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Canada

Fresh Deciduous Fruit Annual

Apples, Pears and Grapes 2010

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Report Highlights:

The declining trend in apple and pear production continues as the sectors struggle to improve profitability. Post forecasts a 2 percent decline in fresh apple production in Canada for marketing year (MY) 2010/11 down to 405 thousand metric tons (TMT) from 413.1 TMT during MY 2009/10. Post also forecasts a decline of 10.7 percent in fresh pear production, down to 7.5 TMT during MY 2010/11 from a level of 8.4 TMT in 2009/10. Canada imports over 95 percent of its fresh table grapes and will continue to do so in the years to come. Post forecasts increased imports of fresh apples by 0.5 percent to 185 TMT, of fresh pears by 0.7 percent to 72 TMT and of fresh grapes by 1.8 percent to 190 TMT.

Executive Summary:

- Post forecasts a further decline in fresh apple production in Canada for marketing year (MY) 2010/11, down 2 percent to 405 thousand metric tons (TMT) from 413.1 TMT during MY 2009/10. This decline is consistent with the long term declining trend in planted areas which, in turn, reflects a declining profitability of apple cultivation.
- Post forecasts a small increase of 0.5 percent in Canadian imports of fresh apples, up to 185 TMT during MY 2010/11 compared to 184.1 TMT in 2009/10. A lower production in Canada, stable demand and a very strong Canadian dollar giving imports a competitive advantage over the local production are the main factors behind this trend.
- Post also forecasts a further decline of 10.7 percent in fresh pear production, down to 7.5 TMT during MY 2010/11 from a level of 8.4 TMT in 2009/10. This longer term declining trend was aggravated by the slow death of the pear processing industry in Canada. In 2008 CanGro closed the St. Davids pear cannery in Ontario, the last one of 32 fruit canning plants that existed in the province.
- Post forecasts a small increase of 0.7 percent in the volume of imported fresh pears for MY 2010/11, up to 72 TMT from 71.5 TMT in 2009/10. Similar factors to those prevailing for apples influence this trend (strong Canadian dollar and stable demand). In addition, specifically affecting pears is the disappearance of canning plants: ten years ago 13 percent of total imports of fresh pears were destined to processing. This has dropped to zero thus slowing down import growth.
- Only a small fraction of Canada's grape production consists of fresh table grapes. Based on available data from Statistics Canada and information from provincial authorities Post estimates that Canada produces about 3-4 TMT of fresh table grapes annually. Domestic consumption is basically satisfied through imports of table grapes, with annual volumes around 180-190 TMT.
- Post forecasts an increase of 1.8 percent in imports of table grapes for MY 2010/11, up to 190 TMT from 186.6 TMT in 2009/10. Sustained consumption coupled with a strong Canadian dollar is behind this trend.
- Orchards and Vineyards Transition Program comes to an end. Over the past three years, Canada's major tree fruit producing provinces operated an orchard replant program. These programs assisted producers with the removal of older lower yielding, less popular varieties and their replacement with more efficient higher density plantings of newer varieties. Numbers reflecting the impact of such programs will become available in 2011.

Commodities:

