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Date: 11/1/2014
GAIN Report Number: CA14100

Canada

Fresh Deciduous Fruit Annual

2014

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Report Highlights:

The 2014 growing and harvest seasons were uneventful for the Canadian apple and pear sectors with production volumes estimated only slightly below last year's level. Post anticipates small increases in imports into 2015, with the U.S. accounting for 80 percent of apple imports into Canada, and for over 50 percent of pear imports. Demand for fresh table grapes remains constant and the market continues to be supplied almost exclusively via imports, with over half of U.S. origin.

Executive Summary:

- Post forecasts a slight decline of 2 percent in fresh apple production for marketing year (MY) 2014/15, down to 375,000 metric tons (MT) from 382,000 MT during MY 2013/14. This decline is primarily attributable to a small reduction in planted areas, and a cold season start in Ontario and Quebec. Production in British Columbia is anticipated to exceed last year's level, supported by an excellent growing season.
- Post forecasts a minor 1.3 percent increase in Canadian imports of fresh apples, estimated at 225,000 MT for MY 2014/15 up from 222,012 MT during MY 2012/13. The United States remains the largest supplier of fresh apples, with a stable market share of about 80 percent.
- Post forecasts a mild 1.7 percent decline in fresh pear production, down to 6,750 MT during MY 2014/15 from a level of 6,870 MT in 2013/14, as the sector enjoyed a largely uneventful season, and areas planted remained stable. At this point, the pear production in Canada seems to have stabilized, after a long term declining trend, due to decreasing profitability in the sector, a result of the closing of the domestic pear processing industry.
- Post forecasts a 2.5 percent increase in imports of fresh pears, estimated to be up to 75,000 MT in MY 2014/15, compared to 73,195 MT in MY 2013/14. The recent trend indicates that imports will remain within the 70-75,000 MT annually for the foreseeable future. The disappearance of the canning industry in Canada largely contributed to the decline and stagnation in imports. Ten years ago, close to 15 percent of total imports of fresh pears were destined to processing.
- 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 3,000 MT of fresh table grapes annually. Domestic consumption is basically satisfied through imports of table grapes, of which more than half of U.S. origin, with annual volumes around 175-185,000 MT.
- Post forecasts a 1.2 percent decrease in imports of table grapes for MY 2014/15, down to 180,000 MT from 182,962 MT in 2013/14, mainly due to supply availability, as the table grape sectors in both California and Chile have seen a challenging season.

