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Report Number: CA2020-0089

Report Name: Fresh Deciduous Fruit Annual

Country: Canada

Post: Ottawa

Report Category: Fresh Deciduous Fruit

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Report Highlights:

The United States will remain the largest exporter of fresh apples, pears, and table grapes to the Canadian market in marketing year (MY) 2020/21. FAS/Ottawa forecasts a five percent growth in Canadian apple production for MY 2020/21 with fewer weather-related challenges. A reduction in the marketed production of Canadian pears and table grapes is anticipated as a result of weather and COVID-19 labor challenges during harvest; forecast down seven percent for pears and 13 percent for table grapes. Canadian exports of fresh apples will grow slightly in MY 2020/21. The United States will remain the main market for Canada's apple exports.

Executive Summary:

- In MY 2020/21 Canadian imports of fresh apples will see a decline while exports will grow modestly compared to MY 2019/20. The United States will remain as Canada's main trading partner.

- FAS/Ottawa forecasts growth in Canadian apple production as a result of improved weather conditions predominately in Ontario and Quebec.

- Pear production for MY 2020/21 is forecast to decline as a result of drought in Ontario and labor issues impacting harvest in British Columbia.

- Canadian imports of fresh pears will see modest growth in MY 2020/21 as a result of a reduced domestic crop. U.S. pears will remain as the highest market share but will continue to face competition from Argentina, China, and South Africa.

- FAS/Ottawa forecast a decline in Canadian table grape production for MY 2020/21 primarily as a result of summer drought conditions in Ontario growing regions.

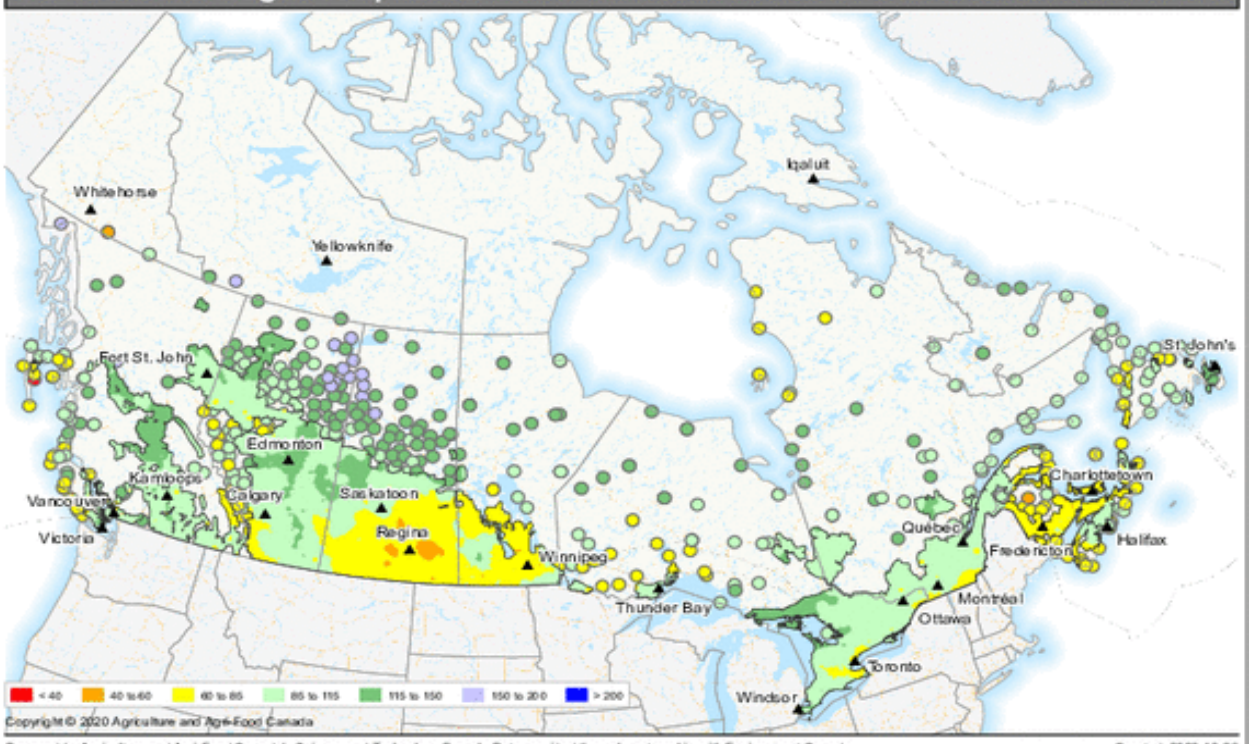
- Imports of fresh table grapes with increase slightly as a result of the reduced Canadian crop. Consumer interest in organic grapes will continue to be supported.

Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

Canada

Percent of Average Precipitation

April 1, 2020 to October 25, 2020



Prepared by Agriculture and Agri-Food Canada's Science and Technology Branch. Data provided through partnership with Environment Canada, Natural Resources Canada, Provincial and private agencies.
Produced using near real-time data that has undergone some quality control. The accuracy of this map varies due to data availability and potential data errors.

Created: 2020-10-26
www.agr.gc.ca/drought

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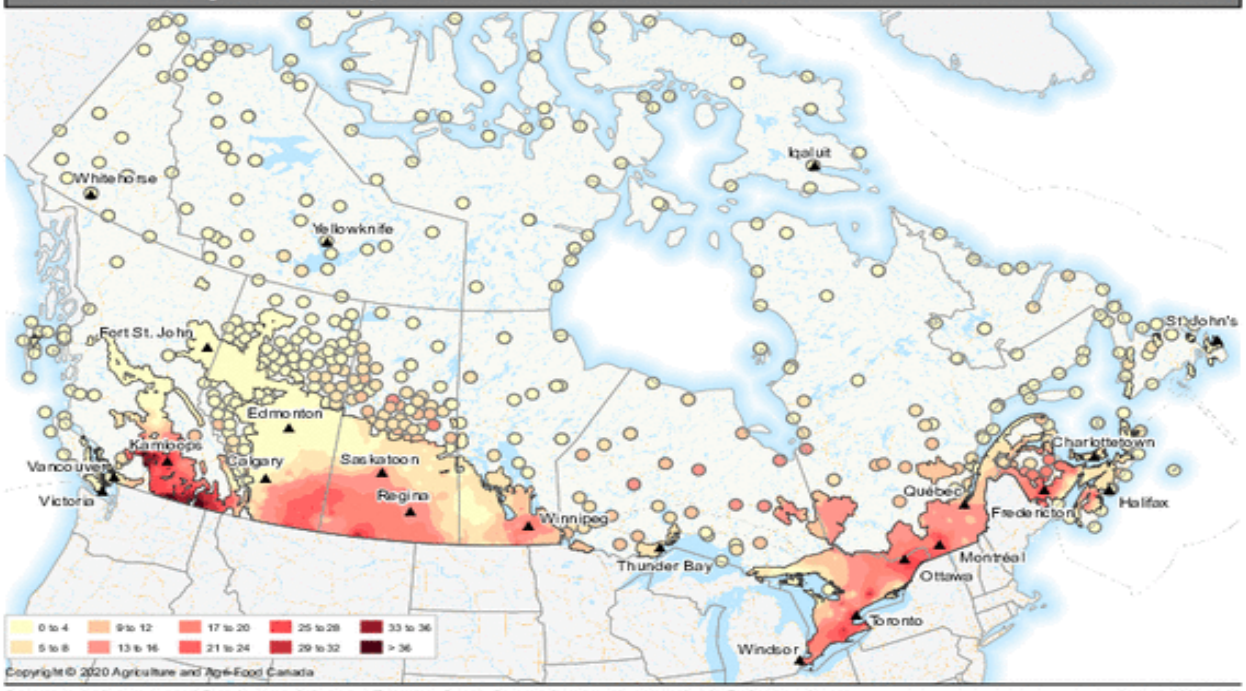
Canada

Number of Days with Temperature above 30°C

April 1, 2020 to October 25, 2020



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Created: 2020-10-26
www.agr.gc.ca/drought

APPLES

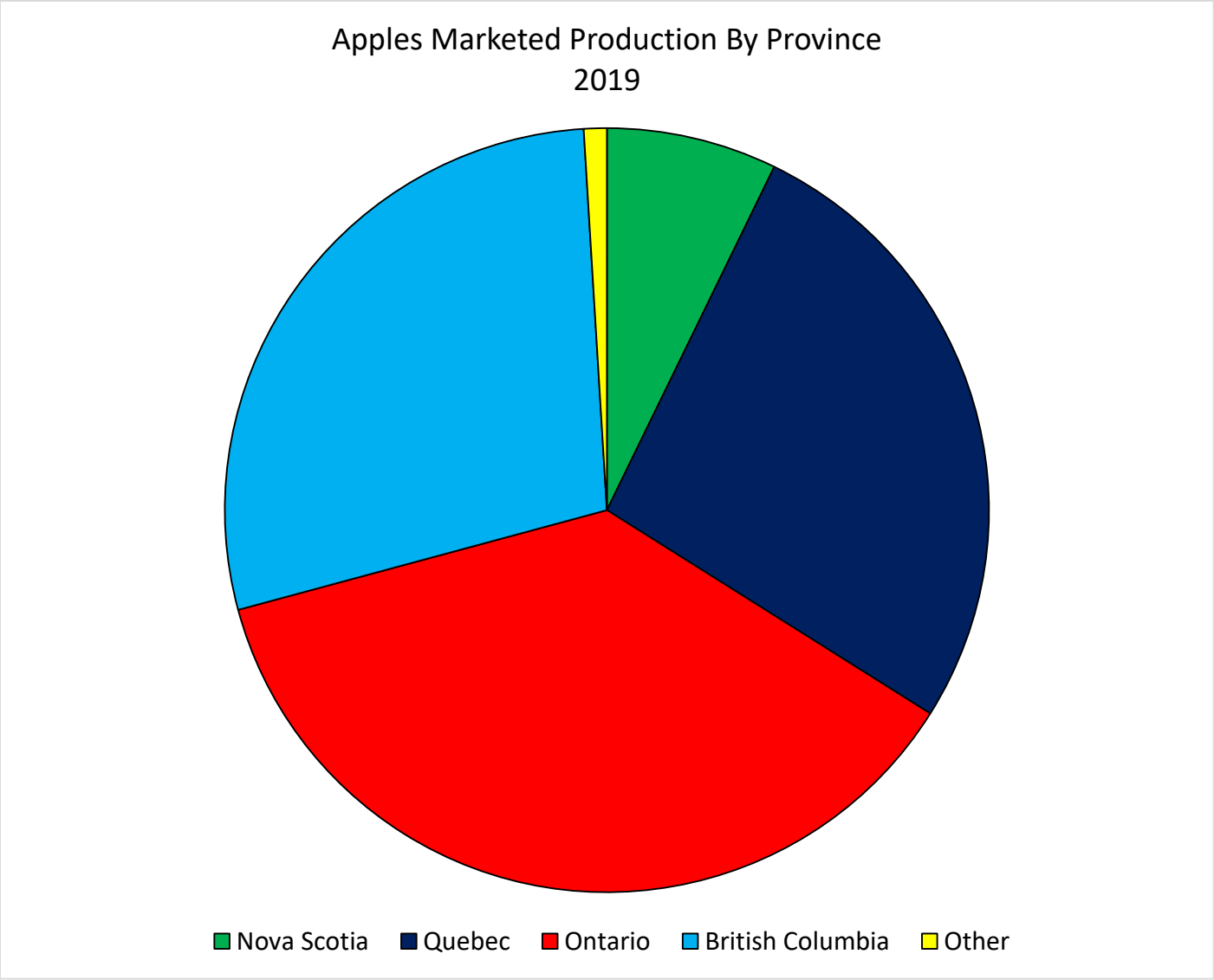
NOTE: "NEW FAS/Ottawa" data reflect FAS/Ottawa's assessments and are NOT official USDA data

APPLES Fresh Canada	2018/2019		2019/2020		2020/2021*	
	Marketing Year: July-June					
	USDA Official	NEW FAS/Ottawa Data	USDA Official	NEW FAS/Ottawa Data	USDA Official	NEW FAS/Ottawa Estimates
Area Planted	17,451	17,451	17,500	16,846	0	17,000
Area Harvested	15,740	15,740	15,500	15,234	0	15,400
Production	385,290	399,808	369,900	368,422	0	385,000
Imports	203,200	203,206	210,000	204,875	0	203,000
Total Supply	**588,490**	**603,014**	**579,900**	**573,297**	**0**	**588,000**
Domestic Consumption	551,190	565,942	554,900	545,120	0	557,000
Exports	37,300	37,072	25,000	28,177	0	31,000
Total Distribution	**588,490**	**603,014**	**579,900**	**573,297**	**0**	**588,000**

*Data in hectares or metric tons / *FAS/Ottawa forecast*

Production:

FAS/Ottawa forecasts five percent growth in Canadian apple production in marketing year (MY) 2020/21 despite some production challenges. Over 90 percent of Canadian apple production is concentrated in British Columbia, Ontario, and Quebec. While weather presented many challenges for the Eastern Canada crop in 2019/20, conditions were more favorable for the 2020/21 crop. Despite dry conditions during the summer, moisture was reportedly received in time to produce a good quality crop for size and color in Ontario. Quebec is also reporting a strong crop. In British Columbia, hail damage in the spring impacted crop quality and smoke from wild fires along the west coast of the United States affected coloration of some varieties. The Maritime Provinces experienced drought through the summer, which is believed to have reduced apple production. However, despite these challenges, early estimates indicate an overall larger apple crop in MY 2020/21 compared to last year. Honeycrisp acres are forecast to see higher production in MY 2020/21 compared to 2019/20.