Apples, Fresh

Pears, Fresh

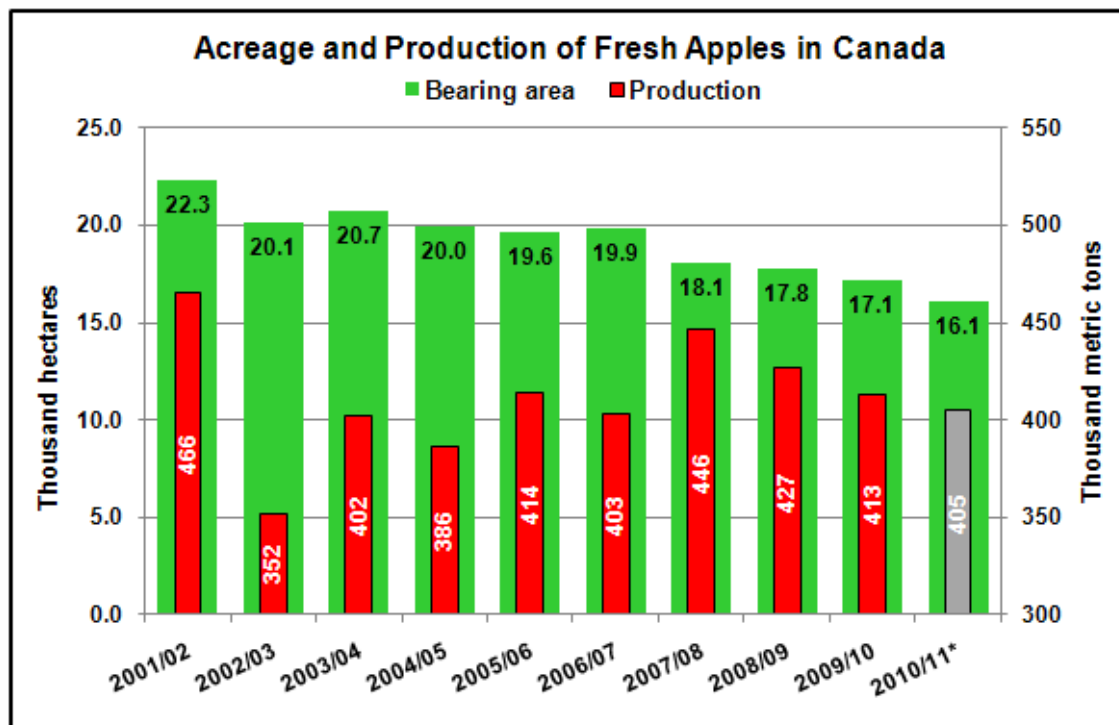
Grapes, Table, Fresh

Production:

APPLES

Post forecasts a further decline in fresh apple production in Canada for marketing year (MY) 2010/11, down 2 percent to 405 thousand metric tons (TMT) from 413.1 TMT during MY 2009/10.

In terms of current year factors, this decline is primarily due to a spring frost in southern Ontario, which supplies about 40 percent of Canadian fresh apples, and an estimated lower than expected production level in British Columbia, which supplies about a quarter of the total production. Increased crop levels are expected in Quebec and Nova Scotia, which, combined, supply about 35 percent of apples in Canada.



Source: Statistics Canada / * Post forecast for production volume.

In terms of longer term trends, the decline in fresh apple production in Canada is consistent with the declining trend in planted areas which, in turn, reflects a declining profitability of apple cultivation.

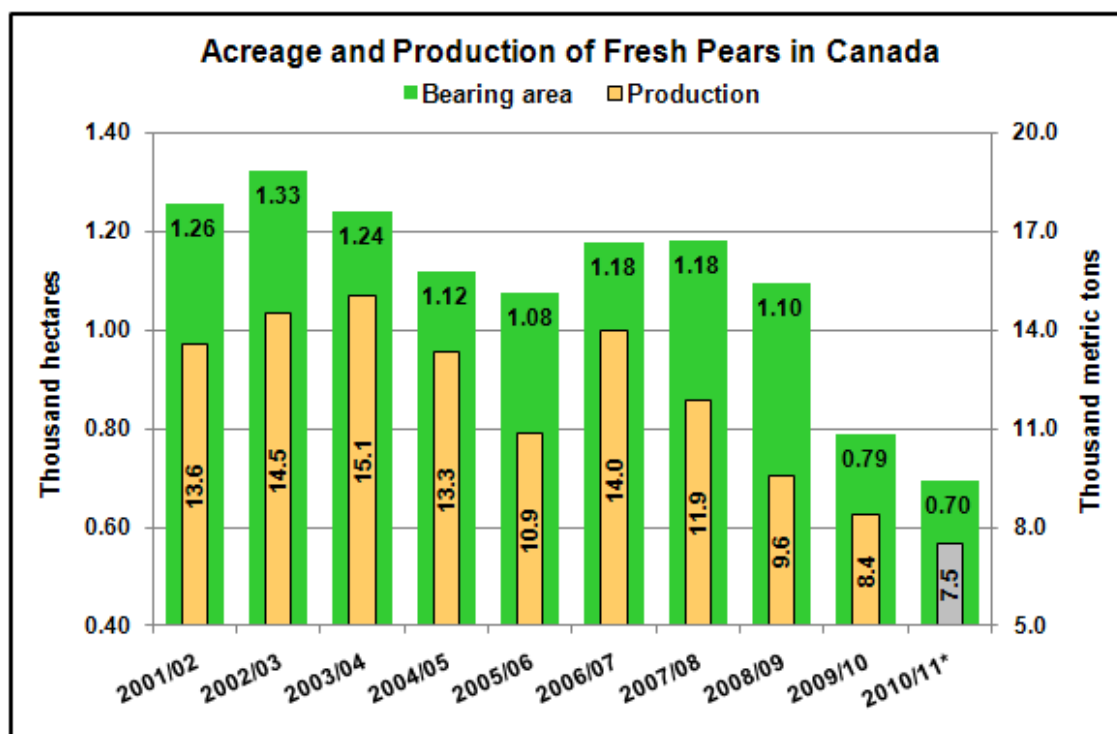
Bearing areas have declined for the fifth consecutive year, with a drop of 6 percent from the MY 2009/10, and a total drop of nearly 30 percent since MY 2001/02. Changing agricultural practices, resulting in higher density plantings on smaller areas, along with smaller producers exiting the industry due to production costs outpacing market returns are the leading factors underlying this trend.