APPLES

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

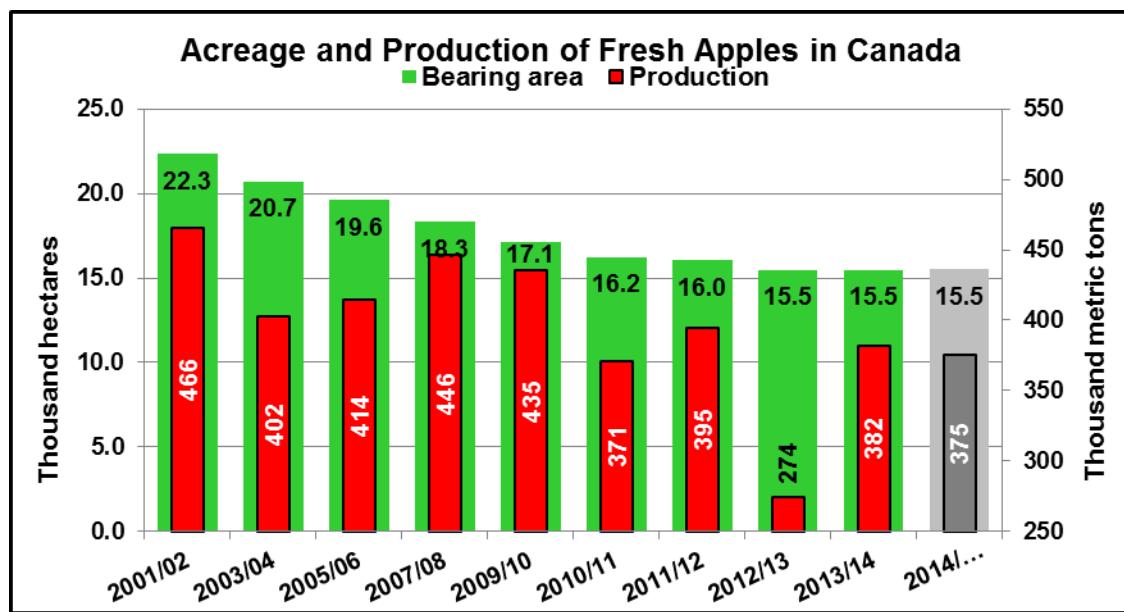
APPLES Fresh Canada	2012/2013		2013/2014		2014/2015*	
	Marketing Year: July to June					
	USDA Official	NEW Post Data	USDA Official	NEW Post Data	USDA Official	NEW Post Estimates
Area Planted	17,154	17,154	17,000	16,948		16,950
Area Harvested	16,000	15,483	15,500	15,494		15,500
Production	269,800	273,920	395,000	382,000		375,000
Imports	249,600	249,600	225,000	222,012		225,000
Total Supply	519,400	523,520	620,000	604,012		600,000
Fresh Dom. Consumption	382,100	386,268	429,600	412,610		415,000
Exports	21,400	21,382	25,400	26,402		25,000
For Processing	115,900	115,870	165,000	165,000		160,000
Total Distribution	519,400	523,520	620,000	604,012		600,000

Data in hectares or metric tons / *Post forecast

Production:

Post forecasts a slight decline of 2 percent in fresh apple production for marketing year (MY) 2014/15, down to 375,000 metric tons (MT) from 382,000 MT during MY 2013/14. This decline is primarily attributable to a small reduction in planted areas, and a cold season start in Ontario and Quebec.

In 2014, three of the four major apple producing provinces – Ontario, Quebec and Nova Scotia – experienced average yields with mild production decline. Production in British Columbia is anticipated to exceed last year's level by an estimated 5 percent, supported by excellent growing and harvest seasons.



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, reflected the declining profitability of apple cultivation over the past decade. Data for the recent years seem to indicate that the sector has now stabilized, as growers have learned what production level is most economical and profitable.

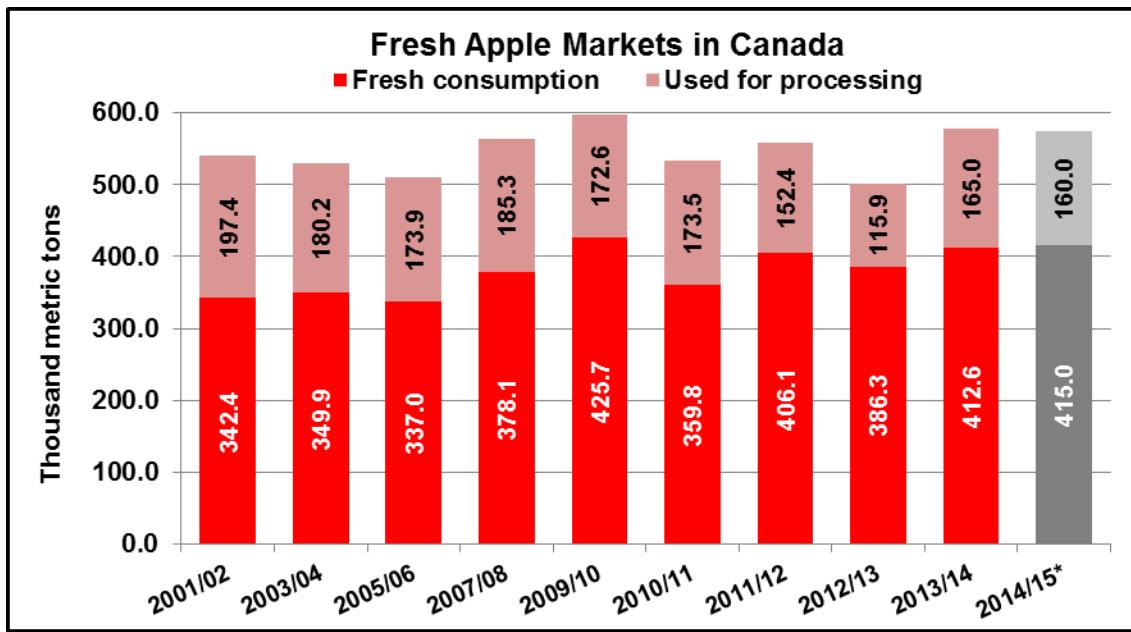
Bearing area for MY 2014/15 is expected to stay flat compared to MY 2013/14, reflecting the stabilized trend in production. Bearing area declined for almost a decade, with a total drop of more than 30 percent since MY 2001/02. Changing agricultural practices, resulting in higher density plantings on smaller areas, and a reduction in the number of smaller producers, exiting because production costs outraced market returns, are the leading factors underlying this trend.

