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Canada

Fresh Deciduous Fruit Annual

2011

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Report Highlights:
After a poor harvest in 2010, apple production is expected to improve in 2011. Post forecasts a 4 percent increase, however the crop level remains well below the five-year average. The declining trend in pear production caused by the disappearance of the processing industry will continue into 2011, with a further estimated reduction of 7 percent. Canada imports over 95 percent of its fresh table grapes and will continue to do so in the years to come. For 2011, Post forecasts a 2 percent decline in imports.

Executive Summary:

- After a particularly poor harvest in 2010 caused by late spring frost, Post forecasts a 4 percent increase in fresh apple production for marketing year (MY) 2011/12, up to 360,000 metric tons (MT) from 346, 677 MT during MY 2010/11. Despite this improvement in 2011, the fresh apple crop level remains low compared to the production recorded 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 remain flat at a high level of 190,000 MT during MY 2011/12. A 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 7,500 MT for MY 2011/12, down 4 percent from 7,833 MT in 2010/11. This downward trend was 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 a small increase of 2.5 percent in the volume of imported fresh pears for MY 2011/12, up to 70,000 MT from 68,221 MT in 2010/11. 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 2 percent decline in imports of table grapes for MY 2011/12, down to 185,000 MT from 188,894 MT in 2010/11, mainly reflecting supply conditions and a stagnant demand in Canada.
- The Orchards and Vineyards Transition Program has come to an end. Over the past three years, Canada’s major tree fruit producing provinces operated an orchard replant program. These programs assisted producers with the removal of older, lower-yielding, less popular varieties and replacement with more efficient, higher-density plantings of newer varieties.

APPLES

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

APPLES Fresh Canada	2009/2010		2010/2011		2011/2012	
	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	20,137	20,137	18,377	18,110		17,243
Area Harvested	17,147	17,147	16,139	16,245		15,761
Production	413,096	413,096	405,000	346,677		360,000
Imports	184,128	184,014	195,000	191,383		190,000
Total Supply	**597,224**	**597,110**	**600,000**	**538,060**		**550,000**
Fresh Dom. Consumption	435,768	403,160	440,000	369,251		375,000
Exports	21,266	21,270	20,000	29,029		30,000
For Processing	140,190	172,680	140,000	139,780		145,000
Total Distribution	**597,224**	**597,110**	**600,000**	**538,060**		**550,000**