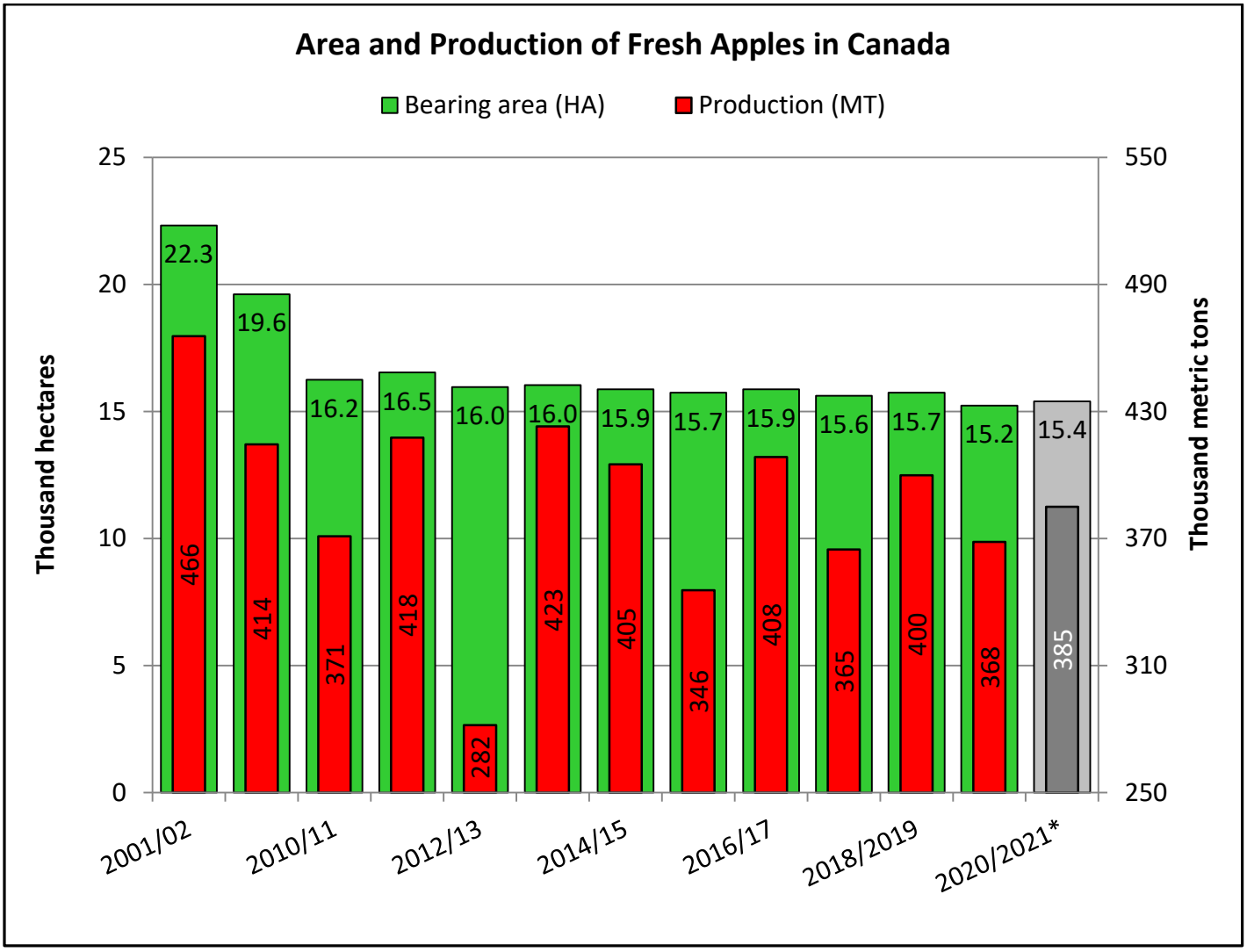


Source: Statistics Canada

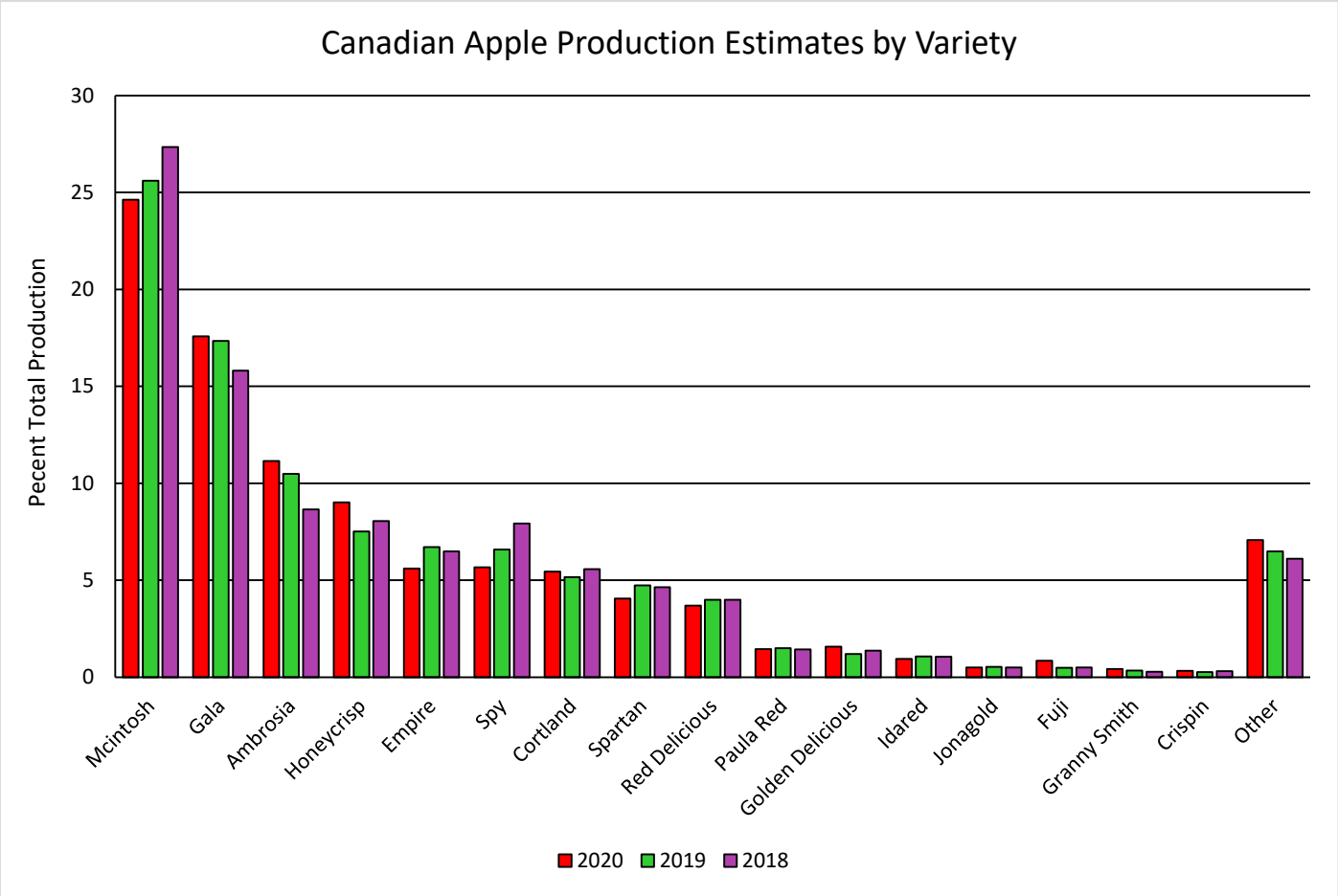
FAS/Ottawa forecasts a slight gain in cultivated acreage, in 2020/21, compared to 2019/20, as more Honeycrisp, Gala, and other premium varieties are planted. Bearing acreage will also increase as previously planted acreage matures into fruit production. However, these gains are expected to be offset by continued reduction in McIntosh acreage. Planted acreage suffered a 3.5 percent drop in 2019/20 according to Statistics Canada. In addition to the shift to production of premium varieties, producers are moving to higher density plantings for production efficiency.

Canadian apple growers have experienced labor challenges related to COVID-19. Spring orchard maintenance, such as thinning and pruning, was affected as fewer temporary foreign workers (TFW) entered Canada due to Canadian travel restrictions implemented in mid-March. At the urging of industry, government eventually designated TFW as essential, though they still had to observe a mandatory 14-day quarantine upon arrival in country. TFW admitted under Canada's Seasonal

Agricultural Worker Program can transfer between employers provided appropriate approvals are received; this likely mitigated labor shortfalls in some locations. Recruitment of Canadian workers to fill the gaps met with only limited success. The worker shortage persisted into harvest time, which may have negatively impacted actual crop size despite strong production estimates. This issue is reportedly most significant in British Columbia, which has struggled with low TFW arrival numbers throughout 2020.



*Source: Statistics Canada / *FAS/Ottawa forecast*



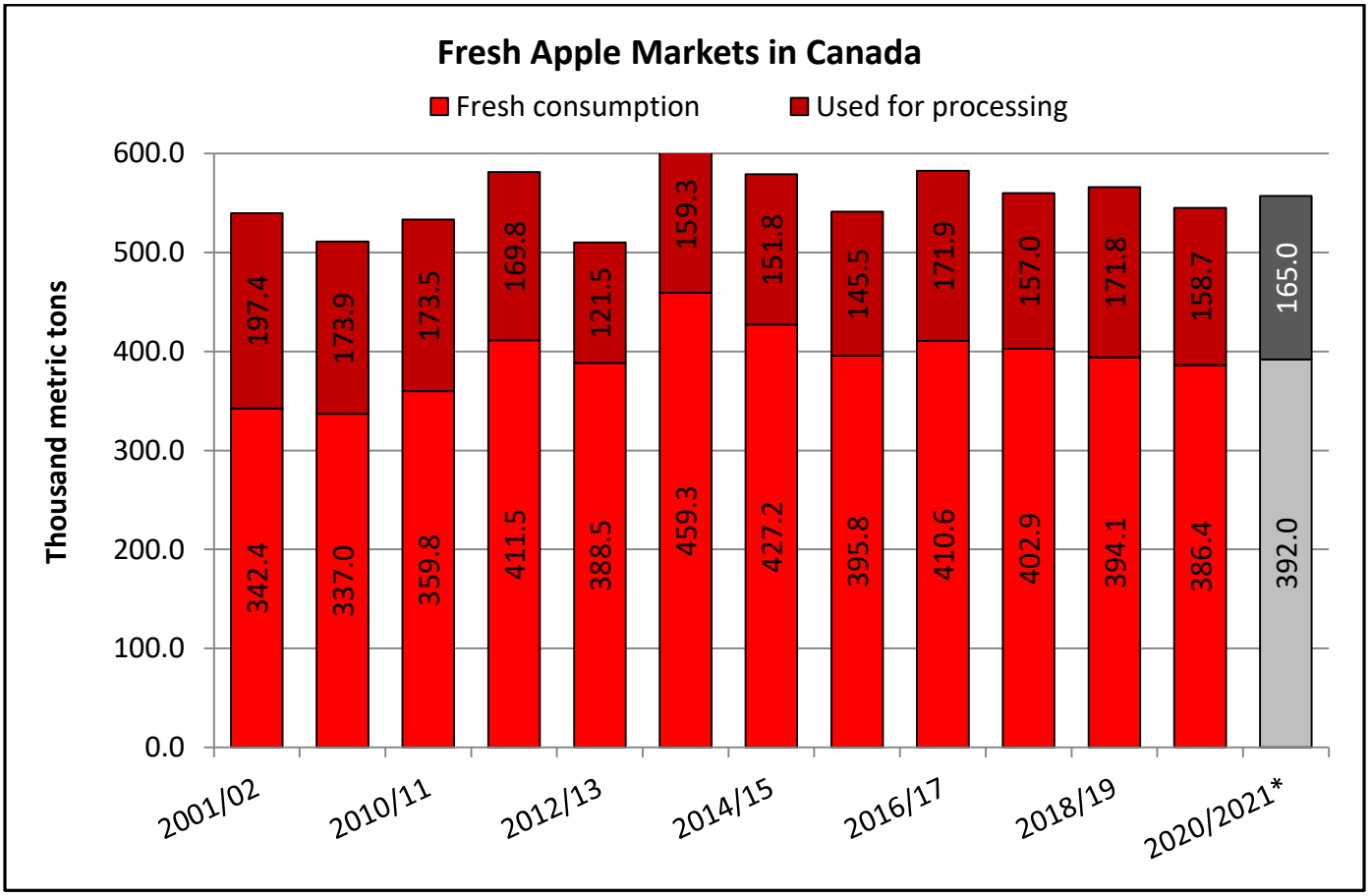
Source: Early Crop Estimates Survey, Canada

Certain growing regions are better suited to specific apple varieties. British Columbia, Nova Scotia, and Ontario have a greater variety diversification owing to the climactic conditions in the Okanagan, Annapolis Valley, and Niagara growing regions, respectively. Quebec growers typically embrace more durable and resilient varieties due to colder growing conditions. Changes to variety acreage and production will continue to vary by province. The general trend points to increases in Ambrosia, Gala, and Honeycrisp.

