

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Canada

Fresh Deciduous Fruit Annual

2013

Approved By:

Jeff Zimmerman

Prepared By:

Mihai Lupescu

Report Highlights:

Uneventful growing and harvest seasons helped the apple and pear sectors to bounce back from a difficult season one year earlier, when spring frost crippled these sectors. Both apple and pear production volumes are back to normal levels, imports are expected to decline and exports to increase. Demand for fresh table grapes remains flat, as the market continues to be supplied almost exclusively via imports, with over half of U.S. origin.

Executive Summary

- Uneventful growing and harvest seasons prompted Post to forecast a 46 percent increase in fresh apple production for marketing year (MY) 2013/14, up to 395,000 metric tons (MT) from 269,837 MT during MY 2012/13. The apple sector re-bounces after a devastating season in 2012 when spring frosts decimated Ontario's apple production, estimated to have declined by more than 80 percent compared to the previous year. Despite this comeback, the longer term declining trend in planted areas continues, reflecting a declining profitability in apple cultivation.
- Post forecasts a 22 percent decline in Canadian imports of fresh apples, estimated at 195,000 MT for MY 2013/14 down from 249,613 MT during MY 2012/13, as apple production returns to normal levels after a challenged season one year earlier. The United States remains the largest supplier of fresh apples, with a stable market share of about 80 percent.
- Post forecasts a 15.5 percent jump in fresh pear production, up to 7,800 MT during MY 2013/14 from a level of 6,754 MT in 2012/13, as the sector bounces back from devastating spring frosts back in 2012. Despite this positive development, pear production remains on a longer term declining trend, manifested in particular through decreasing profitability in the sector, due primarily to the closing of the pear processing industry in Canada.
- Post forecasts a 3 percent decline in imports of fresh pears, estimated to be down to 73,000 MT in MY 2013/14, compared to 75,078 MT in MY 2012/13. A higher domestic production level in Canada, stable demand and a weaker Canadian dollar influence this trend, as imports remain within their 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.
- 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, of which more than half of U.S. origin, with annual volumes around 175-190,000 MT.
- Post forecasts a 2.2 percent increase in imports of table grapes for MY 2013/14, up to 180,000 MT from 176,047 MT in 2012/13.

APPLES

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

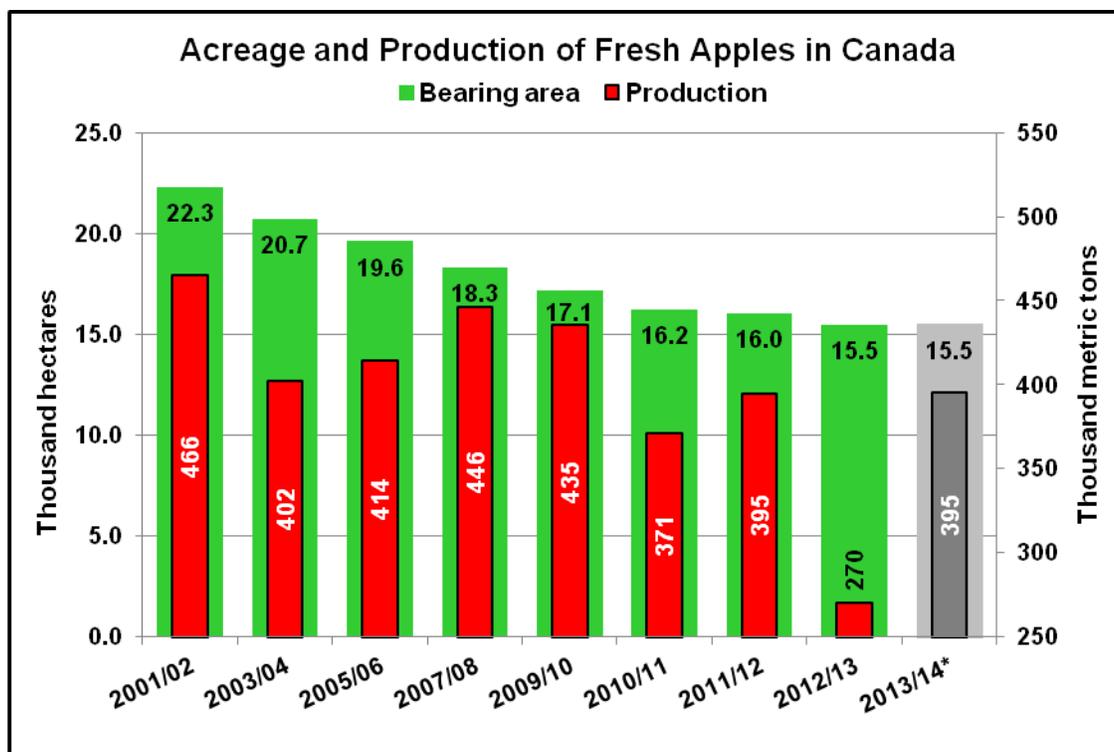
APPLES Fresh Canada	2011/2012		2012/2013		2013/2014*	
	<i>Marketing Year: July to June</i>					
	USDA Official	NEW Post Data	USDA Official	NEW Post Data	USDA Official	NEW Post Estimates
Area Planted	17,619	17,765	17,500	17,154		17,000
Area Harvested	15,914	16,047	16,000	15,483		15,500
Production	390,362	394,758	275,000	269,837		395,000
Imports	190,100	190,076	230,000	249,613		195,000
Total Supply	580,462	584,834	505,000	519,450		590,000
Fresh Dom. Consumption	403,392	406,064	331,000	382,159		400,000
Exports	26,400	26,350	24,000	21,421		25,000
For Processing	150,670	152,420	150,000	115,870		165,000
Total Distribution	580,462	584,834	505,000	519,450		590,000