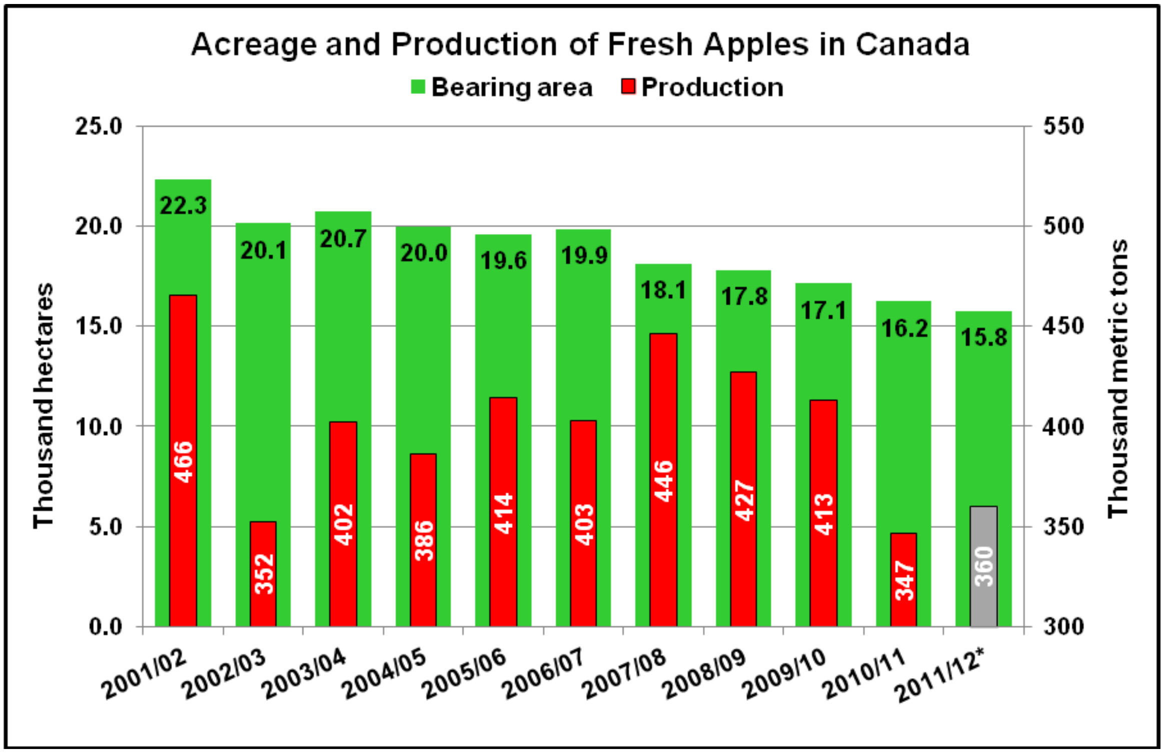
Data in hectares or metric tons

Production:

With good growing conditions reported in Central Canada, Post forecasts a 4 percent increase in fresh apple production for marketing year (MY) 2011/12, up to 360,000 metric tons (MT) from 346, 677 MT during MY 2010/11. Despite this improvement in 2011, the fresh apple crop level remains low compared to the production recorded over the past decade.

For the current year, production is expected to decrease slightly in British Columbia and Nova Scotia, which together supply over one third of the total Canadian volume. Production in New Brunswick is expected to remain stable. In turn, higher crop levels are expected in Central Canada (Ontario and Quebec), which combined accounts for over 60 percent of total volume. This is especially the case in Ontario, which is expected to rebound from a previously difficult season.

In 2010, spring frosts were the main growing challenge. Trees were in full bloom by early May when few days with temperatures below zero and several inches of snow killed the buds. This resulted in a 2010 production level 16 percent below the previous year's level. Ontario was hit the hardest, with a 19 percent reduction in apple production.



Source: Statistics Canada / * Post forecast for production volume

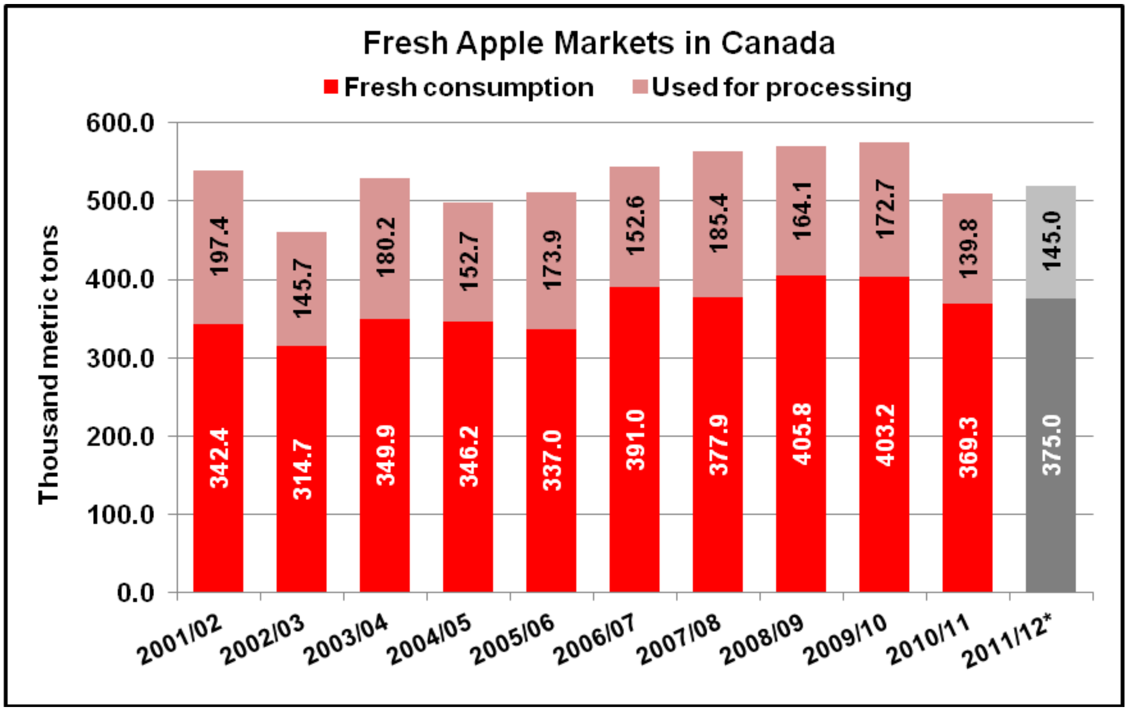
In terms of longer term trends, the decline in fresh apple production in Canada is consistent with the declining trend in planted areas which, in turn, reflects a declining profitability of apple cultivation.