More affordable imports from the United States, Chile and other low cost countries, combined with high production costs and a strong Canadian dollar continued to force the apple industry to downsize. Many apple growers are responding to the evolving market situation by converting orchards over to new plantings of vinifera grapes and other fruits, as well as by turning land over for new housing development projects.

Growers that intend to remain in the industry are turning to newer, more popular varieties such as Ambrosia and Honeycrisp and new, modern intensive planting systems in an attempt to remain competitive with imports. To assist producers adapt to industry pressures and changing markets, Canada's federal and provincial authorities established replant programs (see the Policy Section) back in 2008.

PEARS

Post also forecasts a further decline of 10.7 percent in fresh pear production, down to 7.5 TMT during MY 2010/11 from a level of 8.4 TMT in 2009/10. In addition to the longer term declining trend in the profitability of pear cultivation, a major specific factor was the slow death of the pear processing industry in Canada. In 2008 CanGro closed the St. Davids pear cannery in Ontario, the last one of 32 fruit canning plants that existed in the province.



Source: Statistics Canada / * Post forecast for production volume

Bearing area has declined by 12 percent since MY 2009/10, while overall pear planted area declined by nearly 45 percent over the past decade. Pear production is also down by the same percentage since MY 2001/02.

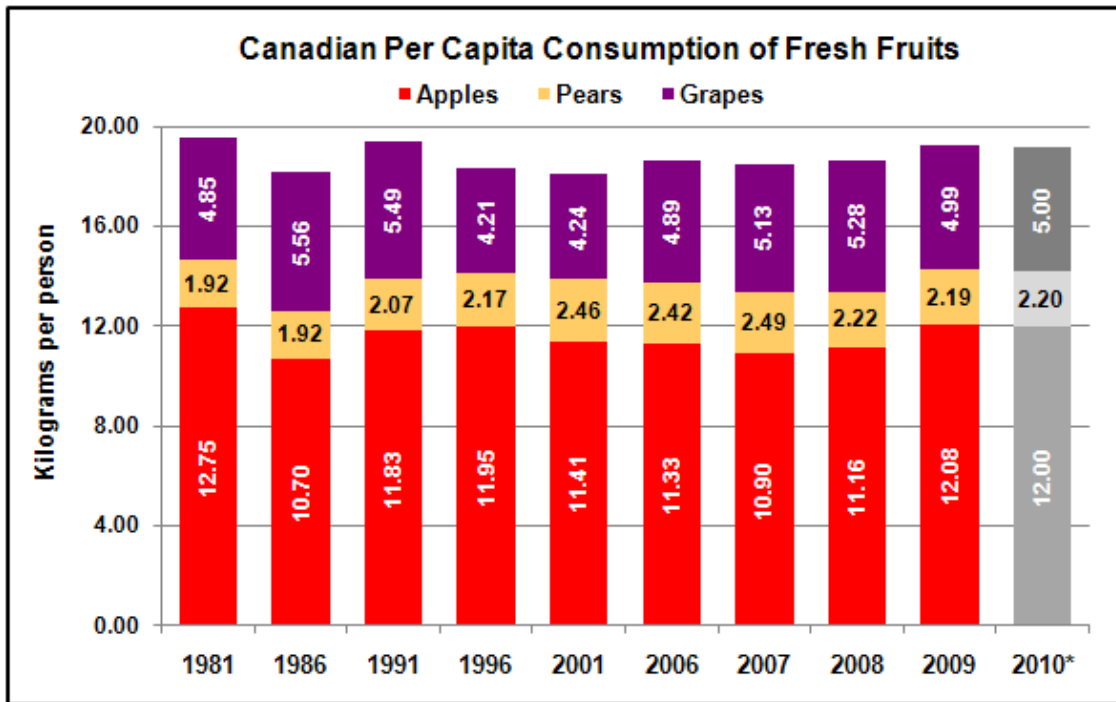
FRESH TABLE GRAPES

Canada has systematically developed its wine industry over the past two decades. Today, about 70-80 TMT of grapes are produced annually and used for producing wine and other processed products (such as grape juice). The two provinces that supply Canadian grapes are Ontario, with a market share of about 75 percent, and British Columbia accounting for the balance.

By contrast, only a small fraction of Canada's grape production consists of fresh table grapes. Based on available data from Statistics Canada and information from provincial authorities, Post estimates that Canada produces about 3-4 TMT of fresh table grapes annually. Domestic consumption is basically satisfied through imports of table grapes, with annual volumes around 180-190 TMT, in recent years, over half of which originates in United States.

Consumption:

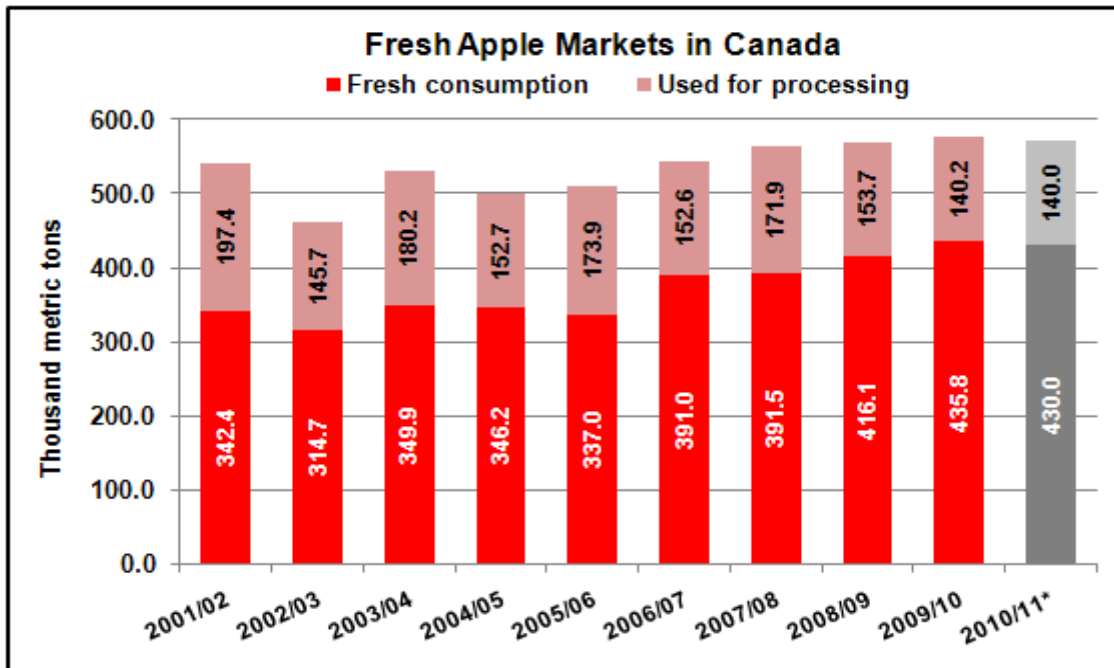
Canadian per capita consumption of apples, pears and grapes continues to remain relatively stable, a trend that has been observed over the past 30 years. However, Statistics Canada is reporting a slow increase in per capita consumption of fresh fruits in recent years.