Data in hectares or metric tons / *Post forecast

Production:

Generally uneventful growing and harvest seasons prompted Post to forecast a 46 percent increase in fresh apple production for marketing year (MY) 2013/14, up to 395,000 metric tons (MT) from 269,837 MT during MY 2012/13. The apple sector re-bounces after a devastating season in 2012 when spring frosts decimated Ontario's apple production, estimated to have declined by more than 80 percent compared to the previous year.

In 2013, three of the four the major apple producing provinces – Ontario, Quebec and Nova Scotia – expect above average yields; the exception is British Columbia, where the estimates indicate a 10 to 20 percent decline in production. In this province, spring frosts took an initial toll on production, followed in the fall by a hail storm right before harvest which caused further damage.



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.

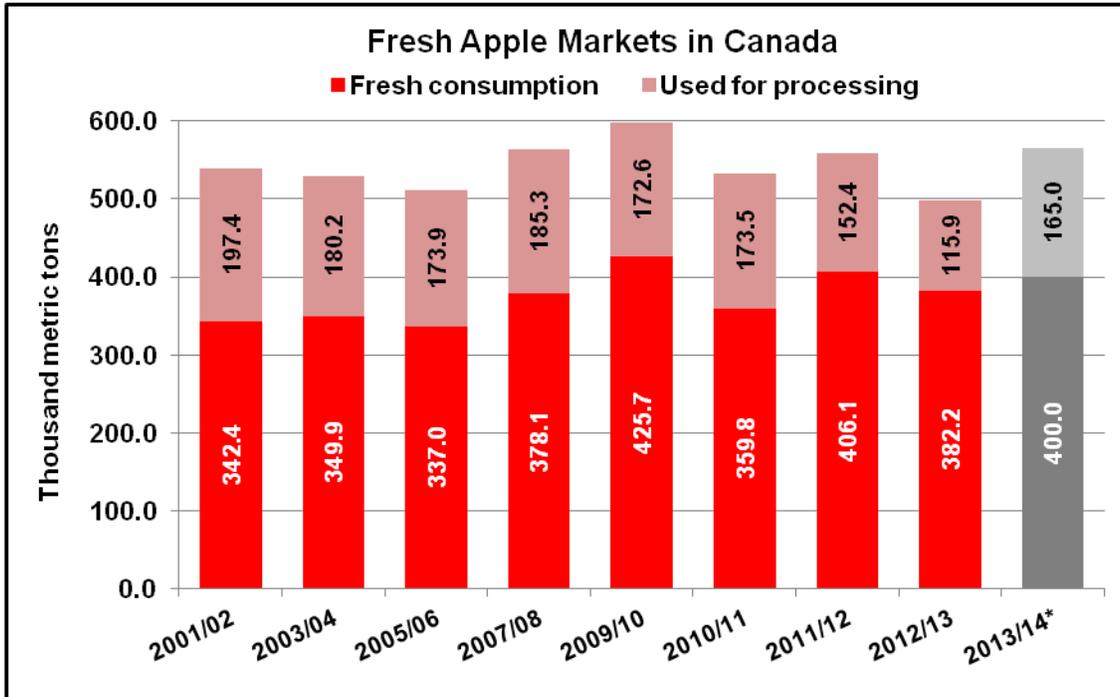
Bearing area for MY 2013/14 is expected to stay flat compared to MY 2012/13, but reflects the continued declining trends for production. Bearing area declined for the seven previous consecutive years, with a total drop of more than 30 percent since MY 2001/02. Changing agricultural practices, resulting in higher density plantings on smaller areas, and a reduction in the number of smaller producers, exiting because production costs 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 facing industry pressures and changing markets, Canada’s federal and provincial authorities offered replant programs between 2008 and 2010.