Bearing areas have declined for the fifth consecutive year, 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.

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.

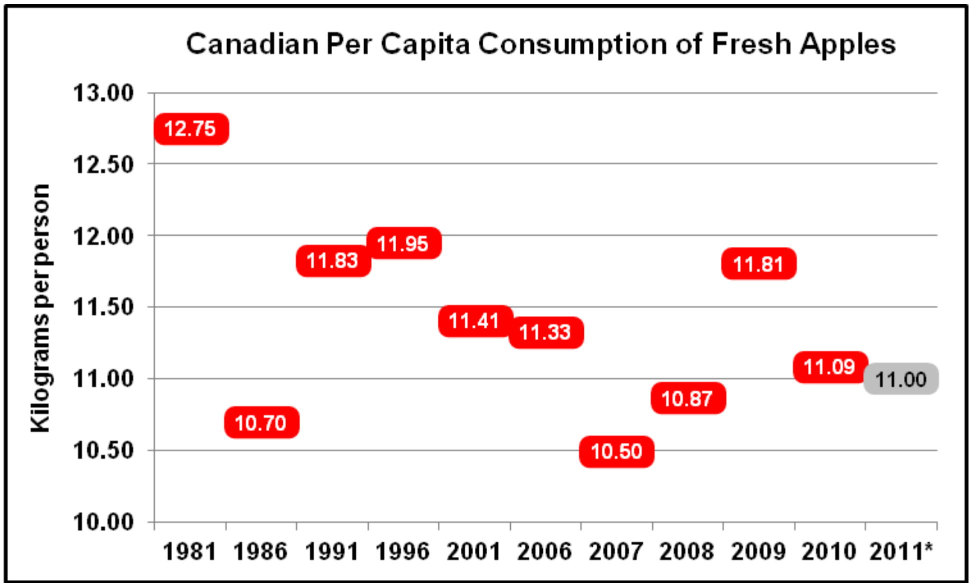
Growers that intend to remain in the industry are turning to newer, more popular varieties such as Ambrosia and Honeycrisp and new, modern intensive planting systems in an attempt to remain competitive with imports. To assist producers adapt to industry pressures and changing markets, Canada's federal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

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

A recent article in a newspaper noted: "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."

