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Canada

Tomatoes and Products

Investment in Greenhouse Tomato Production

Expands to Meet Increased North American Demand 1998

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Report Highlights:

Canada's greenhouse tomato industry is at the forefront of the rapidly expanding North American market for greenhouse tomatoes. Growing consumer preference for greenhouse tomatoes is fueling industry expansion in Canada, Mexico and the United States.

Includes PSD changes: No
Includes Trade Matrix: No
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Summary

In October 1998, the Office of Agricultural Affairs prepared a trade and price report on the Canadian greenhouse tomato industry entitled "Canadian Greenhouse Tomatoes", CA8067. This report offers additional information on the marketing structure and expansion of the Canadian greenhouse tomato industry.

Production

Canadian greenhouse tomato production is concentrated in Ontario, British Columbia and Quebec. Due to climatic conditions, twenty-five years growing experience, and modern technology application, the Canadian greenhouse industry is well developed and total greenhouse area in Canada is more than double that in the United States, according to industry sources.

According to Statistics Canada, Canada produced 78,101 metric tons of greenhouse tomatoes from 241 hectares (595 acres) during 1997. This compared with field tomato production of 510,069 metric tons from 9,347 hectares (23,097 acres). In recent years, The Canadian greenhouse tomato industry has grown at a rate of more than 20 percent per year and further expansion is planned. British Columbia expects to add an additional 12 hectares by the year 2000, increasing production by nearly one-third over the 1997 level. Ontario growers are expected to add 40-50 hectares over the next few years. Expansion in Quebec is expected to be modest.

Canada: Greenhouse Tomato Production, 1997		
Area in hectares		
Production in metric tons		
Province	Area	Production
Newfoundland	-	11
P.E.I.	*	*
Nova Scotia	3	870
New Brunswick	2	436
Quebec	57	11,762
Ontario	133	46,929
Manitoba	*	*
Saskatchewan	-	56
Alberta	5	1,497
British Columbia	38	16,298
	0	0
Canada Totals	241	78,101
* unpublished, incl. in totals		
Source: Statistics Canada; catalogue number 22-003-XIB, June 1998		

British Columbia

In British Columbia, there are approximately ninety growers of greenhouse tomatoes in three regions with production facilities ranging in size from 10,000 sq. ft. to 100,000 sq. ft.. The majority of operations are in the Lower Mainland (close to Vancouver), while Vancouver Island and the Interior region each have a few growers. Vancouver Island and Lower Mainland growers market their produce through B.C. Hothouse Inc., a former co-operative which filed articles of incorporation in 1996. B.C. Interior growers market their crops through the Interior Greenhouse Grower's Association. The B.C. Vegetable Marketing Commission controls the production of greenhouse tomatoes, butterhead lettuce, and long English cucumbers under that province's Natural Products Marketing Act and allocates an annual production quota to each grower on an area basis. While the production area is controlled, each grower is permitted to produce as many tomatoes as their facilities and management techniques permit. The production season for greenhouse tomatoes in B.C. is concentrated in the period between March and November. Low daylight hours and extra heating costs result in a non-productive period of approximately three to three and one-half months beginning in November.

The B.C. Vegetable Marketing Commission is responsible for the industry's market projections and sets the production area according to prospects for market demand in the domestic market, the United States and in Asia. The Commission has a strict two-year application process for new entrants and demands proof of grower expertise, proof of economic viability, and proof of financial resources. There is no production quota fee.

Grower-members of the Interior Greenhouse Grower's Association predominantly farm-pack their produce for direct delivery to local stores and some for export to the United States, mostly Washington State. The Association sets wholesale prices on a weekly basis based on market demand and vegetable market trends. Growers pay a marketing check-off of about C\$0.90-C\$0.95 per 15 lb. flat. Returns are pooled and growers receive an average price for product delivered based on the average wholesale price received that by the association. The association has no control over the retail price set subsequently by the purchasing retailer.

B.C. Lower Mainland and Vancouver Island growers market their greenhouse tomatoes through B.C. Hothouse, Inc. While a few growers have the ability to farm-pack, the majority of production is marketed from B.C. Hothouse's central packing and grading facilities. B.C. Hothouse Inc. sets wholesale prices weekly. Growers receive an average return from a pool based on the total wholesale returns in a particular week. B.C. Hothouse has no control over varying prices among retailers.

Ontario

Unlike B.C. greenhouse tomato growers whose greenhouses are glass, metal frame and double poly-plastic are the common construction materials in Ontario. They have a lower capital cost and research has shown that the plastic system suits the southern Ontario region.

In Ontario, the Ontario Greenhouse Vegetable Producer's Marketing Board (OGVPMB) regulates the marketing of greenhouse tomatoes and cucumbers. However, the production and marketing system in Ontario differs considerably from B.C.'s single selling-desk approach. There are no barriers to entry or production quotas for new greenhouse tomato enterprises. Ontario's Farm Products Act empowers the OGVPMB to collect a marketing check-off. The check-off is applied on an area basis, currently 3.7 Canadian cents per square foot. Administration and research absorb approximately a 1.0 cent per sq. ft. share each with the balance targeted for

promotion and market development. There are about one dozen sales agents who sell product on behalf of the Board. Some larger grower/shippers do not utilize sales agent services but must provide sales reports to the Board.

