A Growing Industry -
Tree Fruit Industry Strategy 2015-2020 **May 11, 2015**
Version 5.0

Introduction

The BC tree fruit sector is an important contributor to the regional and provincial economy and this strategy seeks to secure, sustain, and enhance the contribution of the sector.

Our vision is a growing, vibrant tree fruit sector, a respected contributor to the regional and BC economy that is seen as a world leader in horticultural and marketing practices. To achieve this vision, the industry needs to focus on its competitive advantages and respond effectively to the challenges it faces.

If successful in achieving its strategic focus, the tree fruit sector will expand production, export more fruit, and create jobs that contribute to the regional and BC economies.

We feel there is potential to double the tree fruit industry’s production and revenue, an intense and collaborative focus on industry’s strategic aims. The through collaboration will naturally involve growers, packers, marketers; however, key players will also include researchers, extension agents, and agriculture, labour and export marketing agencies of government. Leadership will be a key part of driving the strategy forward.

As a benchmark, the BC tree fruit industry is presently composed of about 600 commercial tree fruit growers, 6 apple and pear packers, 28 cherry packers, about 6 commercial fruit processors, and a newer area of endeavour, about 12 apple cideries. Together, these players generate $664 million of economic activity annually, based on the $97.0 million of tree fruit sales and an additional $63.5 million for packing of fresh fruit sales.

This industry strategy seeks to bring focus to the actions and endeavours of the industry for the period 2015 - 2020.

The family-owned tree fruit farms in BC produce the following in economic activity, based on 2013 Statistics Canada data:

	Farm Gate Value	**Packed Value**	**Direct, Indirect and Induced Economic Activity**
Apples	45,277,000	112,777,000	387,953,000
Cherries	41,979,000	62,968,000	216,610,000
Peaches	4,620,000	6,960,000	23,942,000
Pears	3,348,000	6,696,000	23,034,000
Apricots, Nectarines, Plums and Prunes	2,492,000	3,738,000	12,859,000
Total	**$97,014,000**	**$160,491,000**	**$664,398,000**

Source: Statistics Canada, Table 001-0009. Packed value for apples based on $54 million in Cooperative packinghouse costs, accounting for 80% of apple packing costs; soft fruit packing costs are 50% of farm gate value and pear packing costs are 100% of farm gate value; a multiplier of 3.44 is used, based on the economic multiplier used in the study "Economic Impact of BC's dairy, chicken, turkey, hatching egg, and table egg industries – 2009 by PwC consultants.

The strategy recommendations will not be to adopt or stop certain activities, but rather to target further exploration and business planning around the identified advantages and challenges to growers, packers, marketers, input suppliers, governments and organizations that make up and contribute to the tree fruit industry in BC. This strategy will focus and coordinate the effort of growers and organizations in seizing on competitive advantage of the BC tree fruit sector. In other words, this strategy is to coordinate communication between industry participants and organizations. This strategy will assist industry participants and organizations to develop plans that derive from this strategy.

Profit is a key measure of business success. Since profit usually leads to growth of a sector, the primary measure of success for this industry strategy will be growth in production over the next 10 years, from the years 2015 to 2025.

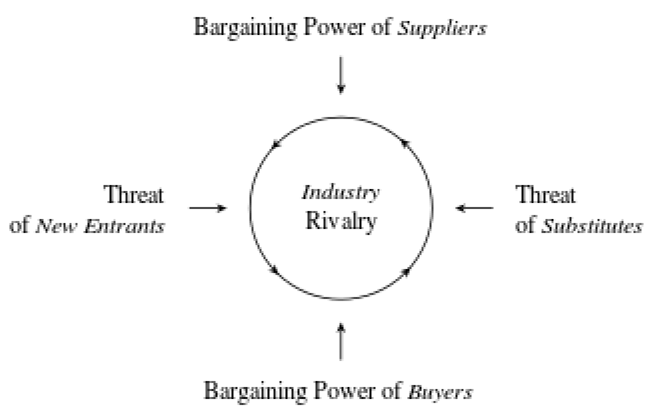
Thinking Strategically

Strategic Planning is future-focused - it generally starts with an assessment of current competitiveness. An assessment of resources, competitors, and markets will lead to a conclusion on the strategic objective that is most likely to succeed. As an obvious example, the tree fruit sector in BC cannot strive to be a mass, low cost producer in the world market for apples and cherries - an alternative objective must be selected for the BC tree fruit sector.