Consumption:

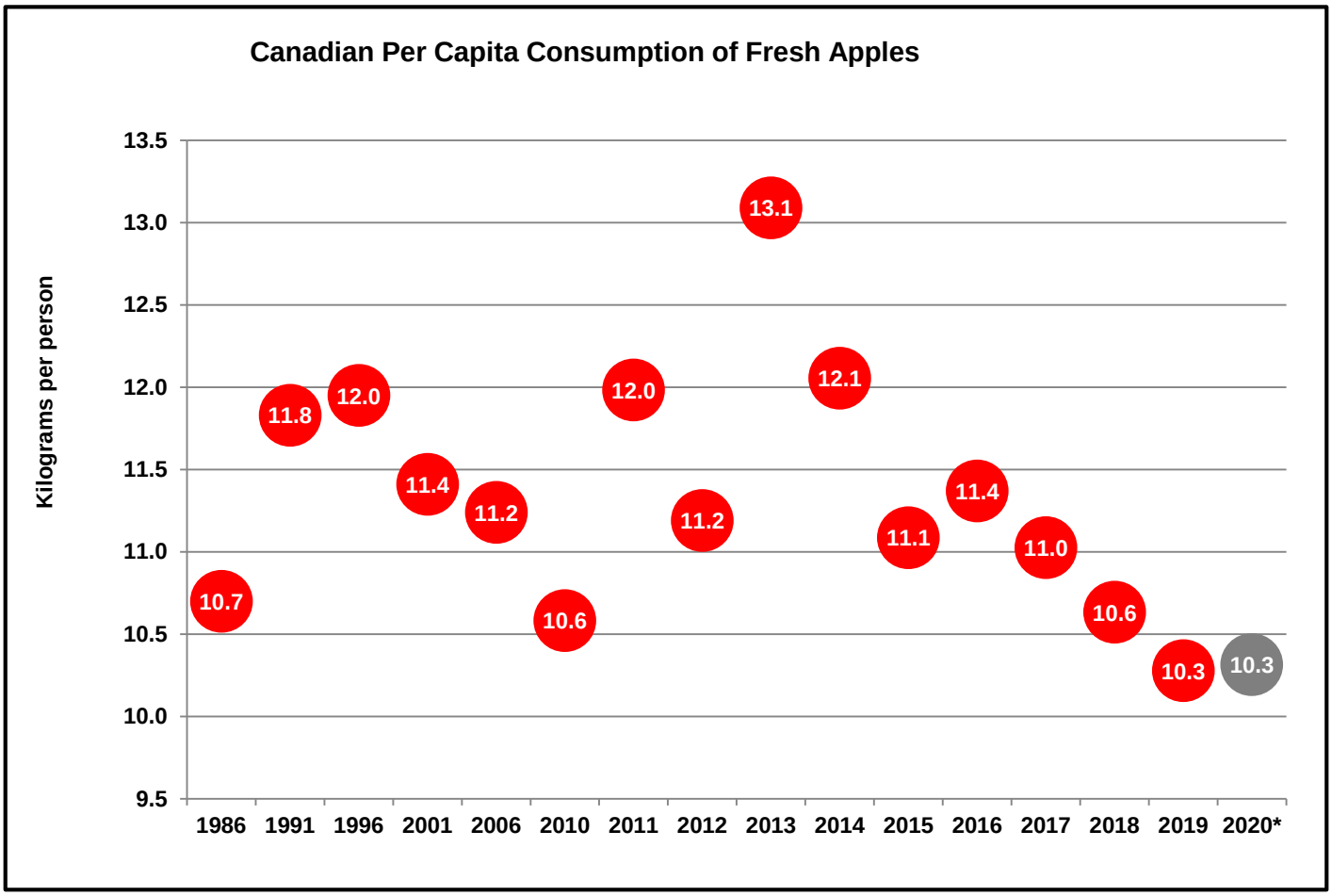
Approximately 70 percent of apples grown in Canada go to fresh consumption. FAS/Ottawa forecasts growth in both fresh and processing apples for MY 2020/21 on an overall larger crop. Fresh demand will be strong as consumers seek a cost competitive fruit with a longer storage duration. As a result of COVID-19 consumers appear to have shifted their purchasing habits, reducing their perceived COVID-19 risk by limiting themselves to fewer grocery store visits but spending more per visit. In the spring, retailers shifted from bulk displays of apples to consumer pre-packaged in response to changing consumer purchase patterns and hygiene concerns within the retail environment. Indications are that bulk displays and local apples features will resume this fall despite rising COVID-19 cases in Canada. Food service was also impacted as provinces and regions implemented restrictions on restaurant

activities. Apples have been less susceptible to food service disruptions than other commodities. With restrictions on gatherings and food service businesses, demand for desserts such as pies has been reduced and there has been a negative impact to processing apples that go into desserts. Despite this, FAS/Ottawa forecasts processing numbers will increase because of an abundance of lower quality apples harvested in British Columbia and the Maritimes subsequent to the adverse weather conditions in those provinces.



*Source: Statistics Canada / *FAS/Ottawa forecast*

Per capita consumption of fresh apples is forecast to remain static in MY 2020/21. However, due to a growing Canadian population the overall quantity of apples consumed fresh will increase in Canada in MY 2020/21. Apples face increasing competition with other fresh fruit products on the market but will continue to be a popular snack given their convenience. Their longer duration storage life and cost-competitiveness with other fruits will also support consumption as consumers look for stability and savings in the face of COVID-19-related uncertainties expected to remain for some time to come.



*Source: Statistics Canada / *FAS/Ottawa forecast*

Trade:

FAS/Ottawa forecasts a one percent decline of imports of fresh apples into Canada for MY 2020/21. An increased Canadian apple crop and reduced processing demand due to COVID-19, will generate lower demand for imports. The United States will remain the dominant supplier of apples to Canada. The U.S. market share increased to 84 percent in MY 2019/20 following a decline in MY 2018/19 owing to increased imports from Chile and the EU and a smaller U.S. apple crop. Market share was regained in MY 2019/20 due to a larger U.S. crop and a reduced EU crop. Reduced crop expectations for the U.S. and EU crops in MY 2020/21 will also support a decrease in Canadian import volumes.

Canada: Imports of fresh apples

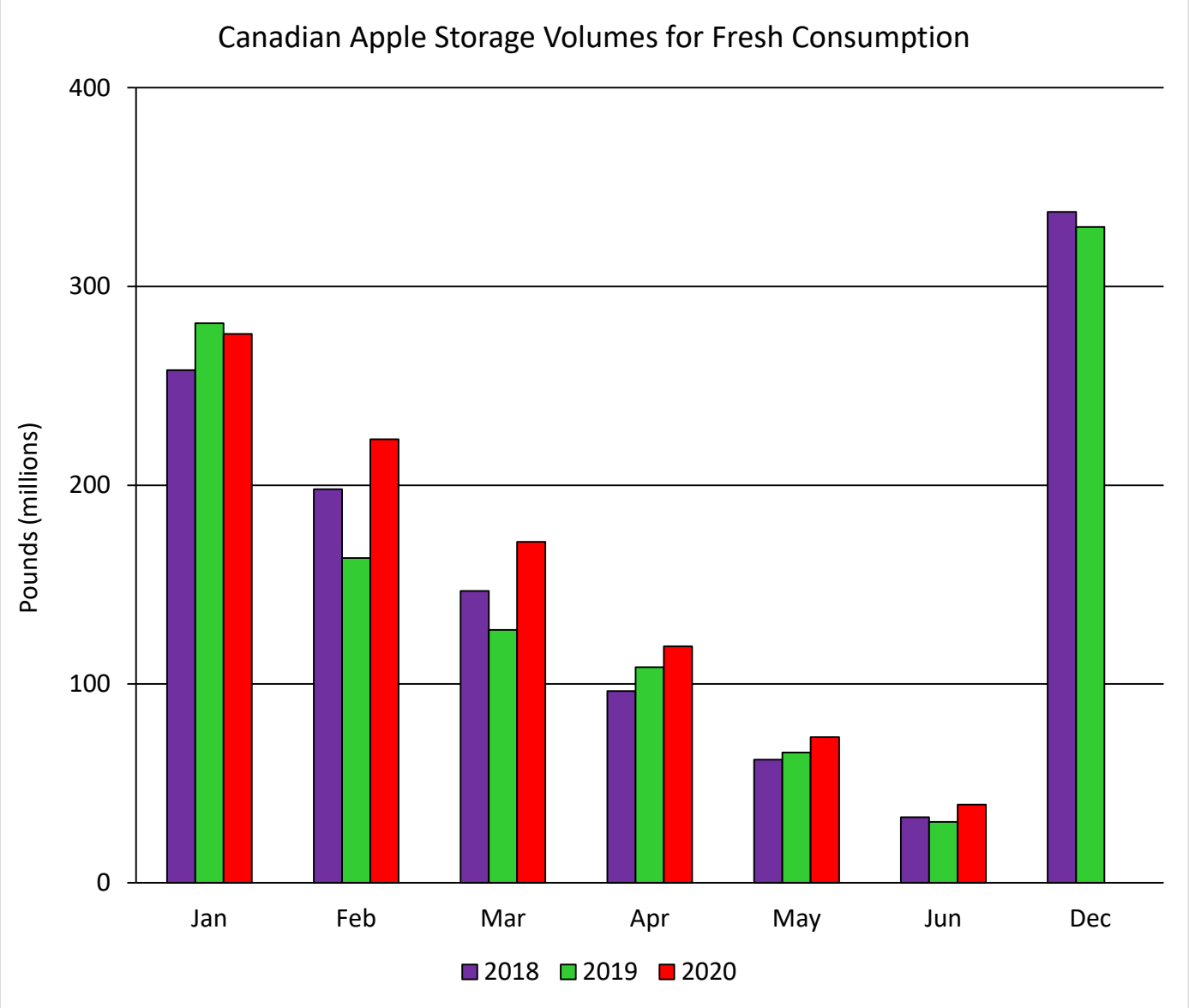
Marketing year: July-June / Quantity in metric tons

	2015/16	2016/17	2017/18	2018/19	2019/20
World	**229,925**	**220,572**	**222,195**	**203,206**	**204,875**
for processing	63,168	63,495	76,367	69,182	68,689
organic	9,742	10,808	12,296	11,455	14,297
other	157,013	146,222	133,533	122,568	121,891
United States	**183,025**	**175,322**	**177,785**	**155,018**	**171,083**
for processing	56,860	61,834	75,982	64,277	65,661
organic	7,009	7,989	10,515	9,411	12,938
other	119,154	105,498	91,291	81,331	92,487
Chile	23,075	22,501	24,858	23,590	15,359
European Union	7,060	5,506	4,170	11,171	3,865
Italy	2,223	3,885	3,094	9,612	3,577
New Zealand	6,645	7,673	8,522	8,164	8,454
China	3,204	3,877	3,551	2,683	2,458
All other countries	11,753	7,314	4,385	4,139	3,944
Import Market Shares					
United States	79.6%	79.5%	80.0%	76.3%	83.5%
Chile	10.0%	10.2%	11.2%	11.6%	7.5%
European Union	3.1%	2.5%	1.9%	5.5%	1.9%
Italy	1.0%	1.8%	1.4%	4.7%	1.7%
New Zealand	2.9%	3.5%	3.8%	4.0%	4.1%
China	1.4%	1.8%	1.6%	1.3%	1.2%