The OGVPMB meets with its sales agents to determine weekly wholesale prices on the basis of competitive factors such as the supply of tomatoes, both greenhouse and field-grown. The Board has no control over the pricing structures or competitive pricing policies used by North American retailers after they buy the product.

Private Investment versus Government Subsidy

The industry in Ontario and British Columbia has developed as a result of private investors seizing market opportunities to meet the rapidly growing demand among North American consumers. The industry's rising visibility is due to current marketing successes, but its expertise is the product of a long developmental stage exceeding a quarter of a century. B.C. and Ontario industry officials and Agriculture and Agri-Food Canada policy officials state there are no government subsidy programs specific to the production of greenhouse tomatoes in Canada. Federal government support is limited to the greenhouse research center in Harrow, Ontario which devotes about half of its C\$4.5 million annual budget to all-crop greenhouse research. Provincial government activity has been limited to programs aimed at market promotion and research such as Buy B.C. and Grow Ontario.

BUY BC Market Development Program

In 1992, the government of British Columbia committed C\$9.5 million to a five-year Food Industry Market Development Program, otherwise known as the BUY BC program, to increase consumer awareness and build preference for BC food, fish, beverage and agricultural products within the province. The program, designed in consultation with industry, is administered by the Food Industry Branch, British Columbia Ministry of Agriculture and Food.

The BUY BC program encourages cooperative marketing initiatives that contribute economic benefits to the B.C. agri-fish-food industries. Cost-shared financial assistance is provided to support generic marketing activities. The objective of this program is to increase, within BC only (out of province activities are ineligible), the use of B.C. produced food, fish, beverages and agricultural products throughout the entire food chain, including: producers, processors, distributors, foodservice operators, retailers and consumers.

The program has three goals: 1) B.C. product identification; 2) Increasing consumer awareness and; 3) Building preference for B.C. products among B.C. consumers and retailers. Eligible applicants include industry organizations registered in British Columbia engaged in producing, processing or marketing BC food, fish, beverage or agricultural products which are grown or substantially processed in the province. These may include: commodity groups, councils, institutes, commissions, marketing boards, or associations. B.C. greenhouse tomato growers used the BUY BC program to enhance their promotional activities in the province including logo promotion and awareness.

Grow Ontario Promotion Program

The Grow Ontario program announced by the Ontario government in May, 1996 is similar to the BUY BC promotion program but also includes export market development promotion monies. Of the program's total C\$15 million budget for all Ontario agricultural products, greenhouse tomato and cucumber growers, through the Ontario Greenhouse Vegetable Producer's Marketing Board, received approximately C\$0.5 million in April, 1997 to conduct market research in the eastern United States and to develop a quality certification and improvement program designed to "brand" these as premium products. The marketing board contributed matching funds and is continuing to develop the second stage of the program dealing with the quality certification plan. The Grow Ontario program expires on December 31, 1998.

The Future of Greenhouse Tomato Production in North America

In North America, Canada's greenhouse tomato industry has been at the forefront of the rapidly expanding North American market for greenhouse tomatoes and is well positioned in a marketplace which demonstrates an increasing preference for greenhouse tomatoes. Canadian grower organizations trace the popularity of greenhouse tomatoes to consumer demand for a clean, attractive, and pesticide-free (or low pesticide) product. According to industry experts, their promotion programs have raised the expectations of North American consumers about quality factors (taste and appearance) in fresh tomato purchases at the retail level with the result that the average consumer is now far more discriminating when buying fresh tomatoes. Canada's industry has benefitted significantly from being a forerunner in meeting consumer demand, by the application of modern greenhouse technology and expertise, private investment, climate factors that include the absence of excessive heat in the main production regions, and a currency exchange rate that yields a premium for product sold into the United States. The geographical concentration and expansion of the industry in B.C. and Ontario is also linked to the development of a technical support and services industry which has emerged in the production areas.

Canadian growers export about 50 percent of their greenhouse tomato production to the United States (see CA8067 for more detailed trade information). B.C. and Ontario industry officials claim their highest returns come from markets in the United States. The earlier report by this post found that the weak value of the Canadian dollar (near US\$.65 for the last half of 1998), provided Canadian growers a premium return over domestic sales for every flat sold into U.S. markets.

Canadian industry observers predict that, in future years, the U.S. greenhouse tomato industry will expand sharply and probably overtake the Canadian industry in size. The U.S. greenhouse tomato industry is expanding rapidly in Texas, Arizona, and Colorado as well as in the northeastern U.S. states. Canadian industry contacts project that greenhouse tomato production investment will also increase in Mexico. Canadian greenhouse tomato growers are expected to form partnerships with U.S. and Mexican producers to provide their customers with consistent year-round supplies. B.C. officials report that U.S. industry representatives have visited that province to discuss joint venture participation in new U.S. greenhouse tomato operations. Currently, there are large investments in the south western United States, where unlike Canada, it is possible to produce through the November to April period.

Weblinks: Visit our headquarter's home page at <http://www.fas.usda.gov> for a complete selection of FAS' worldwide agricultural reporting. FAS/Ottawa email: usagr@istar.ca