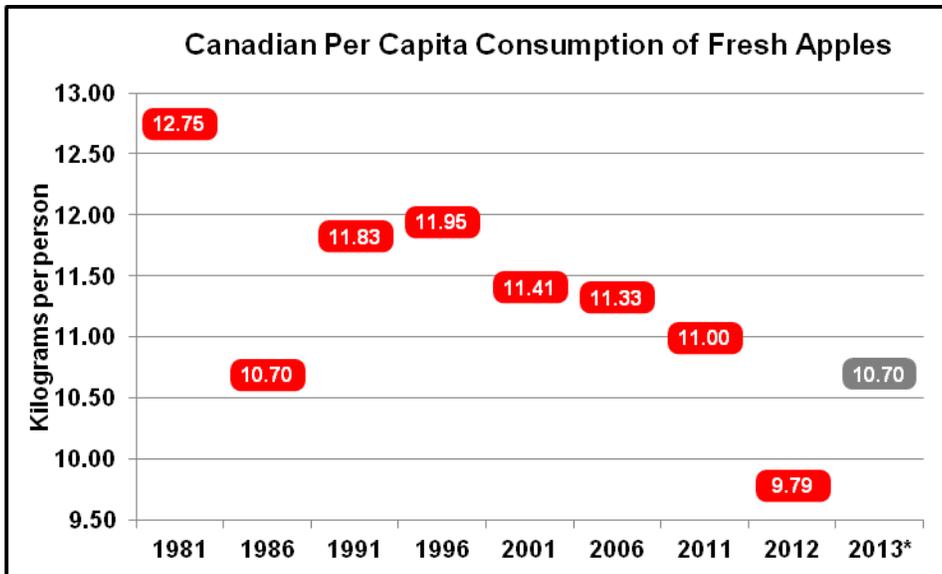
Consumption:

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 2013/14 is expected to go up by nearly 5 percent, mostly related to the rebound in 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 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.

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 22 percent decline in Canadian imports of fresh apples, estimated at 195,000 MT for MY 2013/14 down from 249,613 MT during MY 2012/13, as apple production returns to normal levels after a challenged season one year earlier. The United States remains the largest supplier of fresh apples, with a stable market share of about 80 percent. A higher 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 trend.