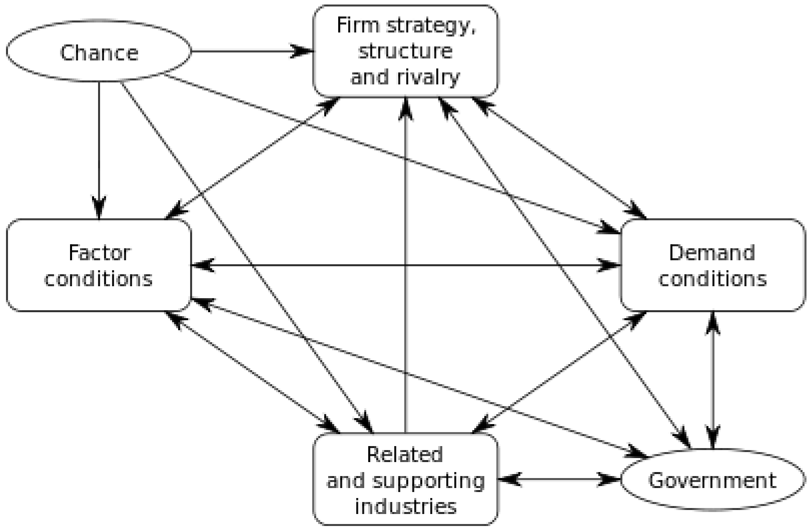
In contrast to the general, long-term view of strategic planning, Business planning is about the planning the operations of the business in the current period or the next business year. Business planning helps to make decisions on priorities and the deployment of scarce resources. Business planning helps to schedule the activities of the operation.   Typically, business planning involves planning, implementing, monitoring and correction. Budgeting is an important element of business planning that is absent, for example, from strategic planning.

Strategic thinking has recently followed the thinking of Michael Porter, an economist who has developed several models that look at strategy. The success of Porter's models are in their generalizing and grouping of detailed analysis into patterns.

The first competitiveness model is aimed at the individual firm, as influenced by 'five forces':



The second competitiveness model is aimed at geographic regions as large as countries:



Thinking strategically, a Tree Fruit Industry Strategy was prepared for the period 2007 - 2012. The end result is an 80% completion rate for the proposed strategic activities, as shown on the following table.

Activity	**Completed?**
Structure	
- Facilitate amalgamation of cooperative packinghouses	Y
- Monitor the progress of the strategy	Y
Quality Production	
- Form a Tree Fruit Innovation Council	Partial
- Establish a strategic innovation fund	Y
- Introduce a revised grading system for maturity	Y
- Adopt pooling practices that reward optimal maturity	Y
- Upgrade packing equipment and technology	Y
- increase on-farm automation	Partial
- Extend replant program	Y

Activity	Completed?
- Strengthen and coordinate extension services	Y
- Prioritize research	Y
Markets	
- Form a Tree Fruit Marketing Council	Partial
- Implement an industry-wide generic marketing program	Y
- Encourage value-added enterprises	Partial
- Implement food safety programs on-farm	Y
- Implement food safety program in packinghouses	Y
- Research organic opportunities	N
- Research a organic/SIR quarantine area	Y
People	
- Revise housing bylaws	Y
- Initiate a worker-housing program	N
- Allow transfers in the Seasonal Agricultural Worker Program	Y
- Encourage participation of domestic farm workers	Y
- Introduce a vacationers as pickers program	Y
- Undertake a labour market analysis	N
- Develop education and training programs	Partial
New Varieties	
- Establish a coordinating body for commercialization	Y
- Develop a strategic approach to new varieties	Y
- Joint ventures to access other varieties	Partial
- Expand acreage for new variety trials	Y

The tree fruit industry organizations have decided to update, revise and build upon the earlier strategy, rather than commission an entirely new strategy. We are choosing to extend our learning and build on progress from the previous industry strategy.

