BRITISH COLUMBIA

Ministry of Agriculture, Food and Fisheries

REPORT ON STAKEHOLDER ENGAGEMENT – SUMMARY 2021

The Path Forward:

A BLUEPRINT FOR B.C.'S TREE FRUIT INDUSTRY

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Introduction

The Tree Fruit Industry Stabilization Project is working to understand and evaluate current circumstances faced by the BC tree fruit industry, with a focus on the apple sector. The outcome of the project is the development of an industry stabilization plan and accompanying strategies for implementation for the industry.

As part of the initiative, the Ministry of Agriculture, Food and Fisheries engaged all levels of the tree fruit industry (producers, packers, organizations, and associations) in a comprehensive engagement process. This document provides a high-level summary of the issues impacting the industry that were raised by participants.

Leadership and Governance

Leadership and Direction within the Industry (Summary of Industry Feedback)

- Leadership is challenged by overlapping roles, responsibilities and competing priorities and mandates amongst industry associations. No one industry association owns or has developed a strategic vision, and related strategy implementation for the sector.
- Competing views and groups posturing for influential industry positions has resulted in fragmentation of the apple industry with reduced collaboration and considerable infighting. Consequently, the apple sector has been unable to effectively coordinate the development of new varieties, expand, access new markets, etc.
- Many apple producers and some packing houses base their economic decisions on quantity of fruit produced/packed, over quality of fruit. Reliable, high-quality fruit still results in strong customer relationships and higher prices.
- Some apple producers seem to rely on perpetual government support for their businesses.
- Variability in the business acumen of apple producers has limited economic opportunities in the sector. For example, the cherry industry has utilized new varieties to create export opportunities for their sector. Collectively, apple producers have not harnessed similar opportunities.

Data Strategy (Summary of Industry Feedback)

- There is an urgent need for accurate, comprehensive data to assist with industry planning and resource initiatives. Well-informed data is required to ensure the fair and accurate administration of funding and other programs, and to track, assess, and demonstrate the effectiveness of initiatives.
- Producers are not able to access sufficient data to make informed business decisions (e.g.: best commodities and varieties to plant).
- The Province of BC does not have sufficient information to help support high level decision making.

Industry Competitiveness

Horticulture and Extension Services (Summary of Industry Feedback)

- Extension services are required to assist growers in making sound agronomic choices (e.g.: whether to introduce new varieties, best management practices, etc.), to transfer knowledge to the next generation, and to support new entrants to the industry.
- Export quality fruit is needed to pursue premium returns in export markets. The small size of orchards in BC means there will always be farms needing help to achieve consistency in fruit quality.
- Several organizations (including the Ministry and the Cooperative) have not been able to sustain extension/field services, much to the detriment of some producers.
- The restructuring and subsequent loss of field service at the Cooperative negatively impacted producers. The money saved for each grower on field service fees was much lower than the negative impact on grower returns.
- The secondary session on extension services reiterated what was said in the initial sessions and noted that the loss of these services has negatively impacted the following: succession training and knowledge transfer, relationship and network building, coordination among producers, researchers and government, and the ability of producers to keep up with the quality and other requirements necessary to stay competitive.

Development of New Varieties (Summary of Industry Feedback)

- Competing views and interests among industry associations, and the absence of an industry-wide strategic vision has left BC behind in adopting and accessing new apple cultivars.
- It is unclear which organization has the responsibility of providing guidance to producers about which varieties to plant. Marketing and salespeople familiar with consumer preferences are best qualified.
- There is a need for access to a greater diversity of varieties (harvest times, flavour profiles, etc.), and protection of local varieties.
- Some producers felt BC should focus on more niche varieties and get into some club varieties.
- The Ministry's Tree Fruit Replant Program should shift to only supporting the right varieties planted in the right areas. For example, the Pink Lady apple should only be planted in the South Okanagan, as it matures late and often freezes prior to picking in the North Okanagan.
- Need better tracking of what is planted (acreages by location, commodities, and varieties).
- There is confusion regarding SVC managed varieties and levies/royalties, and the challenges of competing with multi-million-dollar marketing campaigns of global competitors (e.g.: Cosmic Crisp). There is concern that SVC managed varieties and accompanying promotion strategies may never be able to compete with multi-million-dollar marketing campaigns of global competitors (e.g.: Cosmic Crisp).
- BC needs to grow more export quality fruit and capture premium markets with premium varieties.
- There is concern that not enough producers have the quality necessary to develop premium export markets.

The secondary session on varieties reiterated what was said in the initial sessions. Participants noted much of the world has shifted to proprietary "club varieties" but BC has been unable to acquire licenses to grow those varieties and many BC producers are unwilling to pay to be part of that trend. They stressed the need for a plan and marketing support for new varieties from the industry and noted there are Canadian examples of strong leadership (e.g.: Scotian Gold packinghouse in Nova Scotia).

Fruit Quality versus Quantity (Summary of Industry Feedback)

- Most respondents felt the overall quality of BC apples has declined. This reduces returns to producers of better-quality fruit and diminishes the reputation of BC's apple industry and sales.
- Respondents noted the absence of quality standards.
- Many respondents suggested there are too many producers producing sub-standard quality fruit.
- A few respondents indicated the overall quality of BC's apples has not declined or has improved.
- Marketing, Sales, and the Power of Retailers (Summary of Industry Feedback)
- Producers are often unaware of marketplace or consumer preferences.
- There is a desire for a trusted third party to help understand pricing and improve collaboration.
- The small number of large retailers and large number of packing houses competing for the domestic market have allowed retailers to set low prices from which retailers retain substantial profits.
- Because producers are the last parties paid in the production line (after retailers, marketers, packers, etc.), they receive minimal returns and are "price takers".
- Packers need to find ways to be more efficient to help increase grower returns. Quality fruit increases packing efficiency and reduces the amount of lower quality fruit getting to market.
- Government support should help reduce input costs, not serve as "handouts", and provide incentives to grow quality fruit.