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 a modest decline of 0.7 percent in Canadian imports of fresh apples, down to 190,000 MT during MY 2011/12 compared to a 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 projected imports, although in small decline, remain at a historical high level, given that 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
World	**178,317**	**166,628**	**173,448**	**184,014**	**191,383**
for processing	30,157	22,523	30,883	36,504	48,911
organic	2,999	5,588	7,616	9,478	9,737
other	145,160	138,515	134,947	138,032	132,733
United States	**139,641**	**132,597**	**138,656**	**144,428**	**155,393**
for processing	30,070	22,523	30,129	36,155	47,233
organic	2,123	4,344	5,429	6,509	7,257
other	107,446	105,728	103,096	101,766	100,903
Chile	21,211	19,199	18,942	23,933	20,630
New Zealand	7,486	6,922	7,501	7,333	7,767
South Africa	2,958	1,992	2,924	1,963	3,308
China	5,832	5,084	5,116	3,855	2,285
All other	1,189	834	309	2,502	2,000
Import Market Shares					
United States	78.3%	79.6%	79.9%	78.5%	81.2%
Chile	11.9%	11.5%	10.9%	13.0%	10.8%
New Zealand	4.2%	4.2%	4.3%	4.0%	4.1%
China	1.7%	1.2%	1.7%	1.1%	1.7%
South Africa	3.3%	3.1%	2.9%	2.1%	1.2%

Source: Global Trade Atlas

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

At 191,383 MT, MY 2010/11 marked a second consecutive record in terms of the import volume of fresh apples into Canada, both globally and originating from Unites States. 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**
World	**37,427**	**49,661**	**30,373**	**21,266**	**29,029**
for processing	3,674	14,429	4,346	3,776	5,139
other	33,752	35,232	26,027	17,490	23,890
United States	**28,603**	**40,831**	**26,141**	**17,213**	**23,128**
for processing	3,525	14,237	4,249	2,746	3,022
other	25,078	26,594	21,892	14,467	20,106
Mexico	2,926	3,057	1,645	1,069	1,872
United Kingdom	2,398	3,364	1,127	1,223	1,560
Taiwan	567	669	221	137	1,347
All other	2,933	1,740	1,239	1,628	1,122

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. Post forecasts a 3 percent increase in exports, up to 30,000 MT during MY 2011/12 from 29,029 MT in 2010/11, which was also the first time in a decade when the export volume actually increased. Nevertheless, this forecast volume represents one half of what Canada used to export ten years ago.