Focus

The industry strategy will be guided by the principles of:

- A return to growth and job creation.
- Quality production.
- Increasing exports.
- Domestic market share growth.
- Renewal and sustainability.
- Market responsive

These principles are consistent with provincial and federal government strategies, including the provincial Agriculture Minister's Advisory Council aim to increase exports from $11 billion to $14 billion annually for BC by 2017.

The industry strategy for the period 2015 - 2020 will focus on the following areas of interest:

1. Grower Education:
   - Informing growers about Infrastructure and technology improvements:
     a. New technology being used in other producing regions
     b. Cost benefit analysis for investment
     c. Packing facility technology available and cost benefit analysis identifying return on investment.
   - Understanding the Market Environment
     a. Customer Quality expectations
     b. Retailer competition
     c. Supplier competition
     d. Market potential vs. Market Share
   - Improving Horticultural practices and performance, such as:
     a. Yield targets
     b. Soil analysis and amendments
     c. Variety selection
     d. Planting systems
     e. Pruning and crop load management.

2. Quality products (Replant/Renewal)
   - Variety selection
   - Variety access
   - Site suitability
   - Planting system selection
   - Industry variety volume targets
   - Alignment of programs (e.g. replant) to quality criteria and targets.
   - Performance measurement system
   - Quality assurance research programs in conjunction with extension partners.

3. Infrastructure and technology improvements:
   - Aging facilities need to be improved or replaced in more suitable locations.
   - Cold Storage upgrades required
   - Packing line upgrades using most current and/or new technology with more automation.

4. People:
   - Improve employee attraction, retention, and education programs.
   - Develop comprehensive farm worker plan and programs to provide seasonal labour requirement to match industry needs.

5. Markets:
   - Buy BC and Buy Canadian programs
   - Ethnic directed consumption promotion programs
   - Grow Export programs

Key Areas of Interest/Actions

The following activities will be explored as a result of industry assessment and review.

1. <u>New Varieties</u> will assist the industry to specialize its production. A continuation of the *Replant Program* is based on the need to upgrade orchards and the

inability to finance such upgrades from the cashflow provided by obsolete or mass-market varieties. The work of Agriculture and Agri-Food Canada's (AAFC) apple and cherry breeding program and the Summerland Varieties Corporation (SVC) will continue to be critical to developing and accessing new varieties for BC and Canadian tree fruit growers.

Actions:

- Establish a long-term, sustainable Replant Program.
- Develop a *Tree Fruit Variety Strategy* to ensure growers have information and an assessment model for the successful selection of varieties to plant.
- Secure a federal commitment to the future of the AAFC Apple and Cherry Breeding Program.
- Continue the work of SVC's Agriculture Innovation Program to test new varieties.

2. Quality and value-added. *Research on improving fruit quality*, as well as implementing *incentives for production of quality fruit*, will continue to be a priority. Recently, the interest in cider-making has been an area of growth for the value-added side of the industry.

   Actions:

   - *Prioritize research objectives.*
   - Participate in *Agriculture Research Clusters and Genomic Research* (excluding GMO).
   - Continue to provide and enhance the *benchmarking of tree fruit quality performance*.
   - Government and industry need to work together to support emerging processing opportunities, such as processing cherry culls into high-value juice and frozen products, as well as other and new processing ideas.
   - Aggressively seek opportunities for innovation, and promote such opportunities through the leveraging of industry funds available in Growing Forward 2 and 3 funding, as well as other regional funding programs.