More affordable imports from the United States, Chile and other low cost countries, combined with high production costs and a strong Canadian dollar forced the apple industry to downsize. Many apple growers responded to the evolving market situation by converting orchards over to new plantings of vinifera grapes (especially in British Columbia and Ontario) 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. Post travels to Eastern Canada revealed a trend among some producers to diversify into distilling hard cider as a way to increase profitability, which has met success to date. To assist producers facing industry pressures and changing markets, Canada's federal and provincial authorities offered replant programs between 2008 and 2010.

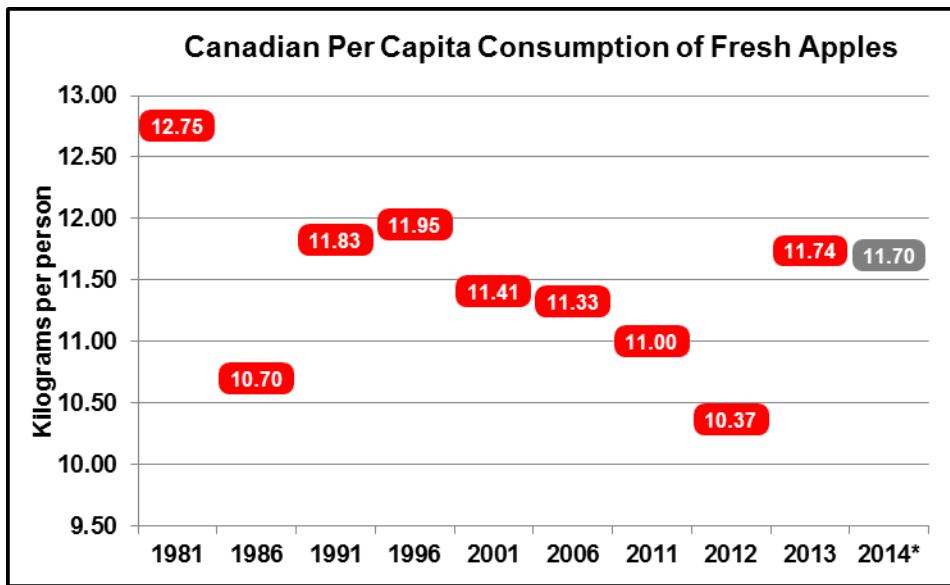
Consumption:

Of all fresh apples available in Canada, about two thirds are consumed fresh and about one third 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 been on an upward trend 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

Overall consumption in MY 2014/15 is expected to remain stable, mostly reflective of the flat domestic production. 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 42 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 recently reported 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 reported 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."

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.