Source: Trade Data Monitor, LLC

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

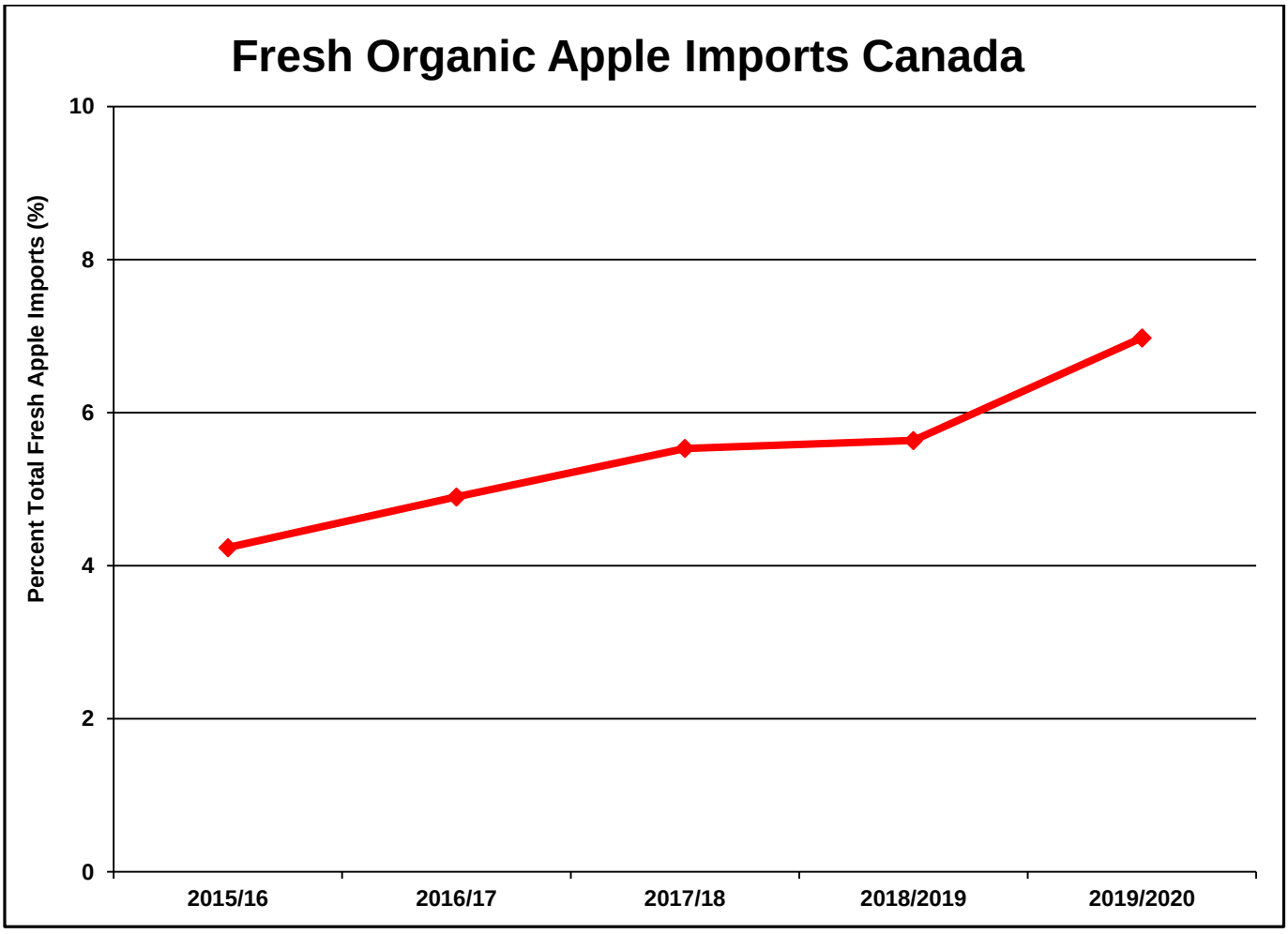
Despite a smaller 2019/20 crop, Canadian fresh storage volumes were up 29 percent in June 2020 compared to June 2019. With ample supplies remaining until the 2020/21 crop begins to be marketed, reductions in imports have already been witnessed in MY 2020/21. However, support will remain for imports of U.S. fresh apples to supplement Canadian fresh demand. The majority of U.S. apples are imported into Canada from Washington State followed by New York. Canada is the top market by value for fresh apple exports from both states.



Source: Agriculture and Agri-Food Canada

Imports of organic apples have increased steadily year-over-year since MY 2015/16. Consumer surveys have shown that Millennial Canadians, currently the largest generational cohort in Canada, are driving growth in organic purchasing. Generation Z (post-millennials) also are contributing and are expected to

further contribute as their cohort continues to age into the workforce. However, it appears likely that the economic effects of the COVID-19 pandemic will constrain this preference for organic products, which tend to be higher priced, in MY 2020/21.



Source: Trade Data Monitor, LLC

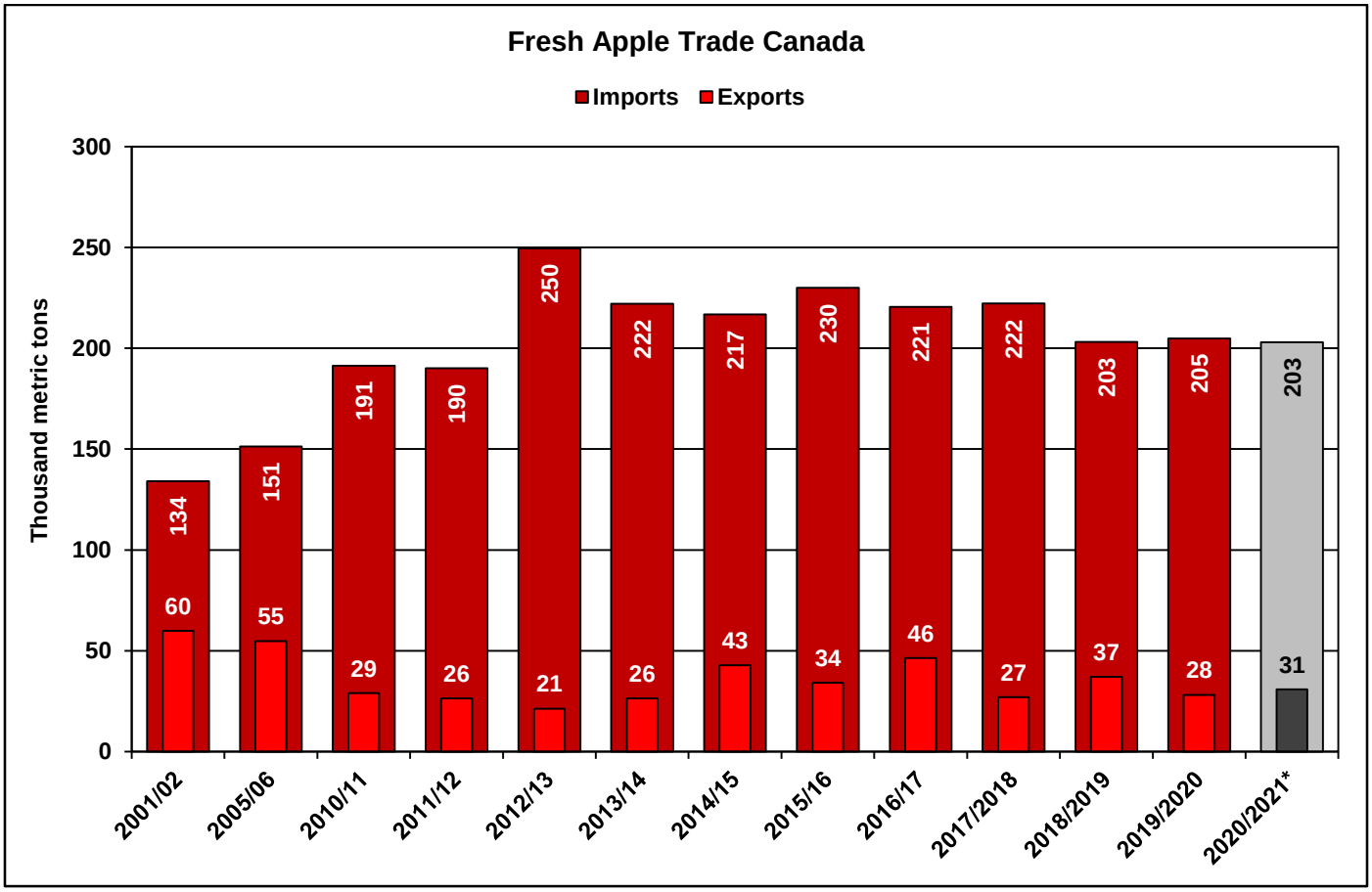
Approximately 10 percent of fresh apple production in Canada is exported depending on the Canadian apple crop size. FAS/Ottawa forecasts that exports will grow 10 percent in MY 2020/21 as a result of the increase in the Canadian apple crop. However, outyear exports will remain below the five-year average due to decreased processing demand and COVID-19 disruptions. The United States was, as usual, the top market for Canadian fresh apple exports in MY 2019/20 and will remain as such in MY 2020/21. Canadian apple exporters may also look to continue expansion into CPTPP markets as tariffs under the trade agreement have become more favorable (see Policy section). With a smaller EU crop there is likely to be supply gaps in these markets.

Canada: Exports of fresh apples

Marketing year: July-June / Quantity in metric tons

	2015/16	2016/17	2017/18	2018/2019	2019/20
World	**34,124**	**46,472**	**27,092**	**37,072**	**28,177**
for processing	11,718	19,665	9,340	16,752	12,732
other	22,405	26,807	17,752	20,320	15,445
United States	**25,429**	**32,776**	**18,762**	**22,896**	**14,802**
for processing	5,157	10,821	3,968	8,335	4,420
other	20,272	21,955	14,793	14,560	10,382
Cuba	5,216	2,805	3,367	5,787	975
Vietnam	719	4,067	2,220	5,051	9,608
Mexico	505	821	493	476	515
All other countries	2,974	10,070	4,470	7,913	11,885