In the secondary session, it was noted:

- The Ministry's BuyBC program is already enhancing the presence of apples in its campaigns.
- The BC Fruit Growers' Association (BCFGA) and the Canadian Horticulture Council are communicating with other provinces about using AAFC support to pursue China as an export market.
- The role of the Washington State Apple Commission (advertising, promotion, education, and market development for the Washington fresh apple crop) could serve as a model for BC.

Government Programs and Support

A Financial "Lifeline" or Bridge (Summary of Industry Feedback)

- In the past, the BCFGA has requested a subsidy from the Provincial Government to make up some of the difference between the returns apple producers are receiving and their Cost of Production (COP). The BCFGA suggests this will offset the advantage Washington State producers have from the subsidy from their US Department of Agriculture but will be temporary (ending once the industry "rebounds").
- This request was repeated by some individual apple producers during the engagement sessions.
- Not all producers are supportive. Some believe funding from government is unfairly distributed and supports the production of low-quality fruit.

Labour Supply and Housing Challenges (Summary of Industry Feedback)

- A plan to help producers coordinate labour requirements is needed.
- There is strong reliance on foreign labour as the number of domestic farm workers is limited.
- The process to access Temporary Foreign Workers (TFWs) is arduous and time-consuming (e.g.: application process, housing inspections, consulate contact, etc.).
- The TFW program would be more beneficial to producers if made more flexible, and allowed for inter-farm transfers of foreign workers, shared housing for domestic and foreign workers, etc.
- There are variable rules/by-laws at different levels of government regarding TFWs. Local government (LG) regulations are thought of as “out of step” with agricultural needs.
- Changes in TFW regulations are costly for producers and require retrofitting of previously approved housing.
- -The limits on high occupancy housing set by the Agricultural Land Commission (ALC) on the Agricultural Land Reserve (ALR) reduces the number of units available for workers.

The secondary session on labor confirmed these views and noted the following challenges: human resource planning and HR management skills are lacking on many farms, there is a need to be able to transition workers between commodities and share workers more effectively, and the logistics re: housing, payments, insurance etc. required by some government agencies to share workers between producers are complex.

BC Government Programs (Summary of Industry Feedback)

- Some participants suggested that the replant program was initially effective but had diminishing benefits overtime due to the administration of the program (e.g.: wrong types of replant activities being supported, program only supports producers that provided fruit to the Cooperative).
- There was a similar range of views concerning the Ministry’s suite of business risk management programs. Some felt the program and its benefits were appropriate while others expressed concern that the programs and the supporting documentation were too onerous, and the criteria excluded some producers.

Agricultural Land Reserve (ALR) and Agricultural Land Commission (ALC) (Summary of Industry Feedback)

- Participants had a positive view about the ALR in principle as a social and economic policy tool, however, many expressed concerns that the ALC’s decision-making places restrictions on “real producers” through emphasis on protection of agricultural land (as opposed to agriculture and farmers).
- Many suggested that by placing unreasonable restrictions on the use of ALR land for farming (e.g.: restrictions on farm worker housing and secondary activities like food processing, etc.), the ALC is not supporting farm uses

Local Governments (Summary of Industry Feedback)

- Local governments were portrayed as inconsistent in how they dealt with farmers, including orchardists.
- There was concern that the support for agriculture articulated by some local governments has not been backed up by action. Examples of this included lengthy approval processes for farm businesses compared to other businesses, restrictive and onerous rules and requirements around housing, extensive and costly inspection regimes such as for housing, and lack of support for farmers’ applications to the ALC.

Columbia River Treaty and Columbia River Basin Trust (Summary of Industry Feedback)

- Several participants felt the 1964 Columbia River Treaty provided increased opportunity to Washington State agriculture. The treaty allowed Washington State to capitalized on the agreement by subsidizing primary production, and funding water and irrigation infrastructure in the state.
- Participants indicated similar opportunities were not available to British Columbia agriculture.

Other Factors

Cost of Production (Summary of Industry Feedback)

- The topic of declining average returns paid to apple producers was often brought up in conjunction with the fact that the average returns paid to apple producers have been lower than the cost of production (COP).
- However, a range of views and potential factors that cause some apple producers to have low returns were expressed on this topic.
- The absence of well-informed data has made it difficult to demonstrate the scale of this situation.

The Cost of Running a Business (Summary of Industry Feedback)

- Some producers indicated the factors increasing their costs include the price of land, labor, water, and irrigation infrastructure. They also suggested these costs were much lower for their major competitors in Washington State.
- Some producers suggested that the important role they play in providing food to British Columbians, and in enhancing food security in the province warrants special consideration by government.

Competition from Washington State (Summary of Industry Feedback)

- Some participants spoke about the impact of competition from Washington State apple producers, in effect undermining the province's industry.
- Some suggested this competition was unfair as Washington State producers were "dumping" apples into BC.
- Participants suggested that Washington State is so dominant for several reasons, including the impact of the Columbia River Treaty, the subsidy being paid by the US Department of Agriculture to producers, and the licensing of varieties grown and developed in BC to other jurisdictions.
- Some producers and packers suggested that low quality fruit, variable business practices by producers and the absence of a long-term strategic vision for the industry are the real issues for the BC apple industry, not competition from Washington State as some members of the BC industry point to.