Canada: Imports of fresh apples						
<i>Marketing year: July-June / Quantity in metric tons</i>						
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
World	166,628	173,448	184,006	191,387	190,076	249,613
for processing	22,523	30,883	36,504	48,911	48,709	51,646
organic	5,588	7,616	9,477	9,741	10,130	11,759
other	138,517	134,949	138,025	132,735	131,237	186,208
United States	132,597	138,656	144,420	155,397	150,980	200,978
for processing	22,523	30,129	36,155	47,233	46,252	51,443
organic	4,344	5,429	6,506	7,262	7,415	9,182
other	105,730	103,098	101,759	100,902	97,313	140,353
Chile	19,199	18,942	23,933	20,630	21,742	29,800
New Zealand	6,922	7,501	7,333	7,767	7,702	9,208
China	5,084	5,116	3,855	2,285	2,855	3,842
South Africa	1,992	2,924	1,963	3,308	4,075	2,357
All other countries	834	309	2,502	2,000	2,722	3,428
Import Market Shares						
United States	79.6%	79.9%	78.5%	81.2%	79.4%	80.5%
Chile	11.5%	10.9%	13.0%	10.8%	11.4%	11.9%
New Zealand	4.2%	4.3%	4.0%	4.1%	4.1%	3.7%
China	3.1%	2.9%	2.1%	1.2%	1.5%	1.5%
South Africa	1.2%	1.7%	1.1%	1.7%	2.1%	0.9%

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. 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						
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
World	49,661	30,373	21,270	29,029	26,350	21,421
for processing	14,429	4,346	3,776	5,139	5,583	2,356
other	35,232	26,027	17,493	23,890	20,767	19,065
United States	40,831	26,141	17,213	23,128	20,786	18,197
for processing	14,237	4,249	2,746	3,022	3,918	1,345
other	26,594	21,892	14,467	20,106	16,867	16,852
Mexico	3,057	1,645	1,069	1,872	1,175	986
United Kingdom	3,364	1,127	1,223	1,560	1,623	465
All other countries	2,409	1,460	1,765	2,469	2,766	2,766

Source: *Global Trade Atlas*

Post forecasts a 17 percent increase in exports during MY 2013/14, up to 25,000 MT from 21,421 MT in 2012/13, as domestic production re-bounces. However, this estimated export volume represents 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

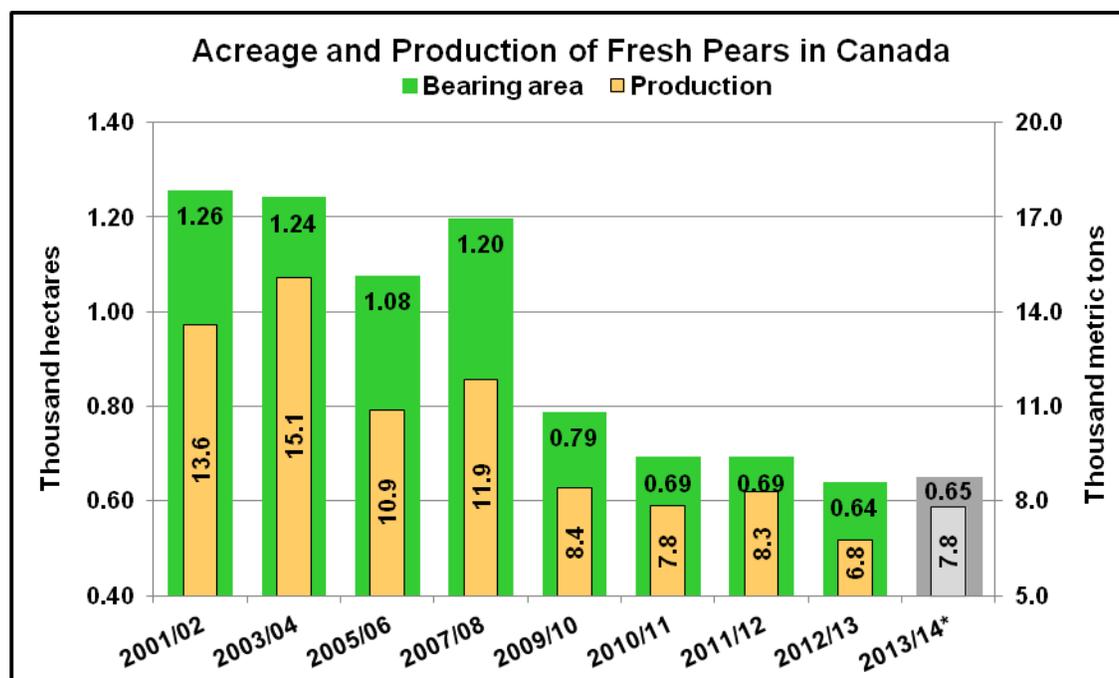
NOTE: "NEW Post" data reflect author's assessments and are NOT official USDA data