Except for McIntosh, the Canadian Horticultural Council reports that Red Delicious, Spartan, Idared, Cortland and Empire are the major varieties produced in Eastern Canada. In Ontario, Empire makes up over 20 percent of production, followed by Spy at about 17 percent, Red Delicious at some 10 percent of production and Idared and Honeycrisp at over 5 percent each. In Quebec, it is Cortland and Spartan that account for about 8 percent each of the provincial production, followed by Empire at more than 5 percent. In Nova Scotia, Cortland comes first after McIntosh, at about 20 percent of production, followed by Spy and Idared at under 15 percent each.

In British Columbia it is Gala, with over 40 percent of production, which has moved way ahead of Red Delicious (8 percent) and McIntosh (10 percent) as the most popular variety. According to the Canadian Horticulture Council, the introduction of new varieties has been particularly important in British Columbia, where growers have been planting new varieties like Spartan, 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. The Ambrosia variety now makes up more than 12 percent of the B.C. production, followed by Spartan (about 12 percent), McIntosh (about 10 percent), and Red Delicious (over 8 percent).

Trade:

Post forecasts a 1.3 percent increase in Canadian imports of fresh apples, estimated at 225,000 MT for MY 2014/15 up from 222,012 MT during MY 2013/14, as domestic apple production is expected to turn out well, while demand remains stable. The United States remain the largest supplier of fresh apples, with a stable market share of about 80 percent. A normal production level in Canada, stable demand and a weaker Canadian dollar that makes imports less competitive compared to the local production are the main factors behind the current flat trend.

Canada: Imports of fresh apples

Marketing year: July-June / Quantity in metric tons

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
World	173,448	184,006	191,387	190,076	249,600	222,012
for processing	30,883	36,504	48,911	48,709	51,646	54,697
organic	7,616	9,477	9,741	10,130	11,755	11,859
other	134,949	138,025	132,735	131,237	186,199	155,456
United States	138,656	144,420	155,397	150,980	200,964	174,104
for processing	30,129	36,155	47,233	46,252	51,443	52,043
organic	5,429	6,506	7,262	7,415	9,175	8,752
other	103,098	101,759	100,902	97,313	140,346	113,309
Chile	18,942	23,933	20,630	21,742	29,800	27,823
New Zealand	7,501	7,333	7,767	7,702	9,208	10,196
China	5,116	3,855	2,285	2,855	3,842	4,048
South Africa	2,924	1,963	3,308	4,075	2,357	2,157
All other countries	309	2,502	2,000	2,722	3,429	3,684

Import Market Shares

United States	79.9%	78.5%	81.2%	79.4%	80.5%	78.4%
Chile	10.9%	13.0%	10.8%	11.4%	11.9%	12.5%
New Zealand	4.3%	4.0%	4.1%	4.1%	3.7%	4.6%
China	2.9%	2.1%	1.2%	1.5%	1.5%	1.8%
South Africa	1.7%	1.1%	1.7%	2.1%	0.9%	1.0%

Source: Global Trade Atlas

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

Since 2000, Canadian total imports of fresh apples increased by nearly 75 percent, while imports from the United States almost doubled. 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 12 percent over the past decade 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 the volume of imports of organic apples more than doubled since 2007. 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*

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
World	30,373	21,270	29,029	26,350	21,382	26,402
for processing	4,346	3,776	5,139	5,583	2,356	5,423
other	26,027	17,493	23,890	20,767	19,025	20,979
United States	26,141	17,213	23,128	20,786	18,197	23,339
for processing	4,249	2,746	3,022	3,918	1,345	4,894
other	21,892	14,467	20,106	16,867	16,852	18,444
All other countries	4,232	4,057	5,901	5,564	3,185	3,063

