



## The British Columbia Fruit Growers' Association

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### Brief

## Current Opportunities and Challenges in the Tree Fruit Sector

Presented to  
Hon. Lana Popham  
Minister of Agriculture

by  
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The BCFGa represents 520 tree fruit growers. Our mission is:

***A Prosperous, Sustainable, Innovative Tree Fruit Sector in BC***

***that grows products that improve health.***

Based on the most recent Agriculture Census in 2016, the family-owned tree fruit farms in BC generate income of \$ 118.6 million per year, with a packed value of \$218.8 million, and \$776.6 million of economic activity annually, with apples accounting for about 32% and cherries for 26% of the total. Several other types of tree fruits make up the remainder of the production, with peaches accounting for 5% and pears making up 2.5% of total on-farm income.

The family-owned farms in BC produce about 220 million pounds of apples per year and 33 million pounds of cherries. The area of tree fruit farmed is 14,700 acres, up from 13, 800 acres five years ago.

The tree fruit sector is in the midst of dynamic change. Emerging opportunities include

- New technologies, such as new packing and storage technology.
- New Asian markets are opening due the CPTPP agreement, China continues to be a strong market for cherries and a priority for export access for our apples. The Canada-Korea Free Trade Agreement is also an opportunity.
- New European markets are opening up due to CETA.
- New control methods are being developed for insect pests, building on the successful Sterile Insect Release Program. The adoption of the new FPT Plant and Animal Health Strategy is an important building block in protecting our agricultural assets.
- Industry can match the market power of consolidated retailers through the controlled marketing of new varieties, enabled by Plant Breeders Rights and trademarking.
- Premium, high-quality local markets demand BC-grown products: Grow, Feed, Buy BC.
- Water supply in our arid environment in the Okanagan.
- Labour availability and maintenance of labour standards through the Seasonal Agricultural Worker Program (SAWP).
- The protection the ALR provides to the agricultural land resource.

There are challenges too:

- Invasive pests: ten years ago, Apple Clearwing Moth, Brown Marmorated Stinkbug, Spotted Wing Drosophila and Apple Maggot were unheard of in BC, and now are the focus of our pest management concerns.
- Competition from Washington State, whose apple sector has experienced enormous growth enabled by subsidized irrigation water from the Columbia River Treaty reservoirs release of irrigation flows in late summer.
- Impact of climate change: drought and intense heat affect product quality and tree health.
- Obsolete packing infrastructure for BC Tree Fruit Cooperative (BCTFC), and the need to add to packing infrastructure for the expanding cherry sector.
- The timespan to introduce new varieties (though there are current efforts to shorten the entire time period from 25 years to 15 years).
- Additional regulatory burden (well registry, TFW registry, Open Burning Smoke Control regulations, Waste Management Code of Practice regulations) as well as the minimum wage increases are having a cumulative impact on conducting business in the tree fruit sector.

Addressing these challenges rapidly, and in a way that outperforms our competitors will lead the sector to success. Challenges can become opportunities.

The province has supported new opportunities through the provincial Replant Program and the Competitiveness Fund. These funds are fundamental in seizing on opportunities for the sector. Through the Competitiveness Fund, a first round of project approvals include:

1. BC Tree Fruit Cooperative - planning for a new packinghouse facility.
2. Improving the marketing and sales model for new apple varieties (Sunrise and Salish).

3. Mapping of a BC Tree Fruit Industry Information Architecture and Assessing Tree Fruit Industry Technology Readiness, and other projects.
4. An Ambrosia market coordination workshop.

The Competitiveness Fund projects help address many of the important challenges and opportunities in the tree fruit sector. The Competitiveness Fund will play a central role in stabilizing and making tree fruit production a profitable venture.

During this transformative period for the sector, some growers are vulnerable:

- Those who have not yet capitalized on the Replant Program.
- Those who are new entrants with high levels of debt.
- Apple growers who do not have access to efficient packing and are suffering revenue declines and for whom the business risk management safety net is failing.
- Diversified agricultural producers, where the main farm revenues are from two commodities whose prices are not correlated, will have difficulty triggering fair program support. Growers who are not diversified will trigger support. This is seen as inherently unfair - the program favours growers who have not taken on recommended diversification or who have worked around program rules to allocate revenues to different business enterprises to isolate risks. This is a long-standing problem which needs to be acknowledged.
- Tree fruit growers who have taken on replant will have reduced historical revenues, which provide a lower level of coverage than the 'ramping up' of production would indicate. Though AgriStability adjusts for this structural change, the adjustment is widely seen to be as no reflective of actual changes and potential productivity of the replanted orchard.

The 2017 crop did not perform well due to intense summer heat that reduced apple size and storage quality, resulting in lower volume, prices and revenue. Apple prices for the 2018 crop are not strong, including our core apple variety Ambrosia. Revenues from the apple crop are typically finalized in September of the year following harvest. Many growers are desperate for additional program risk management assistance. Possible solutions are:

1. A provincial-led reform of AgriStability, similar to the 2018 Enhanced AgriStability, with an additional change to enable commodity-specific coverage (i.e. not averaging apple and cherry production as is currently done for an operation) and provide simplified structural change adjustments that result in fair coverage of risk by the AgriStability Program.
2. Consideration of a special program for certain growers (where packinghouse returns have been demonstrated to have fallen by more than 15% in a year, for example) and interim assistance to BC Tree Fruit Cooperative to bridge urgent financial and operational needs. Conditions may apply to growers or BCTFC to be eligible for an AgriStability Enhancement - e.g. participation in other renewal programs, quality programs or environmental programs.
3. Adjustments that are occurring or planned to occur at BCTFC.
4. Assistance of the Competitiveness Fund to address Ambrosia market weakness.
5. Program support to seek new export markets.

The above actions will stabilize and enhance the sustainability of the sector.

Of central importance is BCTFC, which is the largest grower cooperative in Canada. The private packers agree that the packing capacity at BCTFC is a core part of the industry and that the cooperative sets the standard for pricing. Addressing the challenges facing BCTFC will therefore be central to stabilizing grower finances and enhancing grower profitability.

## Program Responses

The province's support for the Competitiveness and Replant Programs is essential to the future of the sector. The extension of the Replant Program - adding four years to the current 2022 commitment - was requested last year and supported by the Select Standing Committee of Finance and Government Services.

The flaws in the AgriStability Program need to be addressed through a provincial enhancement. The tree fruit sector urgently requests the province to address the deficiencies in the AgriStability Program.

## Summary

Program development is important to the future of the industry, at this critical time, in the Okanagan agriculture sector. We request a Ministerial directive to review of potential program enhancements - Replant and AgriStability.