Source: Trade Data Monitor, LLC



*Source: Trade Data Monitor, LLC / *FAS/Ottawa forecast*

PEARS

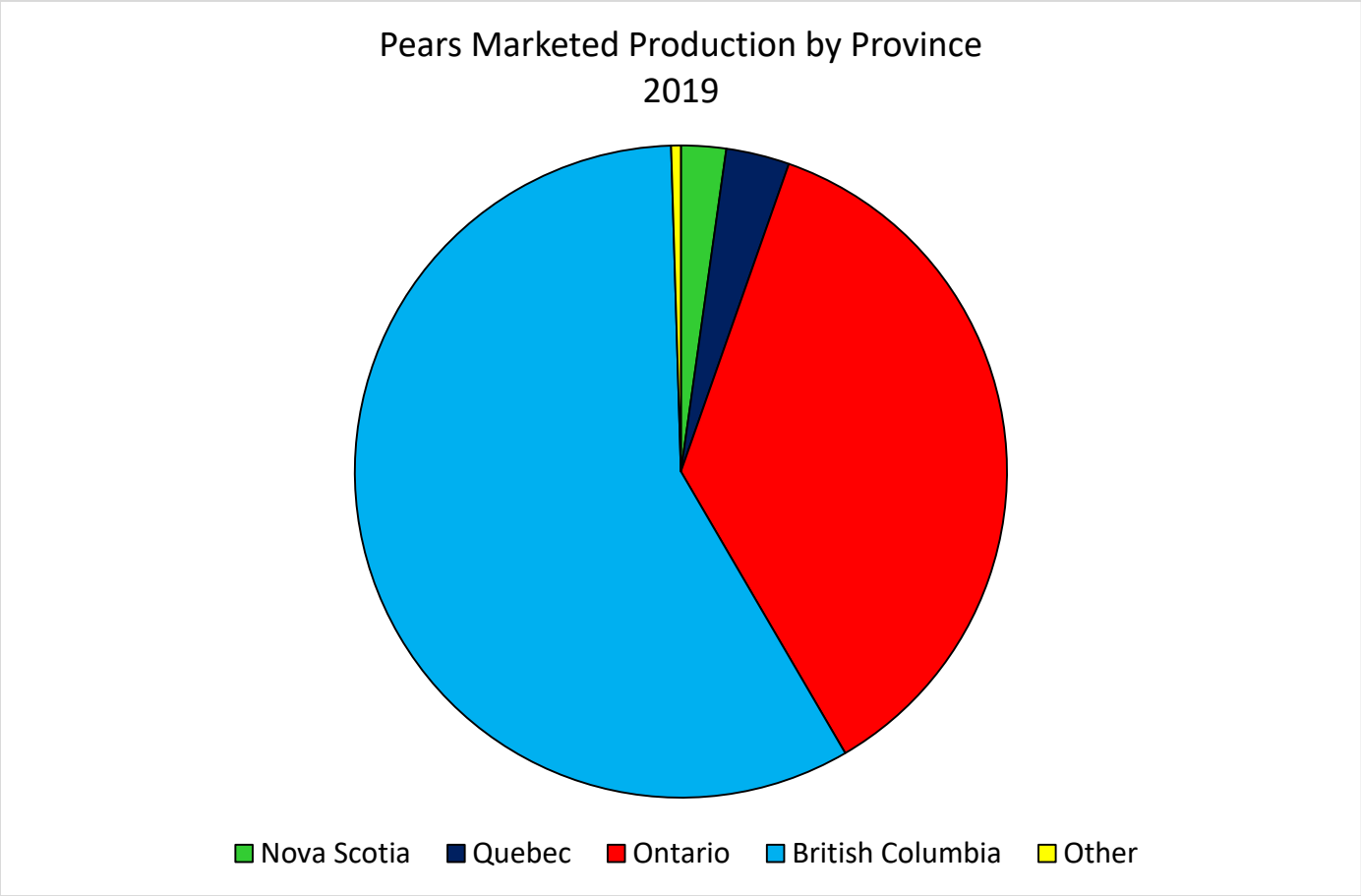
NOTE: "NEW FAS/Ottawa" data reflect FAS/Ottawa's assessments and are NOT official USDA data

PEARS Fresh Canada	2018/2019		2019/2020		2020/2021*	
	Marketing Year: July-June					
	USDA Official	NEW FAS/Ottawa Data	USDA Official	NEW FAS/Ottawa Data	USDA Official	NEW FAS/Ottawa Estimates
Area Planted	843	843	850	830	0	830
Area Harvested	749	749	750	713	0	700
Production	8,982	8,627	8,800	9,192	0	8,600
Imports	65,900	65,850	60,000	60,298	0	62,000
Total Supply	**74,882**	**74,477**	**68,800**	**69,490**	**0**	**70,600**
Domestic Consumption	74,682	74,293	68,400	69,091	0	70,100
Exports	200	184	400	399	0	500
Total Distribution	**74,882**	**74,661**	**68,800**	**69,490**	**0**	**70,600**

*Data in hectares or metric tons / *FAS/Ottawa forecast*

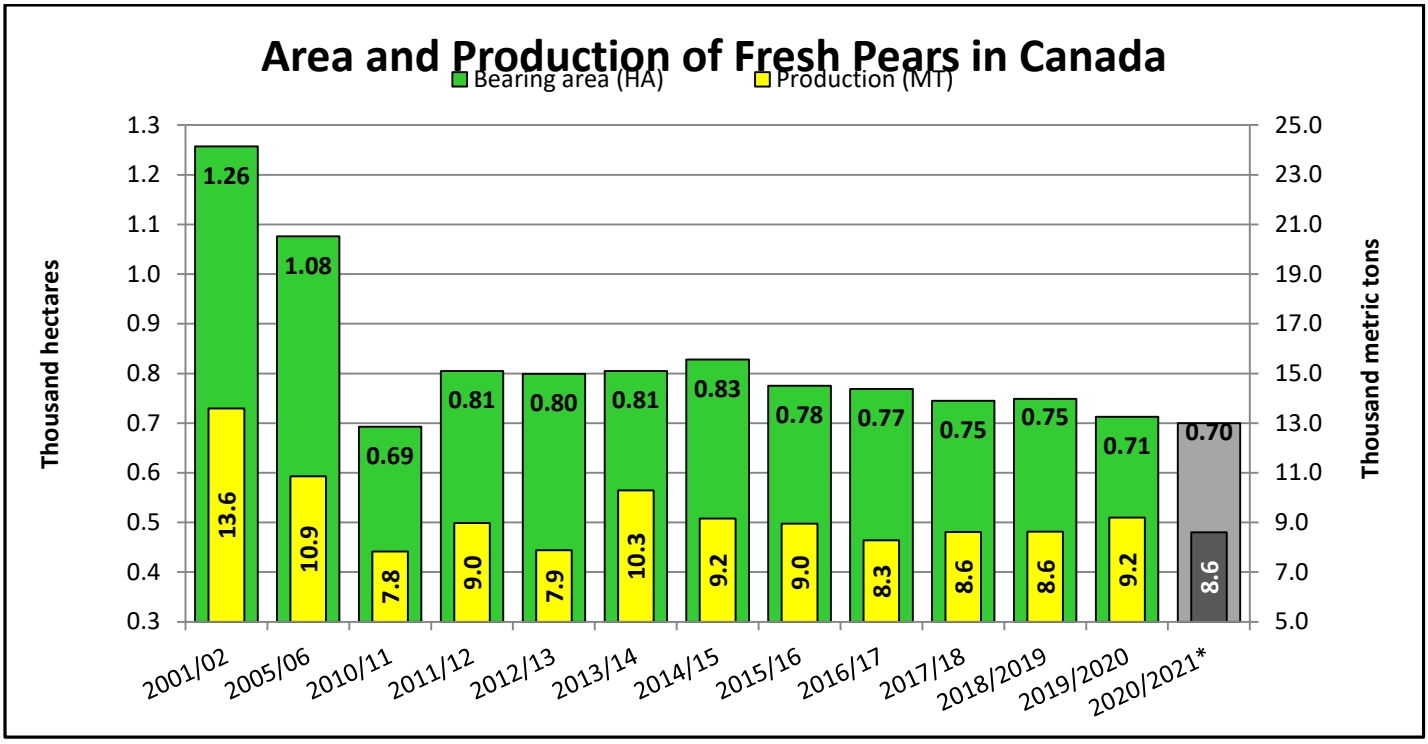
Production:

FAS/Ottawa forecasts a seven percent decline in fresh pear production for MY 2020/21. Marketed production is projected to be less than the five-year average due to harvest challenges in British Columbia combined with reduced labor availability and drought conditions in Ontario. Area planted is expected to remain static in MY 2020/21 while area harvested will decline two percent as a result of labor and weather issues.



Source: Statistics Canada

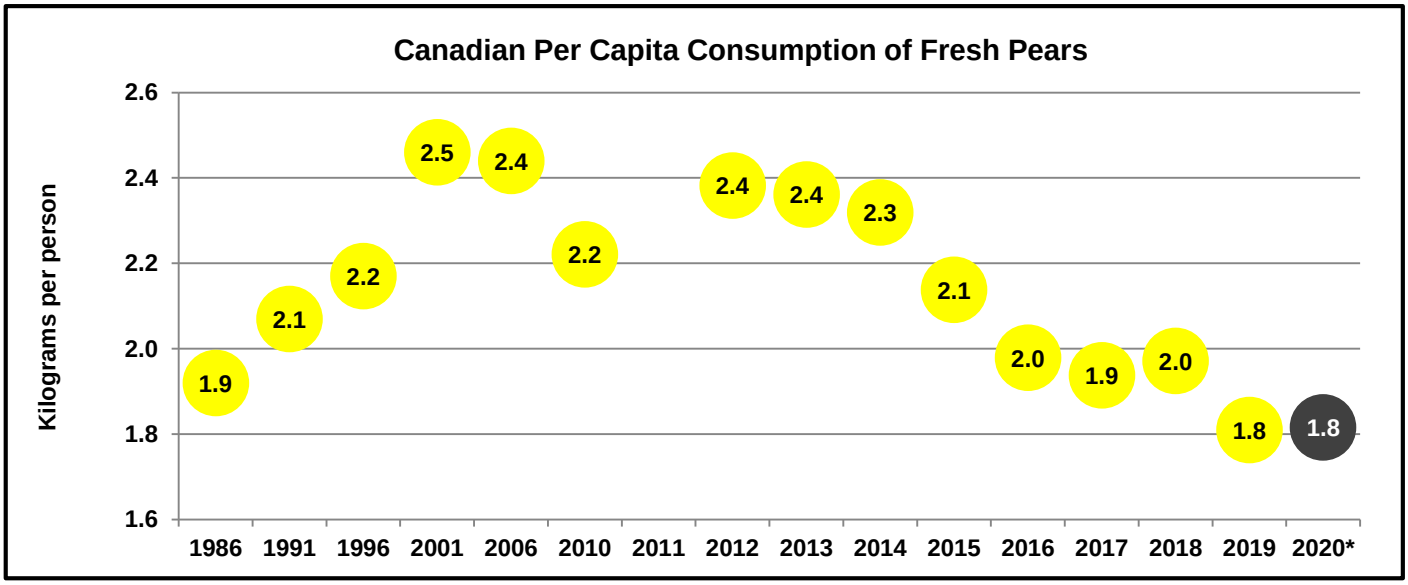
Ontario and British Columbia account for over 90 percent of the Canadian pear crop and these two provinces will continue to dominate domestic production. British Columbia experienced a favorable growing season for MY 2020/21 and though smoke from west coast fires did cause some harvest delays the smoke is not expected to impact fruit quality. British Columbia also struggled with obtaining sufficient numbers of workers for the MY 2020/21 harvest as a result of COVID-19. The available local workforce is limited and growers typically rely on workers from other regions of Canada, such as Quebec, as well as international and temporary foreign workers. COVID-19 restrictions, travel disruptions, and government support programs viewed by some as a disincentive to work have constrained the availability of both domestic and foreign workers. As a result, not all fruit is expected to be harvested, which will reduce marketed production. While Ontario has also seen reductions in the number of foreign workers arriving in MY 2020/21, the pear crop declined primarily due to dry summer weather conditions. Pear production industry estimates indicate that production will be 20 percent or more below MY 2019/20 in some regions. Bartlett and Bosc varieties will continue to dominant Canadian pear acreage but producers are exploring new varieties. In British Columbia, Bosc acreage is reportedly increasing while Bartlett and Anjou acreage has been in decline due to shifts in consumer preference and poorer returns. Anjou is not well suited to the Ontario growing climate, where Bartlett and Bosc dominate production and acreage.