Source: Statistics Canada / *Post forecast

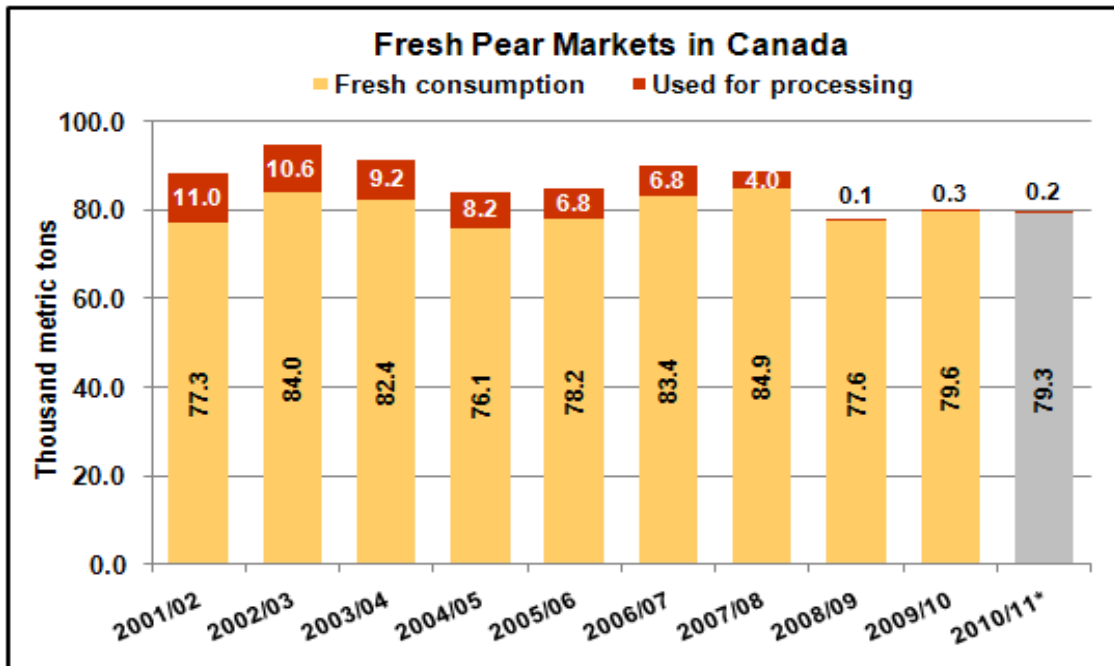
Factors that have contributed to this upward trend and that may very likely continue to shape consumption trends in the future include: an increasingly aware Canadian consumer that is more concerned about dietary impacts on health; an aging population of considerable and increasing share that focuses on good health and its connection to fruit consumption and nutrition; an increasingly diverse ethnic composition of the population and an increasing share of immigrant population of non-European origin that is used to a higher consumption of fresh fruits.

This last factor, however, may also pose a challenge to Canadian growers of traditional fruits such as apples, pears and grapes: they fear the competition of exotic fruits, which are in increasing demand from such ethnic groups and which may erode the consumption of traditional fruit.



Source: Statistics Canada / *Post forecast

Of all fresh apples available in Canada, about three quarters are consumed fresh and about one quarter is used in the processing industry (and transformed into apple juice, pie filling, apple chips and so on). The share of the fresh apple market in Canada has continuously increased over the past decade, reflecting the consumers' preference for fresh fruit versus processed products. About one third of domestic fresh consumption comes from imports.