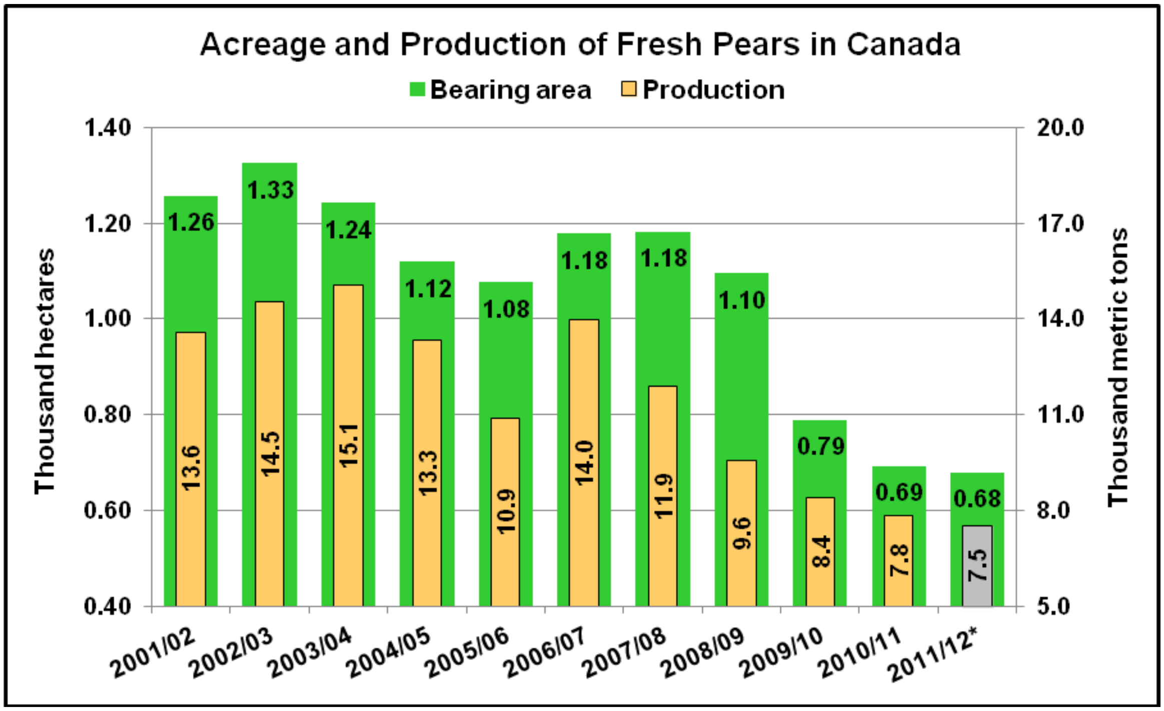
PEARS

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

PEARS Fresh Canada	**2009/2010**		**2010/2011**		**2011/2012**	
	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	878	878	761	800		785
Area Harvested	789	789	696	693		679
Production	8,400	8,400	7,500	7,833		7,500
Imports	71,724	71,511	70,000	68,221		70,000
Total Supply	**80,124**	**79,911**	**77,500**	**76,054**		**77,500**
Fresh Dom. Consumption	79,806	79,593	77,250	75,363		77,150
Exports	68	68	50	161		100
For Processing	250	250	200	530		250
Total Distribution	**80,124**	**79,911**	**77,500**	**76,054**		**77,500**

Data in hectares or metric tons

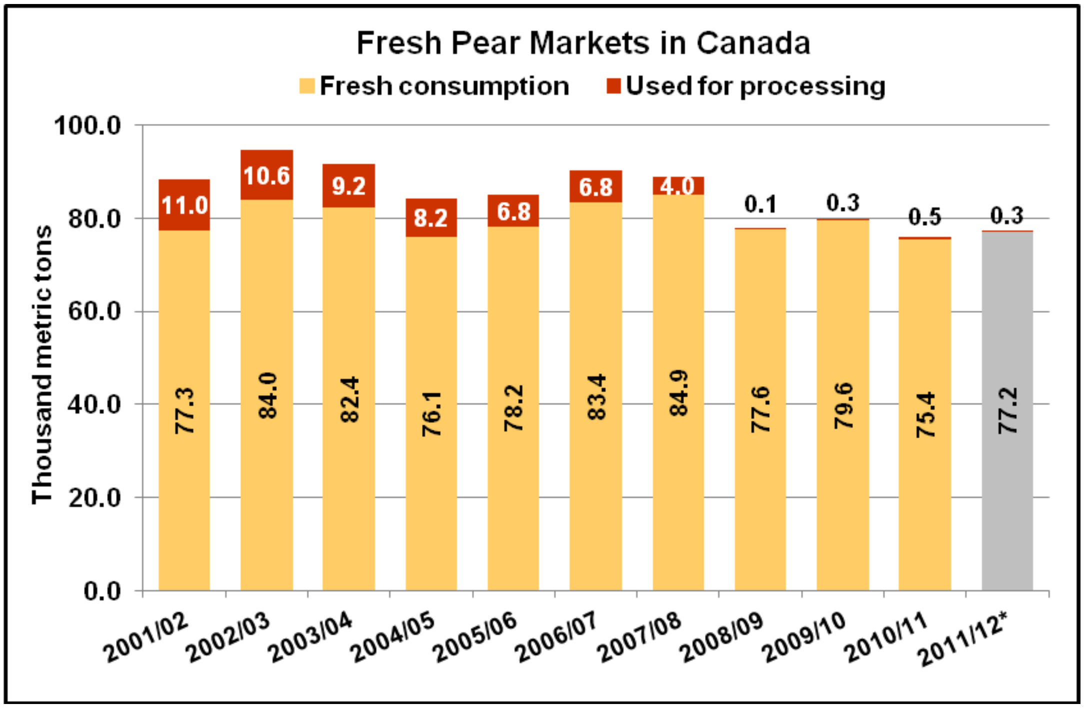
Production:
Post forecasts a further decline of 4.3 percent in fresh pear production, down to 7,500 MT during MY 2011/12 from a level of 7,833 MT in 2010/11. In addition to the longer term declining trend in the profitability of pear cultivation, a major contributory factor has been the slow death of 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 for production volume