*Source: Statistics Canada / *FAS/Ottawa forecast*

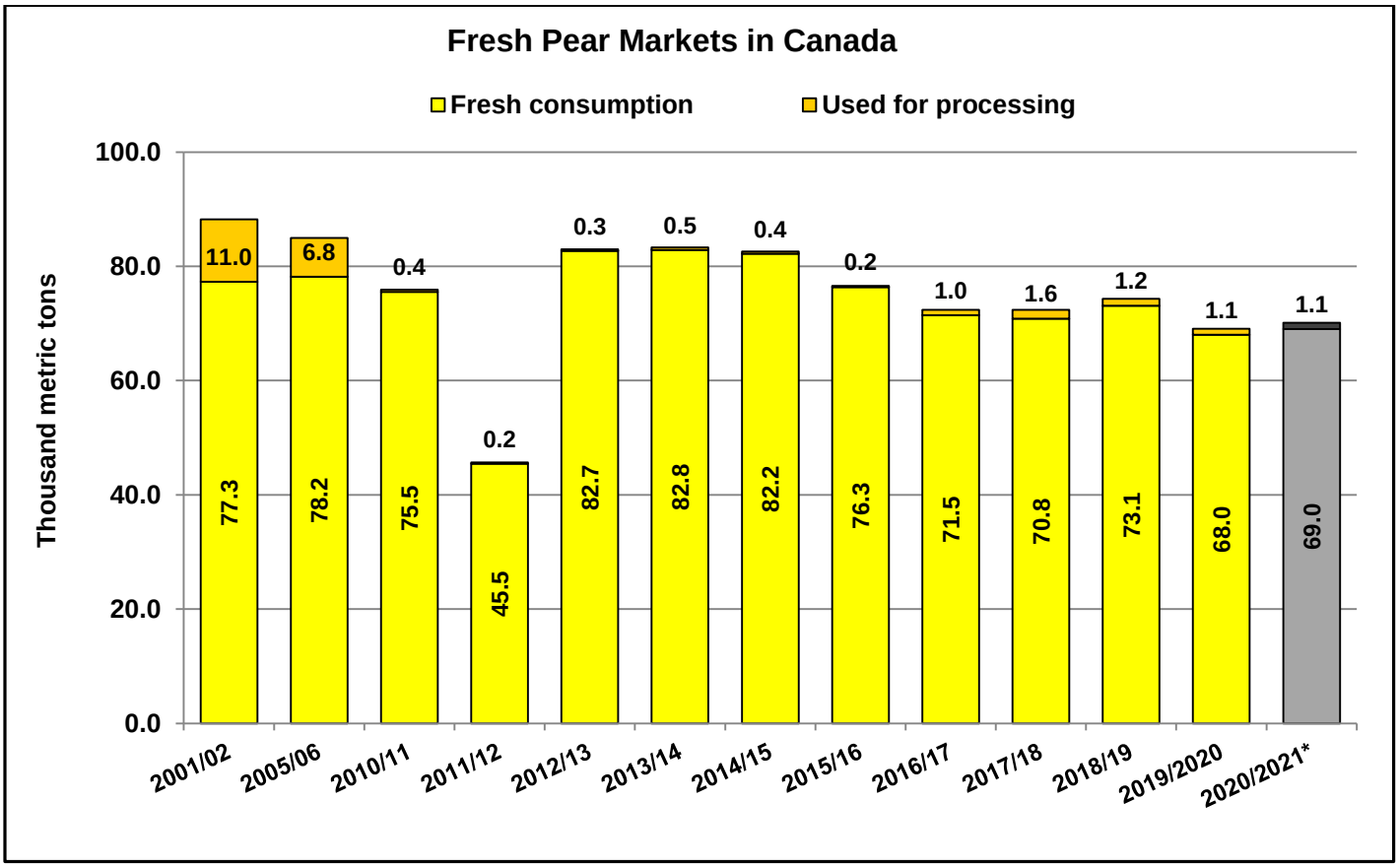
Consumption:

Fresh consumption is expected to experience minimal growth in MY 2020/21 due to lower production. Canadian per capita consumption of fresh pears has been on a declining trend since 2013 as pears face increased competition from other fruits.



*Source: Statistics Canada / *FAS/Ottawa forecast*

Fresh consumption accounts for over 80 percent of the pear market in Canada. There are a limited number of processors and with a smaller 2020/21 crop, processing will remain static on MY 2019/20.



*Source: Statistics Canada / *FAS/Ottawa forecast*

Trade:

FAS/Ottawa forecasts a three percent growth in fresh pear imports for MY 2020/21 although imports will remain below the five-year average. Increased imports will offset the reduction in Canadian production for MY 2020/21. However, competition from other fruit varieties is expected to limit expansion of pear imports. The United States will continue to supply around 50 percent of total Canadian imports of fresh pears.

Canada: Imports of fresh pears

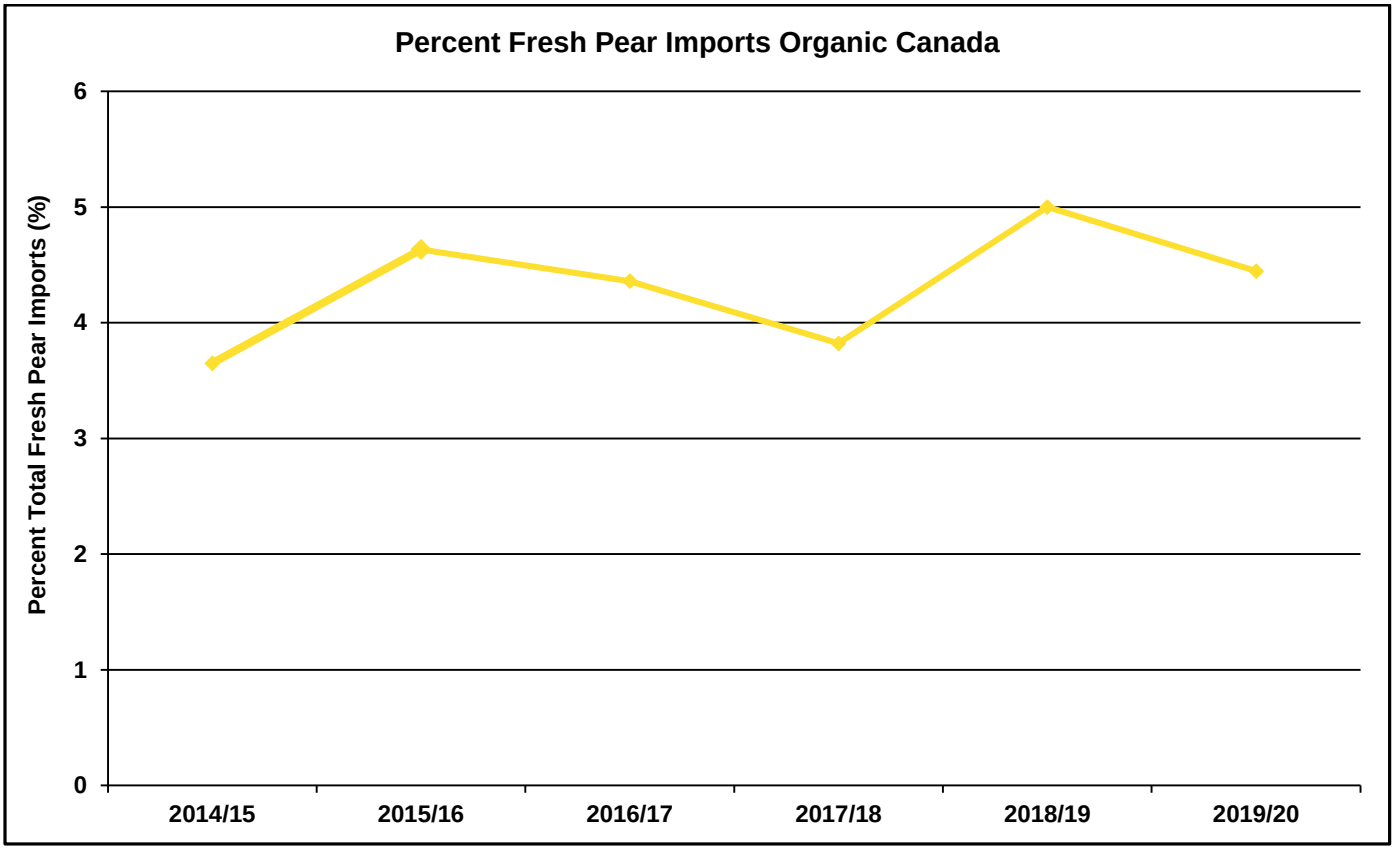
Marketing year: July-June / Quantity in metric tons

	2015/16	2016/17	2017/18	2018/19	2019/20
World	**67,835**	**64,324**	**63,930**	**65,850**	**60,298**
for processing	86	353	392	411	211
organic	3,143	2,804	2,443	3,292	2,681
other	64,606	61,167	61,095	62,147	57,406
United States	**36,815**	**34,979**	**31,884**	**35,676**	**28,966**
for processing	86	353	250	411	211
organic	1,698	1,686	1,314	1,794	1,266
other	35,031	32,939	30,319	33,471	27,489
Argentina	9,996	9,350	8,544	9,729	10,500
China	11,142	11,371	12,030	9,204	11,341
South Africa	4,666	4,967	5,623	6,241	4,592
European Union	2,089	1,606	2,749	2,569	2,753
Portugal	1,447	976	2,158	2,032	2,350
Australia	1,000	859	1,607	1,536	940
All other countries	2,769	1,822	2,084	1,432	1,609
Import Market Shares					
United States	54.3%	54.4%	49.9%	54.2%	48.0%
Argentina	14.7%	14.5%	13.4%	14.8%	17.4%
China	16.4%	17.7%	18.8%	14.0%	18.8%
South Africa	6.9%	7.7%	8.8%	9.5%	7.6%
European Union	3.1%	2.5%	4.3%	3.9%	4.6%
Portugal	2.1%	1.5%	3.4%	3.1%	3.9%
Australia	1.5%	1.3%	2.5%	2.3%	1.6%

Source: Trade Data Monitor, LLC

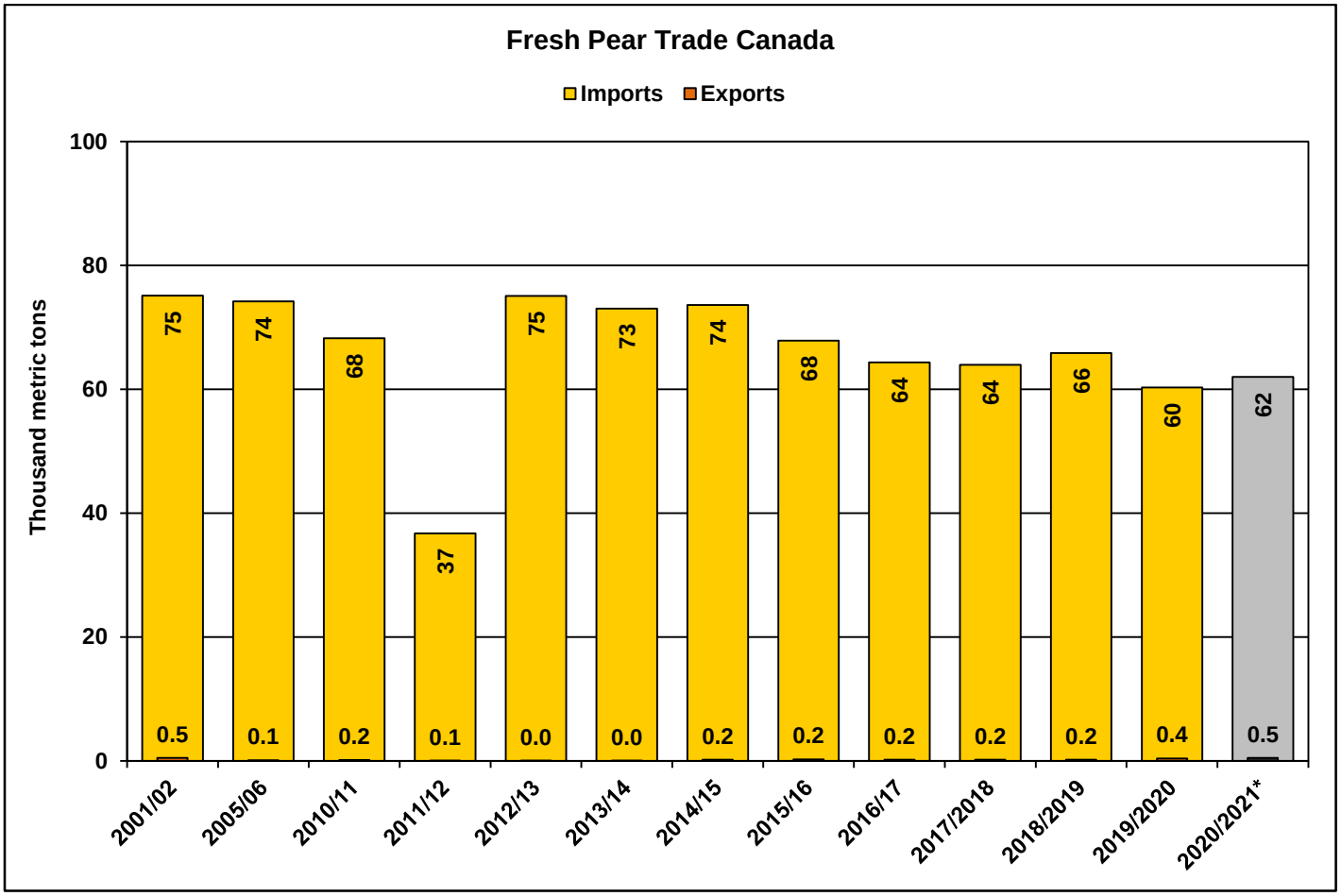
Note: Tariff lines for organic pears were introduced on January 1, 2007

Imports of organic fresh pears continue to be between four and five percent of total pear imports. FAS/Ottawa forecasts that Canadian demand for organic fresh pears will remain constant for MY 2020/21.



Source: Trade Data Monitor, LLC

Canadian exports of fresh pears are negligible in comparison to fresh pear production and imports. Canadian MY 2019/20 pear exports jumped 25 percent over 2018/19 levels, yet were still only four percent of domestic production. While growers may continue efforts to expand export opportunities to higher value markets in MY 2020/21, FAS/Ottawa anticipates pear export volumes will remain below one percent of import volumes.



