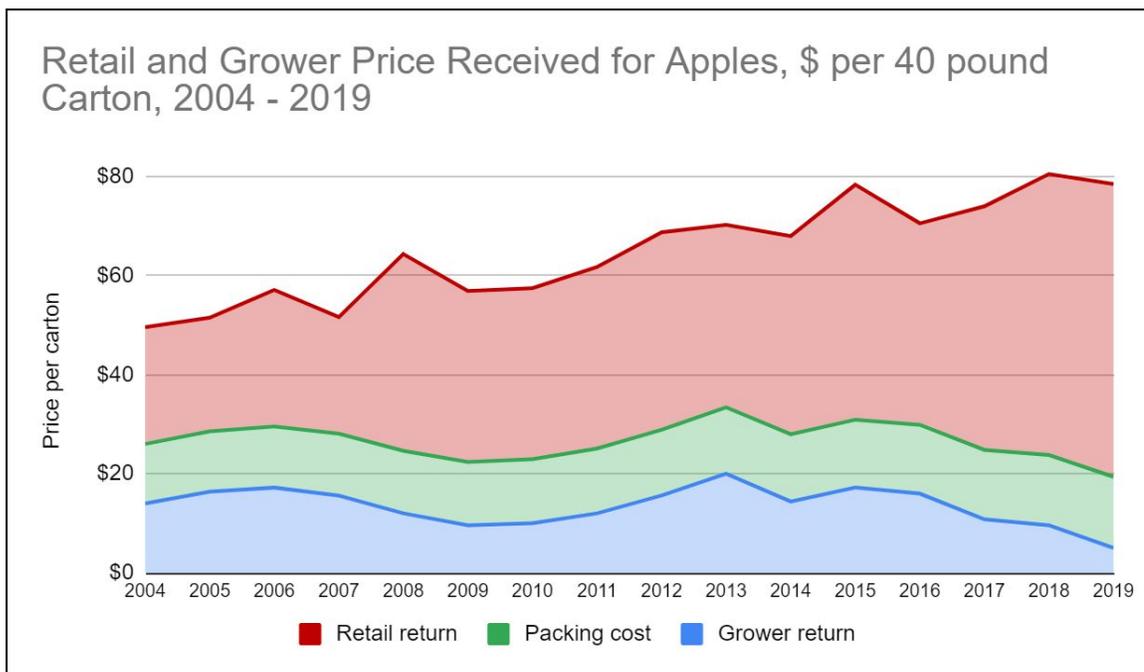


Tree Fruit Industry Situation and Program Direction Framework for Discussion

January 25, 2021

A. Competitive Playing Field

1. BCFGA previously reported on the competitive advantages and the agritech advantages of the industry. Organizations supporting agritech solutions include the Sterile Insect Release Program, Summerland Varieties Corporation, the Summerland Research and Development Centre, SunRype, BC Fruit Growers Association, BC CHerry Association, and other industry organizations.
2. Washington State competitor supports higher:
 - a. CRT has massively expanded Washington State apple (and soon cherry and grape) production: paid for by Army Corp of Engineers and free electricity for pumping. Equivalent value in Okanagan: 14,600 acres of tree fruit at \$175 per acre irrigation cost = \$2,555,000 per year.
 - b. 2020 Direct grower payments for apples. BC equivalent: \$.15 per pound on 175,000 bins is \$21 million. 2017 direct grower payment for cherries: \$.06 per pound on 42 million pounds is \$2.5 million.
3. Retail consolidation - 'Code of Practice' will help, but unequal bargaining power will continue.



Source: AC Nielsen, Standard Cooperative packing costs, and Cooperative Price pools.

4. Level of government support for agriculture in BC is low, by any measure.

	BC	ON	QC
Agriculture Program - Provincial Government Expenditures as a percentage of Agriculture GDP	4.8%	10.4%	15.8%
\$/capita expenditure	\$17.69	\$40.44	\$84.20