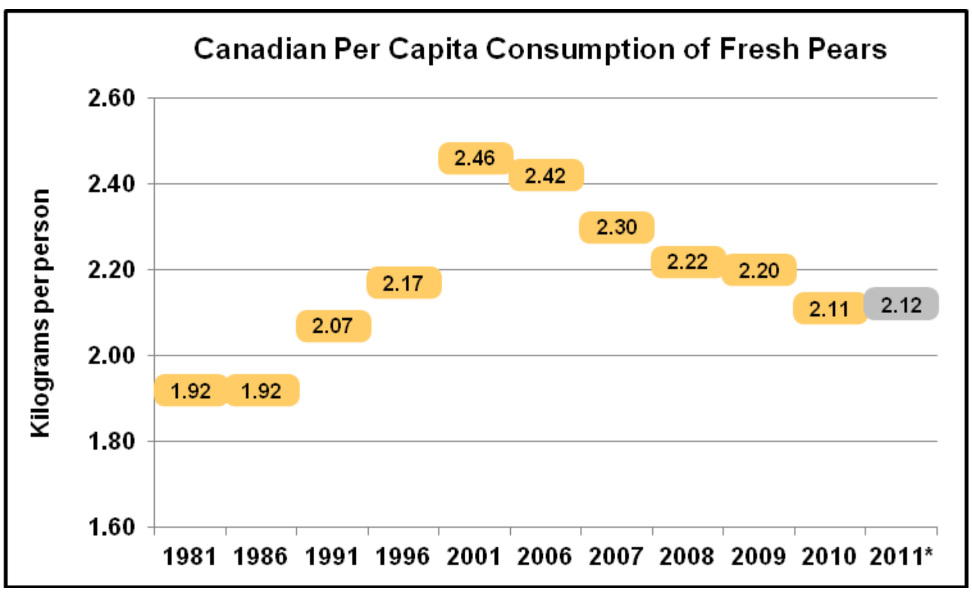
Bearing area has declined an additional 2 percent since MY 2010/11, while overall pear planted area declined by nearly 45 percent over the past decade. Pear production is also down by the same percentage since MY 2001/02.

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 a small increase of 2.6 percent in the volume of imported fresh pears for MY 2011/12, up to 70,000 MT from 68,221 MT in 2010/11. 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
World	**76,497**	**77,250**	**68,461**	**71,511**	**68,221**
for processing	3,332	2,431	58	205	14
organic	717	1,486	1,339	1,578	1,427
other	72,448	73,333	67,064	69,729	66,780
United States	**40,366**	**44,098**	**35,440**	**42,277**	**37,936**
for processing	3,332	2,431	58	205	14
organic	385	1,068	1,030	1,245	820
other	36,648	40,599	34,353	40,827	37,103
Argentina	14,960	10,871	11,584	9,757	10,598
China	12,810	12,823	12,517	10,931	10,428
South Africa	2,933	2,889	3,438	3,526	4,647
Australia	952	1,694	1,860	1,951	1,622
Chile	2,468	2,996	2,074	1,343	1,494
All other	1,899	1,773	1,440	1,631	1,417
Import Market Shares					
United States	52.8%	57.1%	51.8%	59.1%	55.6%
China	16.7%	16.6%	18.3%	15.3%	15.3%
Argentina	19.6%	14.1%	16.9%	13.6%	15.5%
South Africa	3.8%	3.7%	5.0%	4.9%	6.8%

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, but in the past year its share dropped below 60 percent.