Source: Global Trade Atlas

Post forecasts fresh apple exports to remain flat at 25,000 MT in MY 2014/15, compared to 26,402 MT in 2013/14. These export volumes represent less than half of what Canada used to export one decade ago. Canadian exports of fresh apples have steadily declined over the last ten years, reflecting the decline in production and reduced profitability and competitiveness in export markets

PEARS

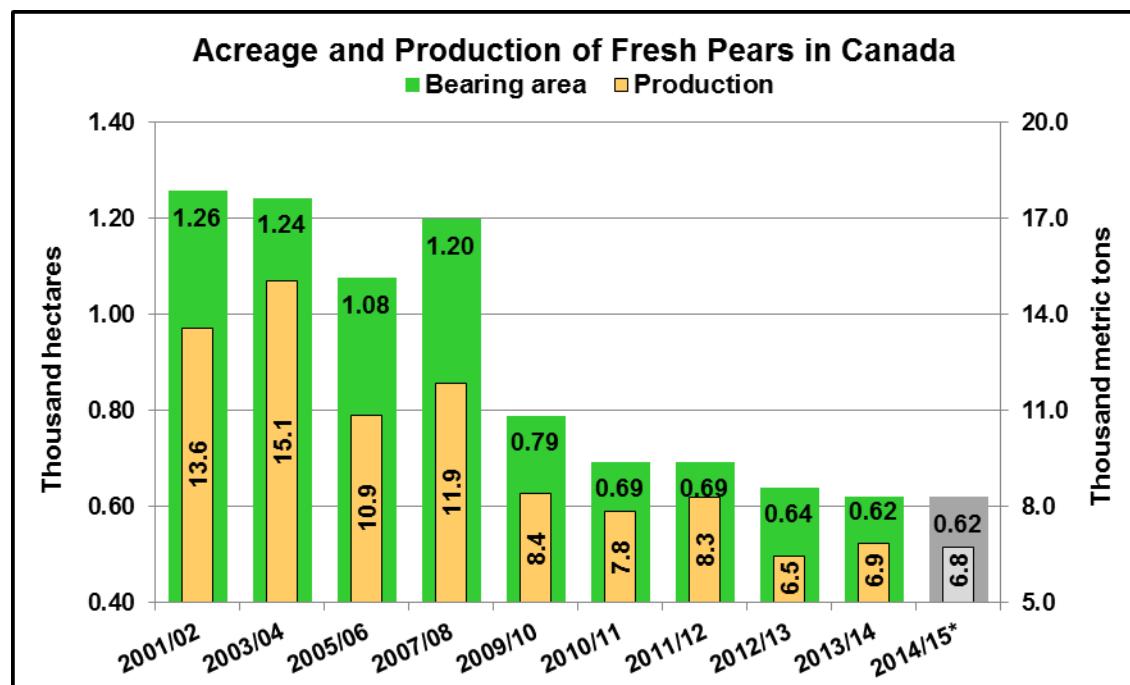
NOTE: "NEW Post" data reflect author's assessments and are NOT official USDA data

PEARS Fresh Canada	2012/2013		2013/2014		2014/2015*	
	Marketing Year: July to June					
	USDA Official	NEW Post Data	USDA Official	NEW Post Data	USDA Official	NEW Post Estimates
Area Planted	800	746	750	707		700
Area Harvested	700	640	650	621		620
Production	6,300	6,470	7,800	6,870		6,750
Imports	75,200	75,229	70,000	73,195		75,000
Total Supply	81,500	81,699	77,800	80,065		81,750
Fresh Dom. Consumption	81,240	81,528	77,550	79,728		81,475
Exports	0	1	0	37		25
For Processing	260	170	250	300		250
Total Distribution	81,500	81,699	77,800	80,065		81,750

Data in hectares or metric tons / * Post forecast

Production:

Post forecasts a mild 1.7 percent decline in fresh pear production, down to 6,750 MT during MY 2014/15 from a level of 6,870 MT in 2013/14, as the sector enjoyed a largely uneventful season, and areas planted remained stable. At this point, the pear production in Canada seems to have stabilized, after a long term declining trend, manifested in particular through decreasing profitability in the sector, due primarily to the closing of the domestic pear processing industry. In 2008, CanGro closed the St. David pear cannery in Ontario, the last of 32 fruit canning plants that once existed in the province.