3. Markets. Market development is primarily the responsibility of the product sales teams at packers for all types of tree fruit, or packers and independent brokers for cherries. Programs that will assist packers and independent brokers will provide faster adoption and more rapid market response.

   Actions:

   - Develop and encourage grower / industry leadership *participation in export market development missions*.
   - In response to the risk of over-production of cherries and apples as Washington State producers over-expand, a trade action plan should be prepared and ready to implement if needed to afford temporary, short-term

protection from dumping of US apples and cherries into Canadian below cost of production.
- Investigate innovative new packaging for tree fruit products.
- Promote BC grown tree fruit for regional consumption through the School Fruit and Vegetable Nutrition Program
- Promote BC grown tree fruit for regional consumption by utilizing the Buy Local Program.

4. <u>Integrated Pest Management.</u>

The risk of new pest incursions and the benefit of reduced pest production offered through Integrated Pest Management and areawide programs contributes to Markets, but also provides solutions to emerging pest and market issues.

Actions:
- *Continue the SIR Program* (Codling Moth), including addition of new pests to be monitored and controlled.
- Benchmark crop protection practices against the rest of the world for an initial assessment of whether there is a market and societal value.
- Develop a *sustainable pest management system for cherries*.
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- Consider the *introduction of foreign predators of invasive pests*.
- Establish an *action plan to detect, contain and eliminate the early introduction of invasive pests*.
- Identify and secure resources for the *invasive pest action plan*, similar to that provided in Washington State.

5. <u>People</u>

Traditional agriculture extension models in Canada are no longer provided by government. Field horticulturists focus on crop protection, disease and nutrition advice, and provide a valued service in the industry by ensuring standard practices are adopted. The introduction of new, improved techniques and technology is achieved by chance attendance at local and international trade shows, and then by gradual adoption through informal communication in the industry. Rejuvenation of apple sectors in Great Britain and New Zealand have reportedly been linked to a next-generation approach to extension to bring new concepts and best practices to the sector, through a one-on-one training approach.

Actions:
- *Develop an extension model* that informs and educates growers, such that BC growers expand their horticultural knowledge and have the capacity to assess and adopt progressive practices.

- *Develop key success indicators* to monitor the adoption of new techniques, varieties, and technology at the farm level.
- Develop *succession strategies* for individual growers, and key persons within industry organizations.
- *Secure the Seasonal Agricultural Worker Program*, possibly through the introduction of an *industry-wide assessment of labour shortage* (replacing Labour Market Opinions) and *encouraging migration* of a portion of the seasonal workers.

6. <u>Sustainable. internationally competitive funding for industry projects and programs</u>. Funding for agriculture programs has been declining, and is the lowest in Canada for the developed nations, except New Zealand (though the NZ case may be changing more recently). Funding for BC agriculture programs is the lowest in Canada. Governments in Canada continue to face financial pressure to balance budgets and maintain fiscal austerity. However, a distinction should be made between investments for future growth versus expenditure to maintain the status quo. In the long-term, a sustainable, consistent source of funding for investment in projects that create future growth is required. Funds provided by industry will help generate matching government funds for industry projects.

   Action:

- The Columbia River Treaty has provided benefits to US agriculture producers, especially tree fruit and vegetable production in central Washington State. This unfairly increases competition for BC. The treaty is being reviewed at present. *BC has taken a position that seeks compensation for the impacts of the treaty on Canadian producers*. A renegotiation of CRT terms is a possible resource for sustaining industry programs, as identified in the actions outlined in this strategy.

Final Remarks on Industry Commitment to the Strategy

Review of the Industry Strategy and Support of the Industry Organizations for the Focus and Actions will be obtained before May 29, 2015. A formal monitoring and review process will be put in place, to measure progress and completion of Actions and Key Performance Indicators for the tree fruit sector in BC.