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

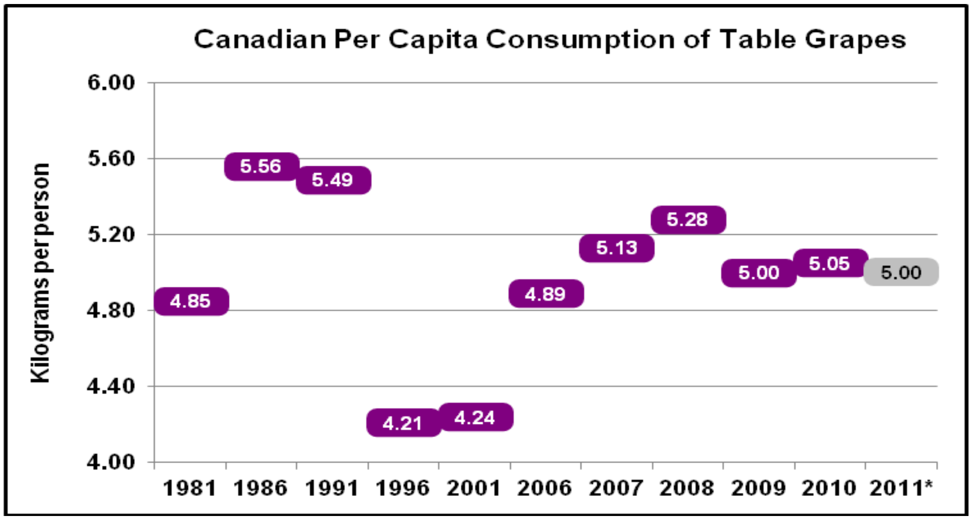
GRAPES Fresh Canada	2009/2010		2010/2011		2011/2012	
	Marketing Year: June to May					
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates
Production	2,671	2,671	3,050	3,293		3,000
Imports	182,819	182,819	185,000	188,894		185,000
Total Supply	**185,490**	**185,490**	**188,050**	**192,187**		**188,000**
Fresh Dom. Consumption	182,639	182,640	185,550	189,697		185,500
Exports	2,851	2,850	2,500	2,490		2,500
For Processing	0	0	0	0		0
Total Distribution	**185,490**	**185,490**	**188,050**	**192,187**		**188,000**

All data in metric tons

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, 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 form 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 decrease of 2 percent in imports of table grapes for MY 2011/12, down to 185,000 MT from 188,984 MT in 2010/11.

Canada: Imports of fresh grapes

Marketing year: July-June / Quantity in metric tons

	2006/07	2007/08	2008/09	2009/10	2010/11
World	**173,539**	**191,690**	**189,853**	**182,819**	**188,894**
organic	0	0	9,581	4,790	3,197
other	173,539	191,690	180,272	178,029	185,697
United States	**85,716**	**99,598**	**98,850**	**96,935**	**96,380**
organic	0	0	184	2,511	1,763
other	85,716	99,598	98,666	94,424	94,617
Chile	62,128	64,055	63,587	64,347	61,881
Mexico	16,120	20,402	20,983	16,251	22,870
Peru	590	1,119	1,175	1,444	3,587
Brazil	3,051	3,046	2,922	1,713	2,264
South Africa	2,472	2,380	1,292	933	1,046
All other	3,462	1,090	1,044	1,196	866
Import Market Shares					
United States	49.4%	52.0%	52.1%	53.0%	51.0%
Chile	35.8%	33.4%	33.5%	35.2%	32.8%
Mexico	9.3%	10.6%	11.1%	8.9%	12.1%
Peru	0.3%	0.6%	0.6%	0.8%	1.9%
Brazil	1.8%	1.6%	1.5%	0.9%	1.2%
South Africa	1.4%	1.2%	0.7%	0.5%	0.6%