*Source: Trade Data Monitor, LLC / *FAS/Ottawa forecast*

FRESH TABLE GRAPES

NOTE: "NEW FAS/Ottawa" data reflect FAS/Ottawa's assessments and are NOT official USDA data

GRAPES Fresh Canada	2018/2019		2019/2020		2020/2021*	
	Marketing Year: June-May					
	USDA Official	NEW FAS/Ottawa Data	USDA Official	NEW FAS/Ottawa Data	USDA Official	NEW FAS/Ottawa Estimates
Production	3,088	2,388	2,800	2,527	0	2,200
Imports	180,000	181,396	188,000	190,155	0	191,000
Total Supply	**183,088**	**183,784**	**190,800**	**192,682**	**0**	**193,200**
Domestic Consumption	183,088	183,784	190,800	192,682	0	193,200
Exports	0	0	0	0	0	0
Total Distribution	**183,088**	**183,784**	**190,800**	**192,682**	**0**	**193,200**

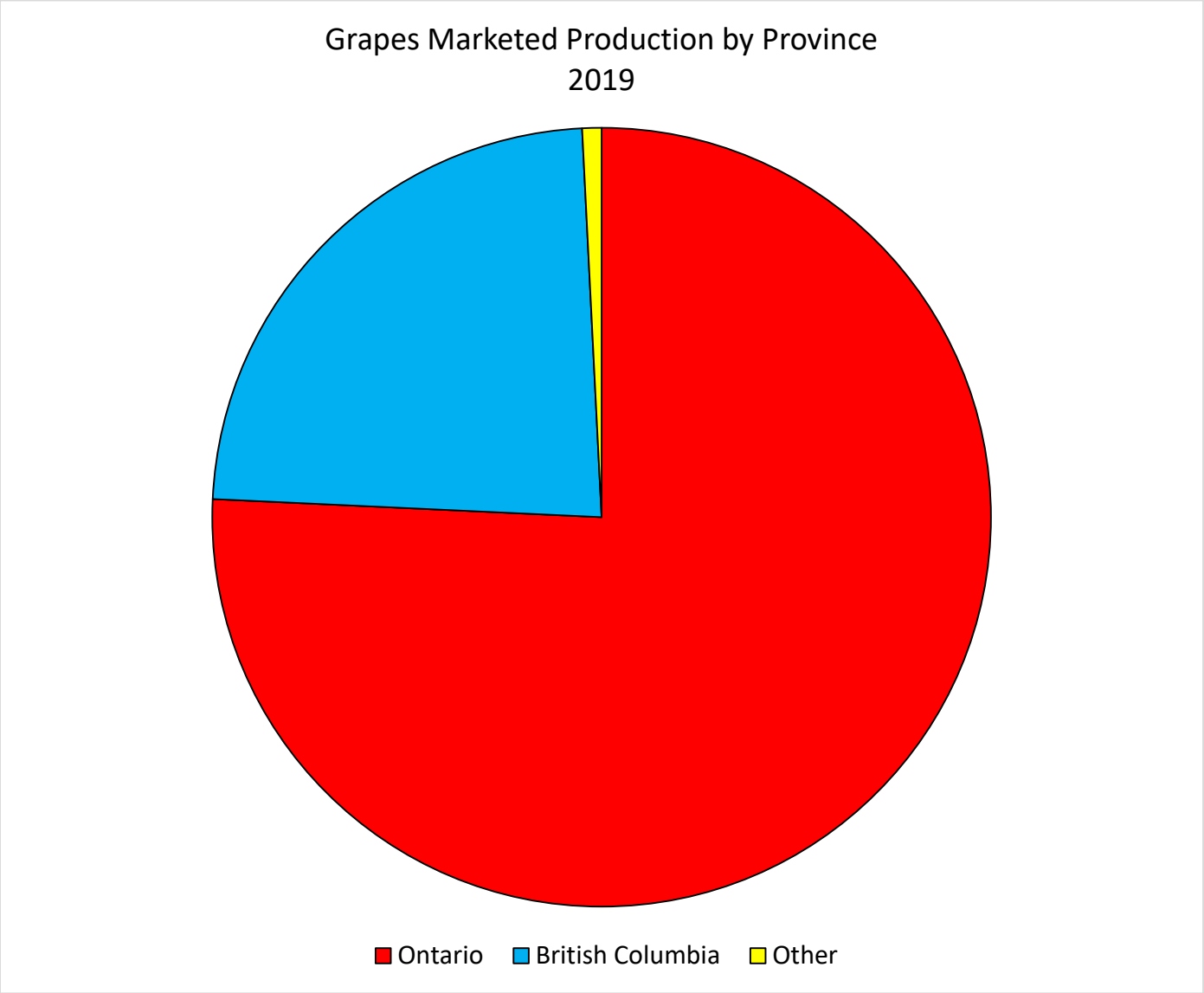
*Data in metric tons / *FAS/Ottawa forecast*

Production:

FAS/Ottawa forecasts a 13 percent decline in table grape production for MY 2020/21. Fresh production will be 10 percent below the five-year average. Drought conditions in Ontario, coupled with labor challenges in British Columbia, will see the crop reduced by over 20 percent in some regions according to industry estimates, as well as a reduction in marketed production. Acreage is forecast to remain stable although fruit bearing acreage will be reduced.

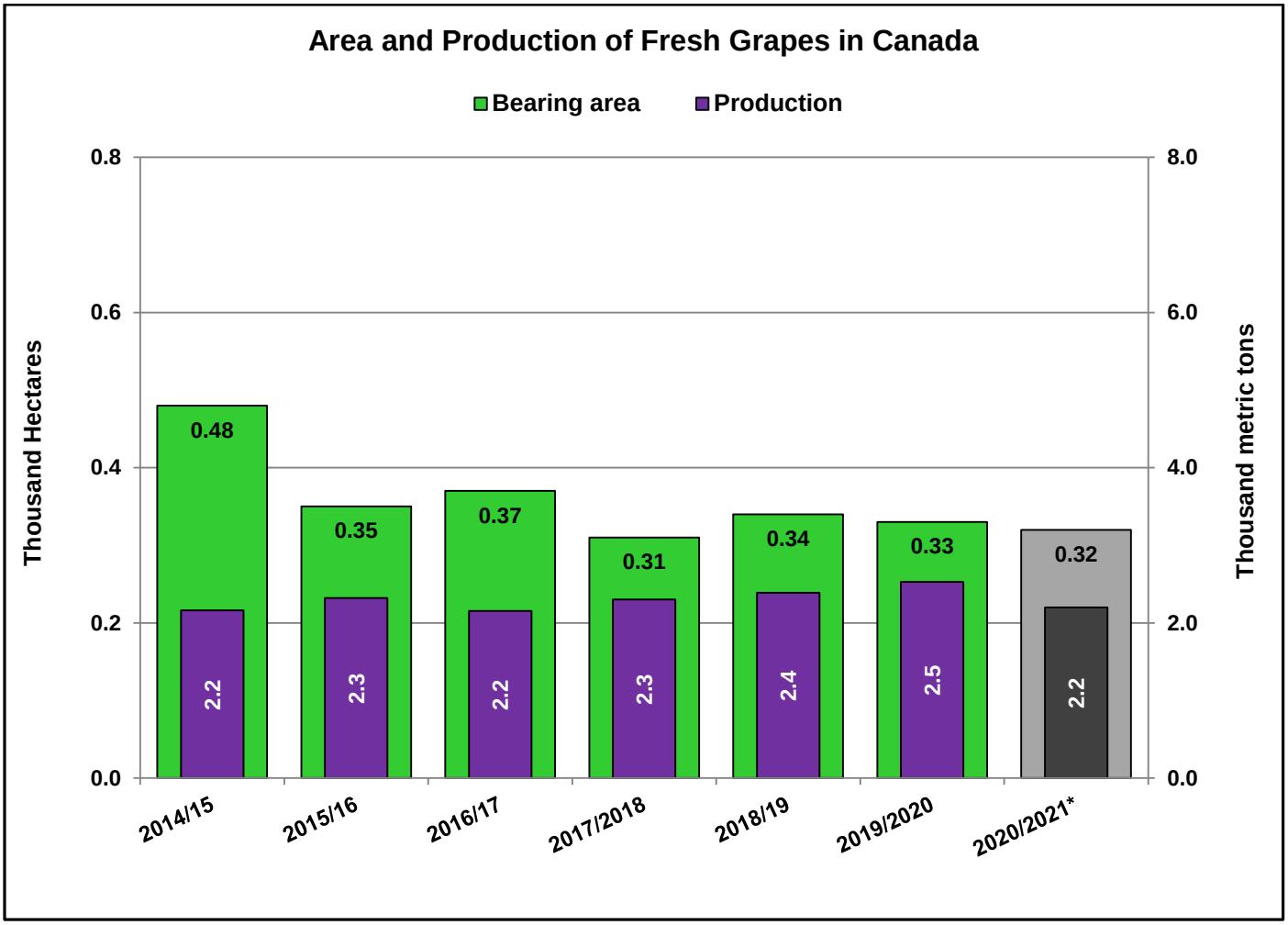
Ontario will continue to be the main province for Canadian table grape production, accounting for over three-quarters of Canadian production. British Columbia is the second largest producing province accounting for over 20 percent of production. Though Ontario table grape production is mostly limited to the Sovereign Coronation variety, Ontario growers and researchers are exploring new varieties in response to changing consumer demands. While drought will negatively impact Ontario production volumes for MY 2020/21, British Columbia experienced more favorable growing conditions. However, COVID-19 has impacted the labor pool in British Columbia with fewer foreign workers arriving in the province and fewer domestic workers travelling from Eastern Canada to work during harvest.

Additionally, smoke from fires on the West Coast caused harvest activity delays. Crop quality is not expected to be negatively impacted. Due to these challenges, marketed production volumes will be less than total production volumes.



Source: Statistics Canada

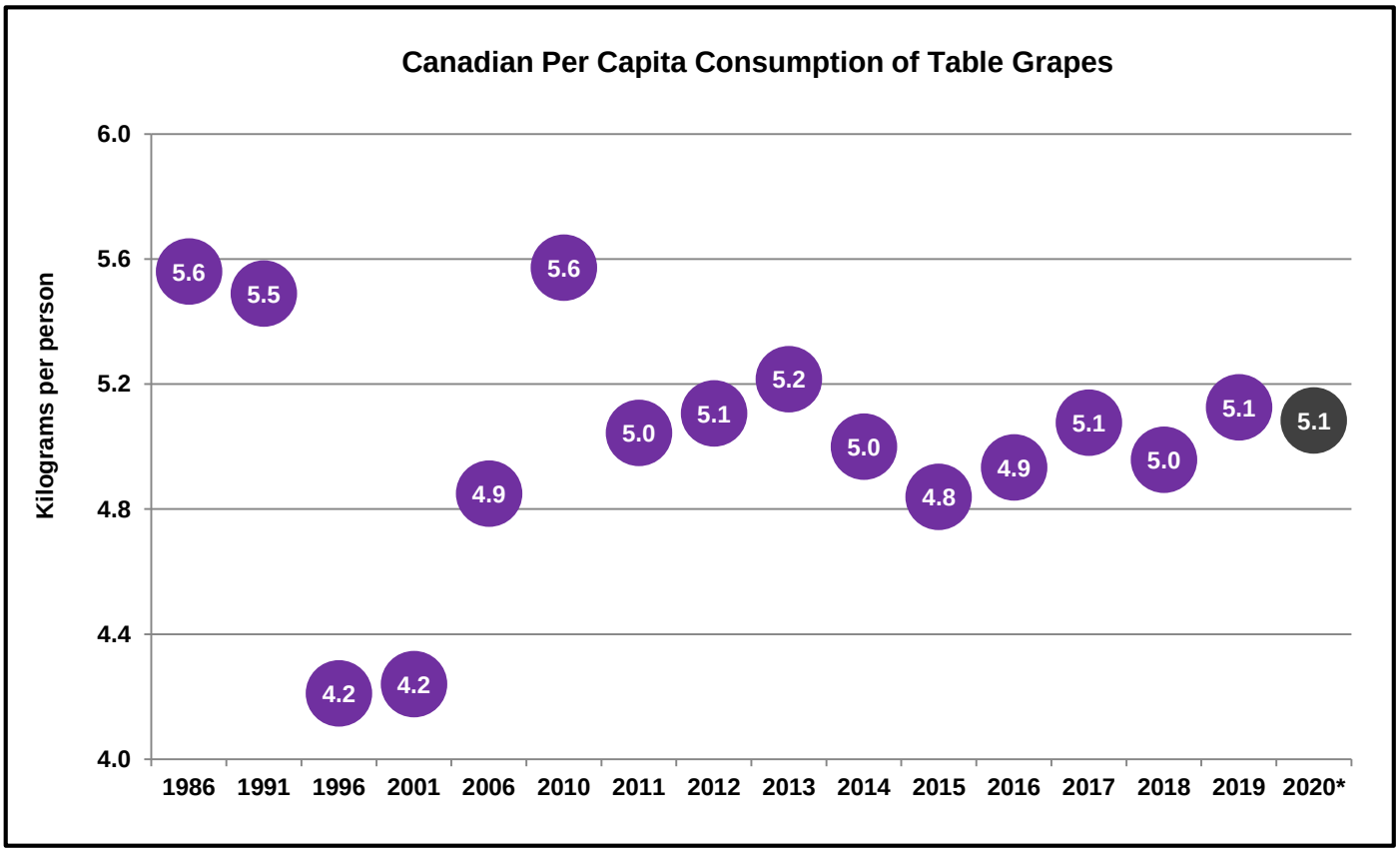
Compared to wine grapes, table grape acreage and production is nominal in Canada and acreage is unlikely to see a significant increase in the short-term.



