>					
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates
Production	3,300	3,105	3,000	2,744		3,000
Imports	188,900	188,890	170,700	172,550		180,000
Total Supply	192,200	191,995	173,700	175,294		183,000
Fresh Dom. Consumption	189,700	189,505	171,700	173,204		181,000
Exports	2,500	2,490	2,000	2,090		2,000
For Processing	0	0	0	0		0
Total Distribution	192,200	191,995	173,700	175,294		183,000

All data in metric tons / *Post forecast

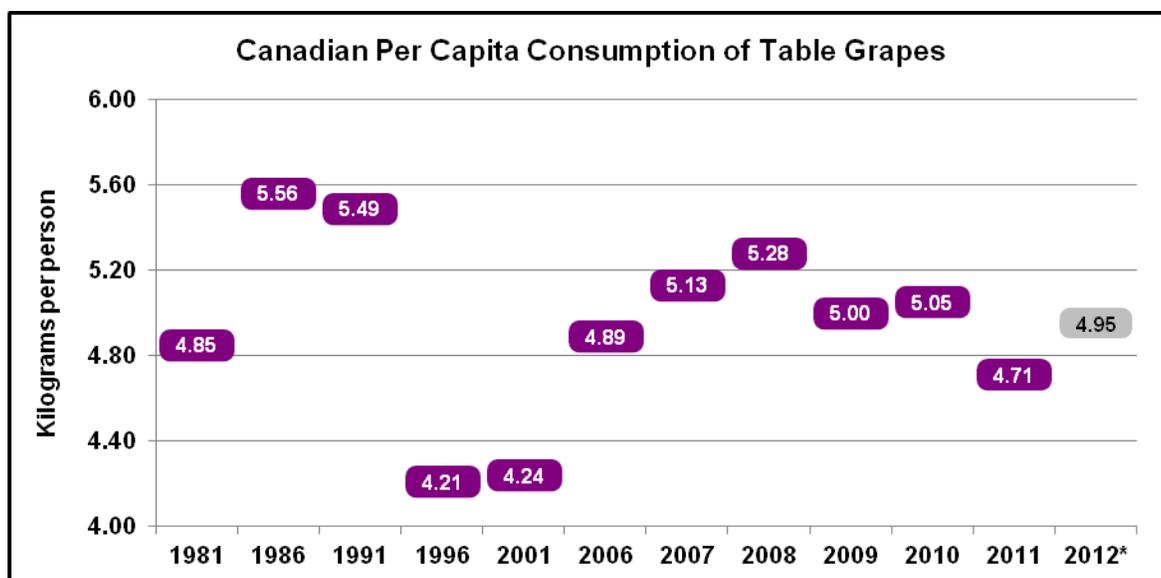
Production:

Canada has systematically developed its wine industry over the past two decades. Today, about 70-80,000 MT of grapes are produced annually and used for producing wine and other processed products (such a grape juice). The two provinces that supply Canadian grapes are Ontario, with a market share of about 75 percent, and British Columbia accounting for the balance.

By contrast, only a small fraction of Canada's grape production consists of fresh table grapes. Based on available data from Statistics Canada and information from provincial authorities, Post estimates that Canada produces about 3-4,000 MT of fresh table grapes annually. Domestic consumption of table grapes is basically satisfied through imports, with recent annual volumes around 180-190,000 MT. Over half of Canada's table grape imports originate in the United States.

Consumption:

As with apples, per capita table grapes consumption, is not only a function of market conditions, but also of total population numbers, has remained remarkably stable over the past three decades. Per capita consumption ranged between 4.2 and 5.5 kg (kilograms) per person, with an average around 5 kg per person. Over the same period, Canada's total population increased by almost 40 percent, and became extremely diversified from an ethno-cultural point of view. The consumption trend reflects the popularity of grapes as a fruit consumed not only across generations, but by Canadians with various ethnic backgrounds as well.



Source: Statistics Canada / *Post forecast

Trade:

As indicated earlier, Canada imports over 95 percent of its fresh table grapes. Local grape production is primarily used in wine making. Post forecasts a 4.3 percent increase in imports of table grapes for MY 2012/13, up to 183,000 MT from 175,294 MT in 2011/12.

Canada: Imports of fresh grapes

Marketing year: June-May / Quantity in metric tons

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
World	173,539	191,690	189,853	182,813	188,890	172,550
organic	0	0	9,581	4,784	3,197	2,318
other	173,539	191,690	180,272	178,029	185,693	170,232
United States	85,716	99,598	98,850	96,928	96,384	91,531
organic	0	0	184	2,505	1,763	1,742
other	85,716	99,598	98,666	94,423	94,621	89,789
Chile	62,128	64,055	63,587	64,347	61,857	53887
Mexico	16,120	20,402	20,983	16,251	22,870	17262
Peru	590	1,119	1,175	1,444	3,587	5389
Brazil	3,051	3,046	2,922	1,713	2,264	2206
All other	5,934	3,470	2,336	2,130	1,928	2275
Import Market Shares						
United States	49.4%	52.0%	52.1%	53.0%	51.0%	53.0%
Chile	35.8%	33.4%	33.5%	35.2%	32.7%	31.2%
Mexico	9.3%	10.6%	11.1%	8.9%	12.1%	10.0%
Peru	0.3%	0.6%	0.6%	0.8%	1.9%	3.1%
Brazil	1.8%	1.6%	1.5%	0.9%	1.2%	1.3%

Source: Global Trade Atlas

Note: Tariff lines for organic grapes were introduced on January 1, 2009

The United States is the main supplier of fresh table grapes, with a market share of just above 50 percent, while Chile and, to a lesser extent Mexico, are the major competitors. In 2009, Canada introduced organic HS codes for grapes, and after an initial spike, organic imports have steadily decreased.

Compared to the size of its imports, Canadian exports of fresh table grapes are not significant.

ADDITIONAL INFORMATION

Prices:

Agriculture and Agri-Food Canada (AAFC) monitors fresh apple, pear and grape prices in the major Canadian wholesale markets. The daily and weekly market prices are available electronically at the Agriculture and Agri-Food Canada's (AAFC) InfoHort website:

http://www4.agr.gc.ca/IH5_Reports/faces/wholesale_price_reports.jsp?lang=e&ref=wholesale_price_reports

POLICY

Following the spring frost, many have expressed hope that the federal government will provide compensation for losses. Word is that the government is currently doing background work, but it is unlikely that any program would be announced before final numbers are out in February.

Approximately 65 percent of farmers in Ontario have crop insurance, according to the Ontario Apple Growers. It is expected that the financial hit to the 35 percent who do not have insurance will be significant. Additionally, though insurance will help growers this year, provincial insurance plans are based on production averages over six years, so this year's production will have a negative impact for the next six years.

In the last year Agriculture and Agri-Foods Canada has announced several initiatives important to the production of apples, pears and grapes. These include:

A program in Quebec to assist apple growers and wholesalers in the development of an experimental commercial process and production chain prototype to extract the natural sugars from lower-quality apples. http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2012&page=n120928

The newest apple variety, Salish, introduced at the University of British Columbia Apple Festival. http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2012&page=n121013

Two new initiatives to assist with organic production:

http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2012&page=n121023

http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2012&page=n120605

AAFC's website can be monitored for ongoing announcements at:

http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=index&page=2012_10