Source: Global Trade Atlas

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

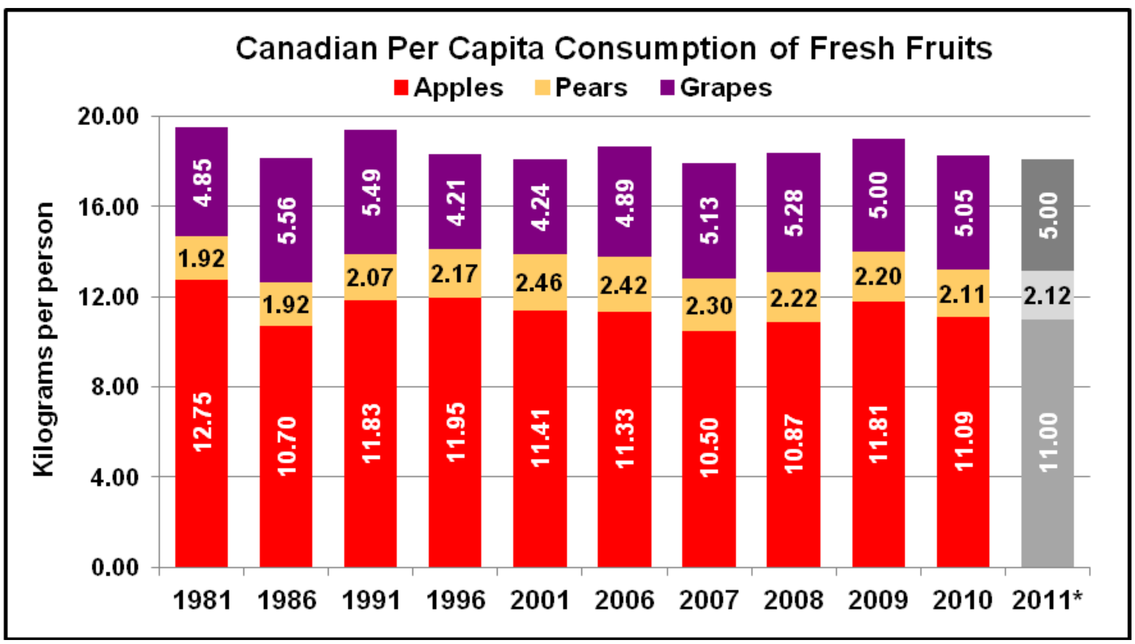
The United States is the main supplier of fresh table grapes, with a market share of just above 50 percent, while Chile and, to a lesser extent Mexico, are the major competitors. In 2009, Canada introduced organic HS codes for grapes, and after an initial spike, organic imports have steadily decreased.

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

ADDITIONAL INFOMRATION

Fresh Fruit Consumption Trend:

The combined Canadian per capita consumption of apples, pears and grapes continues to remain relatively stable, a trend that has been observed over the past 30 years. However, Statistics Canada reported a slow increase in per capita consumption of fresh fruits in recent years.



Source: Statistics Canada / *Post forecast

Factors that have contributed to this upward trend, and that may very likely continue to shape consumption trends in the future, include: an increasingly aware Canadian consumer that is more concerned about dietary impacts on health; an aging population of considerable and increasing share that focuses on good health and its connection to fruit consumption and nutrition; an increasingly diverse ethnic composition of the population and an increasing share of immigrant population of non-European origin that is used to a higher consumption of fresh fruits.

This last factor, however, may also pose a challenge to Canadian growers of traditional fruits such as apples, pears and grapes: they fear the competition from exotic fruits, which are in increasing demand from such ethnic groups and which may erode the consumption of traditional fruits.

Prices:

Agriculture and Agri-Food Canada 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:

Orchards and Vineyards Transition Program Ended
Between 2008 and 2010, Canada's major tree fruit producing provinces operated an orchard replant program. These programs assisted producers with the removal of older, lower yielding, less popular varieties and replacement with more efficient higher density plantings of newer varieties. The last implementation year for these programs was 2010.

Ontario reported that in total C$18 million were spent and 11,100 acres (about 4,500 hectares) of fruit trees were removed. At the national level, statistics show that the area planted with apple trees has decreased by 15 percent between 2008 and 2011, while the area planted with pear trees was reduced by 32 percent. Both these developments have been supported by the transition program.

Government Supports Apple Research in the Maritimes
The federal government announced an investment of C$226,000 to the Nova Scotia Fruit Growers Association for research focused on apple quality in the orchard. Over the next three years, researchers from the Nova Scotia Fruit Growers Association will work collaboratively with researchers at the Atlantic Food and Horticultural Research Centre to study how weather impacts the maturity and quality of new high-value apple varieties.