*Source: Statistics Canada / *FAS/Ottawa forecast*

Consumption:

FAS/Ottawa forecasts very limited growth in fresh table grape consumption for MY 2020/21 supported by increased imports. Per capita table grape consumption will remain static compared to MY 2019/20. Canadian consumption of fresh table grapes has been relatively stable since 2011.



*Source: Statistics Canada / *FAS/Ottawa forecast*

Trade:

FAS/Ottawa forecasts imports of fresh grapes to grow slightly in MY 2020/21 in order to supplement the reduced domestic crop. Given the limited production of table grapes in Canada, consumer demand is primarily met through imports. The United States typically supplies over 50 percent of Canadian imports. The United States will remain the dominant supplier with competition from South Africa. Imports from Mexico are forecast lower for MY 2020/21 as a result of a smaller Mexican crop. Demand for fresh table grapes is not anticipated to be significantly impacted by COVID-19 although transport logistics from overseas markets may impact volumes.

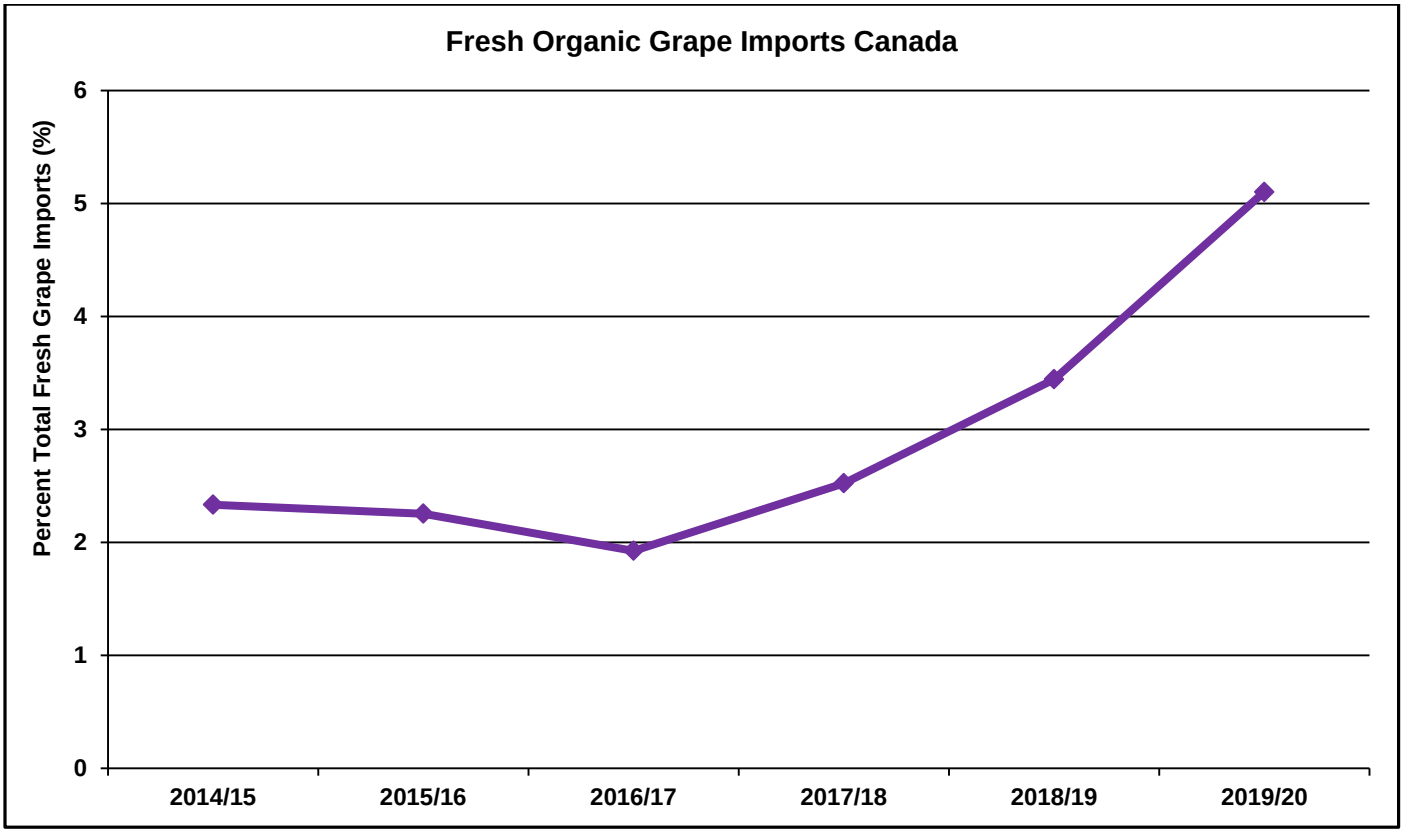
Canada: Imports of fresh grapes						
Marketing year: June-May / Quantity in metric tons						
		2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
World		**172,572**	**178,074**	**183,722**	**181,530**	**190,385**
	organic	3,891	3,430	4,638	6,253	9,714
	other	168,672	174,637	179,048	174,746	180,164
United States		**97,972**	**97,110**	**94,684**	**98,076**	**93,710**
	organic	2,910	2,600	3,058	4,579	5,862
	other	95,055	94,504	91,608	93,083	87,504
Chile		36,536	40,239	43,778	33,657	29,703
Mexico		18,976	17,541	21,488	16,043	25,142
Peru		12,058	11,101	10,017	15,459	18,096
South Africa		5,272	10,502	11,181	13,399	19,907
All other countries		1,758	1,581	2,574	4,896	3,827
Import Market Shares						
United States		56.8%	54.5%	51.5%	54.0%	49.2%
Chile		21.2%	22.6%	23.8%	18.5%	15.6%
Mexico		11.0%	9.9%	11.7%	8.8%	13.2%
Peru		7%	6%	5%	9%	10%
South Africa		3.1%	5.9%	6.1%	7.4%	10.5%

Source: Trade Data Monitor, LLC

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

Imports of organic fresh table grapes have experienced steady volumetric growth since MY 2016/17. In MY 2019/20, organic grape import volumes increased 48 percent year-over-year, though organic still only comprises five percent of total imports. Similar to apples, younger consumers are driving the demand for organic products. FAS/Ottawa forecasts that imports of organic grapes will continue to see

some growth in MY 2020/21 but economic challenges related to COVID-19 will mitigate some demand. The United States is the main supplier of organic grapes to Canada but in MY 2019/20 did see a reduction in market share as a result of increased imports from Mexico and South Africa.



Source: Trade Data Monitor, LLC

Canadian exports of fresh table grapes are extremely minimal though Canada does import some fresh table grapes which are then re-exported. These re-exports account for all of Canada's exports of fresh table grapes according to sources. The majority of Canadian grape production is of wine varieties with limited table grape production. The lack of production and strong Canadian domestic demand limits any fresh table grape exports.

ADDITIONAL INFORMATION

Prices

Agriculture and Agri-Food Canada (AAFC) monitors fresh apple, pear and grape prices in the major Canadian wholesale markets. Any daily and weekly market wholesale prices are made available electronically at the AAFC InfoHort website.

Retailer Fees

In July 2020, Walmart Canada announced that it would be implementing fees on suppliers as part of a cost-offsetting measure for CAD 3.5 billion in upgrades that the company will undertake. The fee structure involves a 1.25 percent infrastructure development fee to suppliers for its retail stores and 5 percent for products sold on its e-commerce site. In October 2020, Canada's largest grocery retailer, Loblaw Companies Ltd., also announced that it would be implementing extra fees for certain suppliers to offset the cost of upgrades it will be undertaking. Loblaws indicated that suppliers received different fee structures and that smaller suppliers would have an exemption; more specific details have not yet been made public. In response to the Walmart announcement, another major Canadian grocery retailer, United Grocers Inc., informed suppliers that while it is not implementing supplier fees that it would expect equal treatment if cost reductions are given to competitors. Several Canadian food industry associations have expressed strong opposition to these announcements indicating that this will further erode profits in thin margin businesses at a time when they are already facing additional costs due to COVID-19. Further, they anticipate that this will stifle businesses ability to invest in improving their infrastructure and innovating.

Policy:

Safe Food for Canadians Regulations

Many provisions of the Safe Food for Canadians Regulations (SFCR) were implemented in January 2019 with some elements scheduled to be phased in through 2021. The Canadian Food Inspection Agency contains more information on these regulations. Lot code provisions were scheduled to come into force January 15, 2020 for fresh fruits and vegetables. While traceability requirements must be met, industry has been given until January 15, 2021 to use remaining packaging and to update packaging labels to meet lot code requirements.

Single Use Plastics Ban

In October 2020, the Government of Canada announced proposed regulatory changes as part of a broader initiative aiming towards achieving a zero plastic waste strategy by 2030. Under this proposal 6 single-use plastic products (listed below) were identified as highly problematic and are proposed to be banned. The public consultation runs until December 2020 with a final decision expected in 2021. At this time, consumer pre-packaged produce for retail does not appear to be targeted.

- plastic checkout bags
- stir sticks

- 6-pack rings
- cutlery
- straws
- food service ware made from problematic/hard-to-recycle plastics

Surplus Food Rescue Program

In June 2020, the Government of Canada announced a CAD 50 million Surplus Food Rescue Program. The initiative was designed to provide funding to help re-distribute food displaced by COVID-19 disruptions in processing and food service to vulnerable Canadians at the cost of production. To date, FAS/Ottawa is not aware that apples, pears, or table grapes have been involved in this program.

CPTPP

Canada was one of the first six countries to ratify the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). CPTPP entered into force for Canada, Australia, Japan, Mexico, New Zealand, and Singapore on December 30, 2018. Vietnam entered CPTPP into force on January 14, 2019. The first six countries saw the first tariff reductions occur upon CPTPP implementation. Five of the original six countries applied the year 2 tariff reductions on January 1, 2019. Moving forward, further tariff reductions will continue to occur on January 1 of each year until the step-down process is complete. Japan is the exception, where the second tariff reduction occurred on April 1, 2019 with step-downs occurring on April 1 for subsequent years. Despite not being in the original six ratifying countries, Vietnam and Canada agreed to recognize both tariff reductions when CPTPP entered into force for Vietnam. Tariff reductions and eventual eliminations on apples will be most impactful for Canada. Canada will see tariffs on fresh apple exports to Japan reduce from the MFN rate of 17 percent to elimination of tariffs after 2029; currently 12.7 percent reducing to 11.4 percent in 2021. For Vietnam, the MFN tariff of 10 percent on fresh apples will be phased out under CPTPP by 2021; currently 5 percent for 2020. Canada already has tariff-free access for fresh apples to Mexico under NAFTA.

USMCA

On November 30, 2018 the United States, Canada, and Mexico signed the new United States-Mexico-Canada Agreement. This agreement updates the 1994 North American Free Trade Agreement (NAFTA) and came into force on July 1, 2020.

Promotion and Research Agency

The Canadian apple industry has been discussing the idea of establishing a national marketing agency to promote the consumption of apples and conduct various research projects for several years. This discussion is still occurring although no formal proposals have been put forth at this time. Such an agency would collect levies on both the domestic production and on imports of apples to fund its activities.

Attachments:

No Attachments