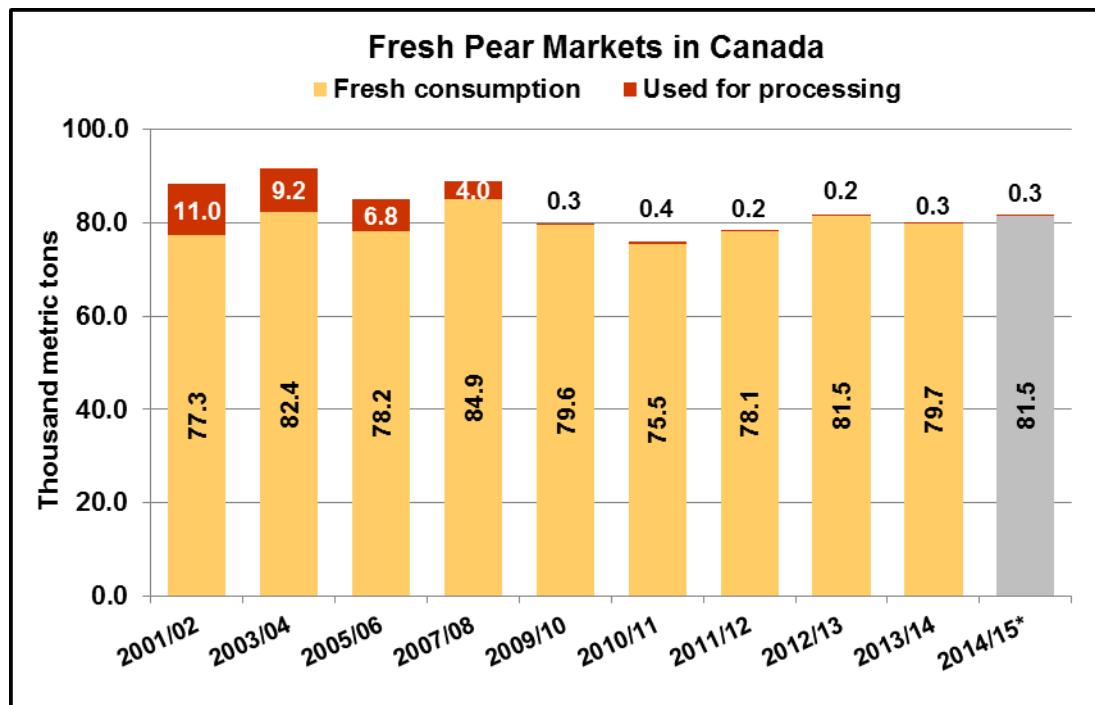


Source: Statistics Canada / * Post forecast

Bearing area seems to have stabilized around 600 hectares, whereas overall pear planted area declined by nearly 50 percent over the past decade. Pear production is also down by the same percentage since MY 2001/02.

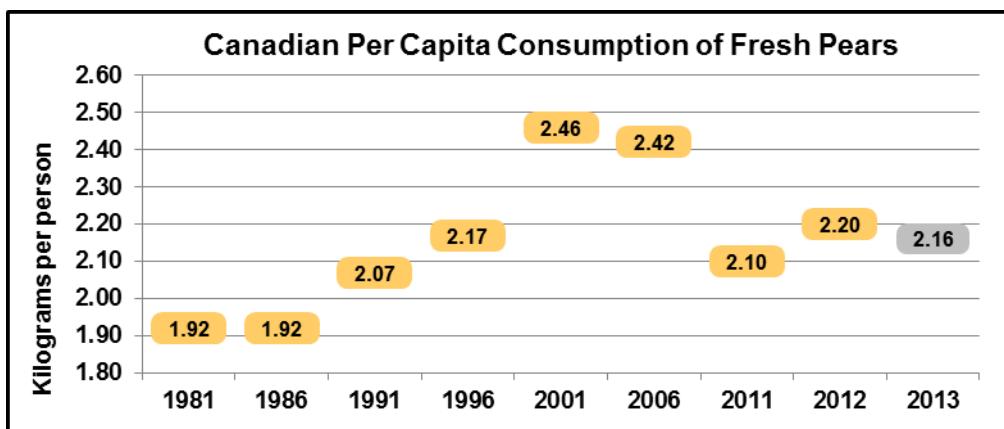
Consumption:

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 of 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 almost 15 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 a 2.5 percent increase in imports of fresh pears, estimated to be up to 75,000 MT in MY 2014/15, compared to 73,195 MT in MY 2013/14. And domestic production and demand remains relatively flat, imports seems to have stabilized in recent years around 70-75,000 MT annually. A factor that has been affecting pear trade over the past decade 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

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
World	68,461	71,511	68,221	70,042	75,229	73,195
for processing	58	205	14	0	24	0
organic	1,339	1,578	1,427	1,686	2,370	2,646
other	67,064	69,729	66,780	68,356	72,682	70,387
United States	35,440	42,277	37,936	39,668	42,791	42,157
for processing	58	205	14	0	24	
organic	1,030	1,245	820	1,042	1,476	1,296
other	34,353	40,827	37,103	38,626	41,177	40,714
Argentina	11,584	9,757	10,598	9,724	12,417	13,183
China	12,517	10,931	10,428	10,460	11,437	9,369
South Africa	3,438	3,526	4,647	5,469	4,172	3,845
Australia	1,860	1,951	1,622	1,681	1,392	1,287
Chile	2,074	1,343	1,494	1,189	1,353	1,363
All other countries	1,440	1,631	1,417	1,851	1,667	1,991

Import Market Shares

United States	51.8%	59.1%	55.6%	56.6%	56.9%	57.6%
Argentina	16.9%	13.6%	15.5%	13.9%	16.5%	18.0%
China	18.3%	15.3%	15.3%	14.9%	15.2%	12.8%
South Africa	5.0%	4.9%	6.8%	7.8%	5.5%	5.3%

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. Organic HS codes were introduced in 2007. The import volume of organic pears has recently increased to about 2,700 MT (about 3 percent of total imports), after remaining stable at around 1,500 MT for five years. Typically, the United States has supplied about three quarters of organic imports.

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	2012/2013		2013/2014		2014/2015*	
	Marketing Year: June to May					
	USDA Official	NEW Post Data	USDA Official	NEW Post Data	USDA Official	NEW Post Estimates
Production	3,000	2,590	3,000	3,110		2,750
Imports	176,100	176,048	182,000	182,210		180,000
Total Supply	179,100	178,638	185,000	185,320		182,750
Fresh Dom. Consumption	177,700	177,265	182,600	182,962		180,750
Exports	1,400	1,373	2,400	2,358		2,000
For Processing	0		0			
Total Distribution	179,100	178,638	185,000	185,320		182,750