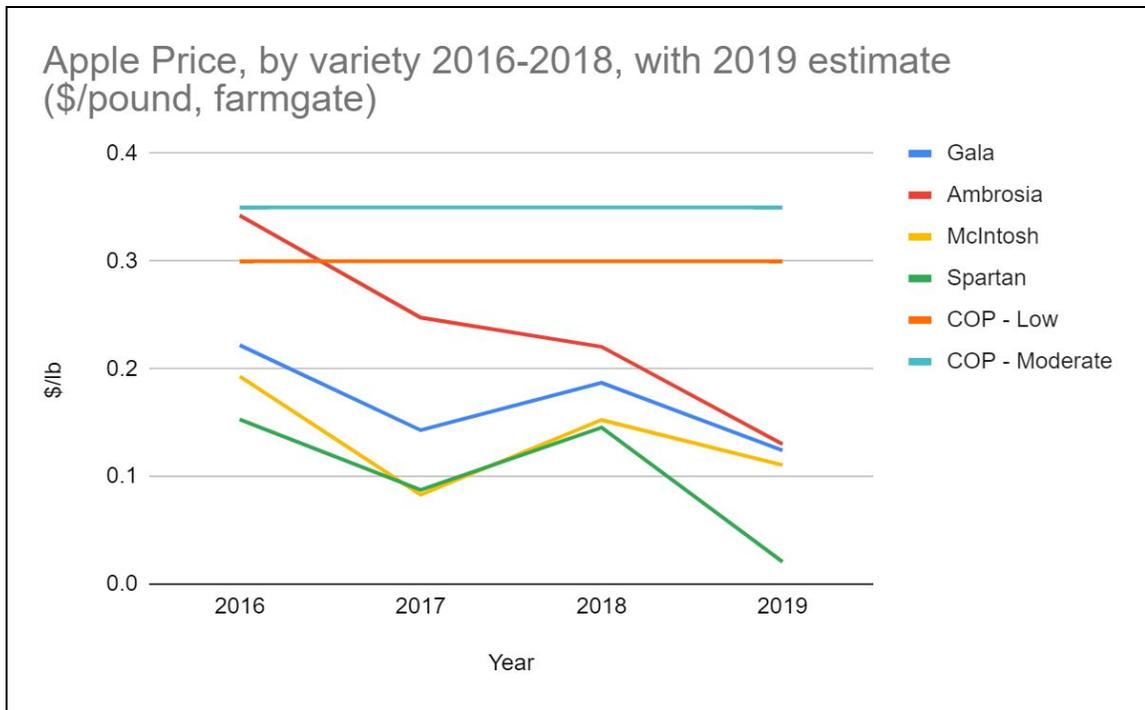
Source: Farm Financial Conditions and Government Expenditure, 2017; Statistics Canada 2018.

5. Canadian Ag Policy funding (APF1 equivalent) was \$5 billion 15 years ago, now \$3 billion - a decrease of more than 50% in real terms (\$2.4 billion in 2005 dollars, . CPI 107.6/137.4)

6. There is a massive move away from food security (Cannabis, Wine, and to some extent cherries are luxury goods, not necessities).

B. Financial Impact of Recent Competitiveness Issues on Growers

1. Apple Prices are below Cost of Production



Source: BC Tree Fruit Cooperative price pools.

Apple cost of production does not reflect increased labour (minimum wage) and regulatory costs. The Production Insurance and AgriStability Programs continue to see a loss of coverage, due to reductions in program coverage and due to falling historical reference prices.

2. Net financial deficit for apples is estimated as follows:

Year	Volume (boxes, fresh)	COP less Price (\$/lb)	Loss
2016	3,500,000	\$0.325 - 0.219	\$14,840,000
2017	3,500,000	0.325 - 0.160	23,100,000
2018	3,500,000	0.325 - 0.207	16,520,000
2019	3,048,900	0.325 - 0.126	24,269,000
2020	3,516,700	0.325 - 0.140	26,027,000
Five years, cumulative	17,065,600	\$0.325 - .175	\$104,756,000

sources: For production, 2019-2020, 4 largest convention production packinghouses, 2016-2019 estimated, COP, industry COP studies, Price, BC Tree Fruit Cooperative price pools.

3. Food security is reduced with conversion to cherry and grape production:
- a. Grape and cherry production are *luxury goods* and are more vulnerable to downturns in economic cycles.
 - b. Grape (and to a lesser extent cherry) production is not a *necessity good* and does not contribute to food security.
 - c. Grape production alienates more agricultural land due to winery, wine tasting, restaurant, event, and parking lot land requirements. BCFGAs supports agri-tourism allocation of land, but the greater conversion to grapes, the greater the alienation of ALR land and the permanent reduction of food security.