PEARS Fresh Canada	2011/2012		2012/2013		2013/2014*	
	Marketing Year: July to June					
	USDA Official	NEW Post Data	USDA Official	NEW Post Data	USDA Official	NEW Post Estimates
Area Planted	812	816	800	746		750
Area Harvested	693	693	700	640		650
Production	8,300	8,293	6,300	6,754		7,800
Imports	70,200	70,042	70,000	75,078		73,000
Total Supply	78,500	78,335	76,300	81,832		80,800
Fresh Dom. Consumption	78,230	77,978	76,000	81,571		80,500
Exports	100	107	100	1		50
For Processing	170	250	200	260		250
Total Distribution	78,500	78,335	76,300	81,832		80,800

Data in hectares or metric tons / * Post forecast

Production:

Post forecasts a 15.5 percent jump in fresh pear production, up to 7,800 MT during MY 2013/14 from a level of 6,754 MT in 2012/13, as the sector bounces back from devastating spring frosts back in 2012. Despite this positive development, pear production remains on a longer term declining trend, manifested in particular through decreasing profitability in the sector, due primarily to 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.

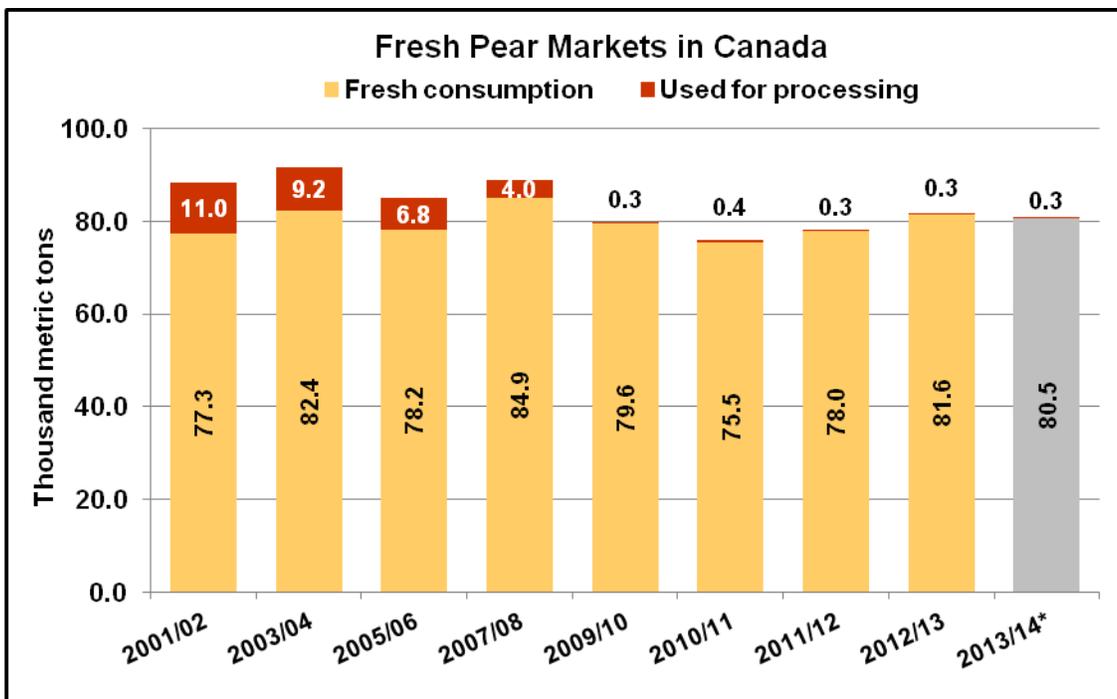


Source: Statistics Canada / * Post forecast

Bearing area seems to have stabilized around 650 hectares, whereas 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.