All data in metric tons / *Post forecast

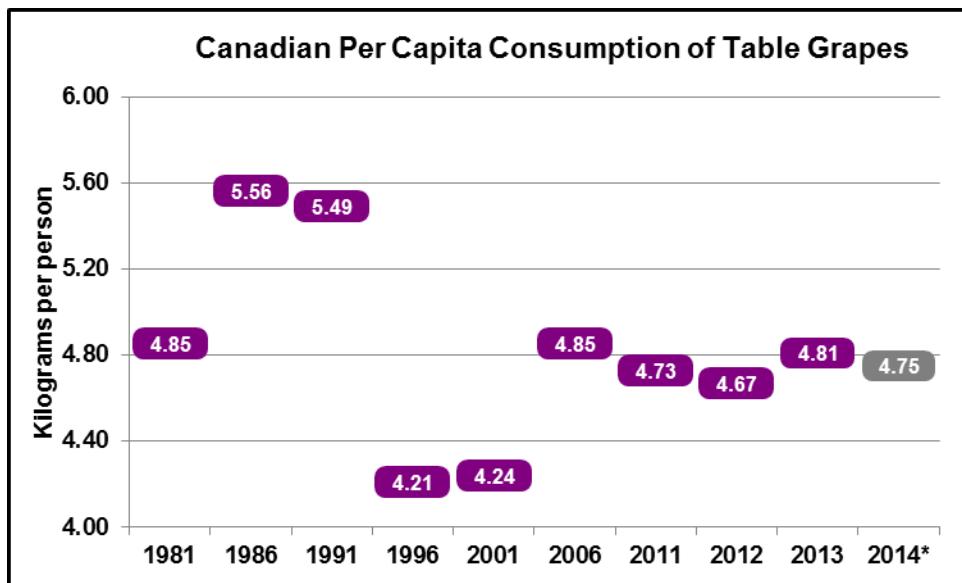
Production:

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 around 3,000 MT of fresh table grapes annually. Domestically produced table grapes, with few exceptions, are only marketed to the immediate surrounding population centers in the province where grown. Hence, domestic consumption of table grapes is basically satisfied through imports, with recent annual volumes in the 175-185,000 MT range. Over half of Canada's table grape imports originate in the United States.

Canada has systematically developed its wine industry over the past two decades. In recent years, over 90,000 MT of grapes are produced annually and used for producing wine and other processed products (such as grape juice). The two provinces that supply Canadian grapes are Ontario, with a market share of roughly 75 percent, and British Columbia accounting for the balance.

Consumption:

As with apples, per capita table grapes consumption, which 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:

Post forecasts a 1.2 percent decrease in imports of table grapes for MY 2014/15, down to 180,000 MT from 182,962 MT in 2013/14, mainly due to supply availability, as the table grape sectors in both California and Chile have seen a challenging season. As indicated earlier, Canada imports over 95 percent of its fresh table grapes. Local grape production is primarily used in wine making.

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 and stabilized between 2-3,000 MT annually.

Canada: Imports of fresh grapes*Marketing year: June-May / Quantity in metric tons*

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
World	189,853	182,813	188,890	172,544	176,048	182,210
organic	9,581	4,784	3,197	2,318	2,237	3,385
other	180,272	178,029	185,693	170,226	173,811	178,825
United States	98,850	96,928	96,384	91,529	95,457	101,973
organic	184	2,505	1,763	1,742	1,598	2,413
other	98,666	94,423	94,621	89,787	93,859	99,560
Chile	63,587	64,347	61,857	53,887	54,220	44,631
Mexico	20,983	16,251	22,870	17,263	17,045	22,326
Peru	1,175	1,444	3,587	5,389	4,649	8,664
Brazil	2,922	1,713	2,264	2,201	1,898	1,416
All other countries	2,336	2,130	1,928	2,275	2,779	3,200

Import Market Shares

United States	52.1%	53.0%	51.0%	53.0%	54.2%	56.0%
Chile	33.5%	35.2%	32.7%	31.2%	30.8%	24.5%
Mexico	11.1%	8.9%	12.1%	10.0%	9.7%	12.3%
Peru	0.6%	0.8%	1.9%	3.1%	2.6%	4.8%
Brazil	1.5%	0.9%	1.2%	1.3%	1.1%	0.8%

Source: Global Trade Atlas

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

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](#).

Policy:**Promotion and Research Agency**

The Canadian apple industry continues to discuss the idea of establishing a national marketing agency to promote the consumption of apples and conduct various research projects. Such an agency would collect levies on both the domestic production and on imports of apples to fund its activities.