C. Current Program Situation

1. BCTFC governance recommendations are fully adopted and an implementation plan is underway. A BCTFC marketing review is completed and restructuring is underway. A BCTFC strategic plan is adopted. These items remove the impediments to government support as noted by the Deputy Minister in an August meeting, which also contained a commitment to assist the industry with programs.
2. Replant ends in 2021 and future tree orders are being impacted now. BCFGAs succeeded in getting support for Replant of the Select Standing Committee on Finance and Government Services in two years, but this was not followed up by the Ministry of Agriculture. Minor replant programs in hazelnut and raspberry were launched.

Current Replant Program Summary

Year	Government Replant Grant*	Grower Investment**	Grant, % of investment
2015	1,156,764	3,635,900	31.8
2016	1,293,926	4,101,700	31.6
2017	1,767,191	5,902,400	29.9
2018	1,217,376	4,260,800	28.6
2019	1,119,550	4,108,700	27.2
2020	791,348	3,3038,700	26.0
2021	1,102,699	4,410,400	25.0
Total	\$8,448,755	\$29,458,300	28.7%

*source and notes: BCFGAs Replant annual summary, *Replant grant does not include soil assay grant. **grower investment to government grant is 3:1 in 2015 and 4:1 in 2021, BCFGAs provided an additional \$55,200 grant to growers in 2015 due to program oversubscription.*

3. TFCF is suspended and will result in seasonal projects not being launched in 2021, causing a one year delay. The BCFGAs supports a financial audit of the program. The audit of program purpose and effect overrides the current review committee, which recently re-set program objectives, with the full input and review of BCMAF staff. The freezing of a program is unprecedented.
4. Apple acreage fell by 5% from 2019 to 2020, and will fall a minimum of 5% from Replant Program Statistics, which do not include conversion to fallow or grapes, nor a further decline expected to occur when BCTFC pool prices are released in the last week of January 2021. Current expected decline from 2020 to 2021 is
 - 10% with strong government support,
 - 20-30% with no government support, and
 - up to 50% with no government support and apple price levels unchanging or reduced.

D. Agriculture Land Reserve (independent committee recommendations) and Minister’s Mandate

1. The social compact of the ALR takes away owners land development rights in return for support for agricultural viability.
2. “Revitalizing the Agricultural Land Reserve” report by the independent revitalization advisory committee calls for meaningful and ongoing support of the agriculture sector, at increased levels compared to historical support levels.
3. A survey conducted by the task force on the ALR indicated that 91 percent of respondents felt that food security was very important. The survey was conducted before the 2020-2021 pandemic, which has further heightened awareness of food security.

4. The report recommendations directly relating to the tree fruit financial situation include:

RECOMMENDATION 23: Review and increase the income threshold for farm properties qualifying for the BC Assessment Farm Class.

RECOMMENDATION 26: Significantly improve agriculture extension services in British Columbia...

RECOMMENDATION 28: Review approaches to improving access to essential supports for farmers and ranchers.

RECOMMENDATION 32: Build a BC food security strategy for the ALR and beyond.
5. The Agriculture Minister's November 26, 2020 Mandate Letter also contains relevant expectations of the Premier:
 - a. A strong, sustainable economy that works for everyone: We will continue our work to support British Columbians through the pandemic and the economic recovery by investing in health care, getting people back to work, helping businesses and communities, and building the clean, innovative economy of the future. Our plan will train the workforce of tomorrow, help businesses hire and grow and invest in the infrastructure needed to build our province.
 - b. Expand the Grow BC, Feed BC and Buy BC programs to encourage greater food security and local business growth.
6. Together these recommendations and expectations can lead to positive public policy and programs for the tree fruit sector.
7. The BCFGAs strongly supports the recommendations and expectations in the ALR report and the Minister's Mandate letter. The following proposals have been developed to help fulfil the ALR recommendations and Minister's mandate.

E. Proposals

1. Bridge financial assistance to growers of \$0.15 per pound, or \$30 million.
2. Business Risk Management Programs - AgriStability improvements, est. \$2 million annually
 - a. Margin coverage increased to 90% for COVID-19, then 85% after the pandemic ends.
 - b. Non-arm's length labour pilot and reference price adjustment for perennial crops.
3. Modernize packing plant and cold storage infrastructure (federal, \$30 million).
4. Replant Program, with revisions to target higher performing growers, \$10 million, 7 years.
5. Labour - pilot Multifarm SAWP Program, \$200,000 per year, 3 years.

6. Technology - field trials to support extension services, agritech for new SIR pests, development and implementation of innovative solutions for SWD and ACM, \$10 million per year, 10 years.