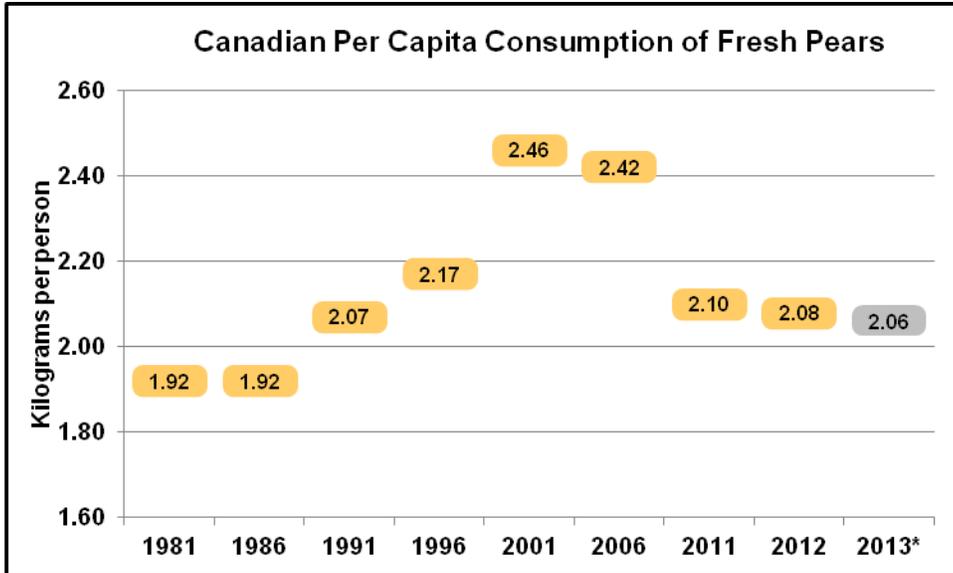
Consumption:

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 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 3 percent decline in imports of fresh pears, estimated to be down to 73,000 MT in MY 2013/14, compared to 75,078 MT in MY 2012/13. A higher domestic production level in Canada, stable demand and a weaker Canadian dollar influence this trend, as imports remain within their 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

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
World	77,250	68,461	71,511	68,221	70,042	75,078
for processing	2,431	58	205	14	0	24
organic	1,486	1,339	1,578	1,427	1,686	2,368
other	73,333	67,064	69,729	66,780	68,356	72,686
United States	44,098	35,440	42,277	37,936	39,668	42,680
for processing	2,431	58	205	14	0	24
organic	1,068	1,030	1,245	820	1,042	1,476
other	40,599	34,353	40,827	37,103	38,626	41,180
Argentina	10,871	11,584	9,757	10,598	9,724	12,415
China	12,823	12,517	10,931	10,428	10,460	11,437
South Africa	2,889	3,438	3,526	4,647	5,469	4,172
Australia	1,694	1,860	1,951	1,622	1,681	1,392
Chile	2,996	2,074	1,343	1,494	1,189	1,353
All other countries	1,773	1,440	1,631	1,417	1,851	1,629
Import Market Shares						
United States	57.1%	51.8%	59.1%	55.6%	56.6%	56.8%
Argentina	14.1%	16.9%	13.6%	15.5%	13.9%	16.5%
China	16.6%	18.3%	15.3%	15.3%	14.9%	15.2%
South Africa	3.7%	5.0%	4.9%	6.8%	7.8%	5.6%

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 2,400 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. In MY 2012/13 its share dropped to about 62 percent, but is expected to rebound in MY 2013/14.

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	2011/2012		2012/2013		2013/2014*	
	<i>Marketing Year: June to May</i>					
	USDA Official	NEW Post Data	USDA Official	NEW Post Data	USDA Official	NEW Post Estimates
Production	2,744	2,747	3,000	2,591		3,000
Imports	172,600	172,550	170,000	176,047		180,000
Total Supply	175,344	175,297	173,000	178,638		183,000
Fresh Dom. Consumption	173,244	173,207	171,000	177,265		181,500
Exports	2,100	2,090	2,000	1,373		1,500
For Processing	0		0			0
Total Distribution	175,344	175,297	173,000	178,638		183,000

All data in metric tons / *Post forecast

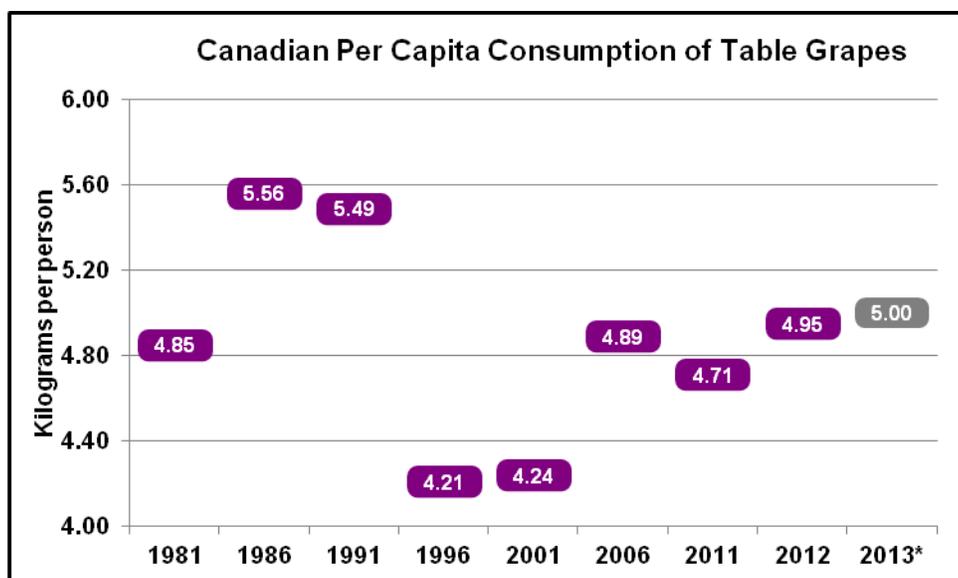
Production:

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. Domestic consumption of table grapes is basically satisfied through imports, with recent annual volumes in the 175-190,000 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 2.2 percent increase in imports of table grapes for MY 2013/14, up to 180,000 MT from 176,047 MT in 2012/13. 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.

Canada: Imports of fresh grapes

Marketing year: June-May / Quantity in metric tons

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
World	191,690	189,853	182,813	188,890	172,550	176,047
organic	0	9,581	4,784	3,197	2,318	2,237
other	191,690	180,272	178,029	185,693	170,232	173,810
United States	99,598	98,850	96,928	96,384	91,531	95,451
organic	0	184	2,505	1,763	1,742	1,598
other	99,598	98,666	94,423	94,621	89,789	93,853
Chile	64,055	63,587	64,347	61,857	53,887	54,224
Mexico	20,402	20,983	16,251	22,870	17,262	17,045
Peru	1,119	1,175	1,444	3,587	5,389	4,649
Brazil	3,046	2,922	1,713	2,264	2,206	1,898
All other countries	3,470	2,336	2,130	1,928	2,275	2,780
Import Market Shares						
United States	52.0%	52.1%	53.0%	51.0%	53.0%	54.2%
Chile	33.4%	33.5%	35.2%	32.7%	31.2%	30.8%
Mexico	10.6%	11.1%	8.9%	12.1%	10.0%	9.7%
Peru	0.6%	0.6%	0.8%	1.9%	3.1%	2.6%
Brazil	1.6%	1.5%	0.9%	1.2%	1.3%	1.1%

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:

Government Support

The federal government announced C\$ 7 million in response to the science cluster proposal submitted by the Canadian Horticulture Council to the AgriInnovation Program under Growing Forward 2, Canada's new "farm bill" in place since the spring of 2013. While this amount is less than the C\$12 million sought, it represents a significant contribution to the sector.

For the apple sector, the following projects have been already approved and will conclude before the March 31, 2018 program sunset:

- Optimizing storage technologies to improve efficiency, reduce energy consumption, and extend the availability of Canadian apples for domestic and export markets
- Improving tree fruit storage management using weather-based predictions of fruit quality at harvest
- Performance of Honeycrisp on new size-controlling rootstocks
- New biological control agents for postharvest diseases of pome fruit

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.