Source: Statistics Canada / *Post forecast

Since the closure of the last pear canning plant in Ontario back in 2008, basically all fresh pears available in Canada are consumed as such. One decade ago about 10 to 15 percent of available fresh pears were used in the processing sector. In the last couple of years only few hundred tons of fresh pears are processed in Canada, mainly as artisanal production sold in farmers' markets. Close to 90 percent of domestic fresh pear consumption comes from imports.

Prices:

Agriculture and Agri-Food Canada monitors fresh apple, pear and grape prices in the major Canadian wholesale markets. The daily and weekly market prices are available electronically at the [Agriculture and Agri-Food Canada's \(AAFC\) InfoHort website](http://www4.agr.gc.ca/IH5_Reports/faces/wholesale_price_reports.jsp?lang=e&ref=wholesale_price_reports):

http://www4.agr.gc.ca/IH5_Reports/faces/wholesale_price_reports.jsp?lang=e&ref=wholesale_price_reports

Trade:

APPLES

Post forecasts a small increase of 0.5 percent in Canadian imports of fresh apples, up to 185 TMT during MY 2010/11 compared to 184.1 TMT in 2009/10. The United States is the largest supplier of fresh apples, with a stable market share of nearly 80 percent. A lower production in Canada, stable demand and a very strong Canadian dollar that gives imports a competitive advantage over the local production are the main factors behind this trend.

Canada: Imports of fresh apples

Marketing year: July-June / Quantity in metric tons

	2005/06	2006/07	2007/08	2008/09	2009/10
World	151,347	178,317	166,627	173,393	184,128
for processing	17,277	30,157	22,523	30,883	36,657
organic	0	2,999	5,588	7,614	9,482
other	134,070	145,160	138,515	134,896	137,990
United States	120,560	139,641	132,596	138,604	144,550
for processing	17,277	30,070	22,523	30,129	36,308
organic	0	2,123	4,344	5,427	6,511
other	103,282	107,446	105,728	103,046	101,733
Chile	15,674	21,211	19,199	18,939	23,927
New Zealand	7,964	7,486	6,922	7,501	7,332
China	3,428	5,832	5,084	5,116	3,855
South Africa	3,424	2,958	1,992	2,924	1,963
All other	297	1,189	834	309	2,501

Import Market Shares

United States	79.7%	78.3%	79.6%	79.9%	78.5%
Chile	10.4%	11.9%	11.5%	10.9%	13.0%
New Zealand	5.3%	4.2%	4.2%	4.3%	4.0%
China	2.3%	3.3%	3.1%	3.0%	2.1%
South Africa	2.3%	1.7%	1.2%	1.7%	1.1%

Source: Global Trade Atlas

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

At 184.1 TMT, MY 2009/10 marked a record in terms of the import volume of fresh apples into Canada, both globally and originating from United States. Over the past decade Canadian total imports of fresh apples increased by 65 percent, while imports from United States increased by 73 percent. The second largest supplier of apples is Chile, which has a strategy focused on developing export markets. Its market share increased from 7 percent to 13 percent over the past ten years.

In 2007 Canada was the first country to introduce Harmonized System (HS) customs codes for organic products. Available statistics show an increase of more than three fold in the volume of organic imports. These represent about 5 percent of the volume of total imports and more than two thirds of these originate in the United States.

Canada: Exports of fresh apples

Marketing year: July-June / Quantity in metric tons

	2005/06	2006/07	2007/08	2008/09	2009/10
World	54,860	37,427	49,661	30,373	21,266
for processing	5,623	3,674	14,429	4,346	3,776
other	49,237	33,752	35,232	26,027	17,490
United States	37,577	28,603	40,831	26,141	17,213
for processing	5,623	3,525	14,237	4,249	2,746
other	31,955	25,078	26,594	21,892	14,467
United Kingdom	4,970	2,398	3,364	1,127	1,223
Mexico	6,593	2,926	3,057	1,645	1,069
All other	5,720	3,500	2,409	1,460	1,761

Source: Global Trade Atlas

Canadian exports of fresh apples have steadily declined over the past decade, reflecting the decline in production and reduced profitability and competitiveness in export markets. Post forecasts a further reduction of 6 percent in exports, down to 20 TMT during MY 2010/11 from 21.3 TMT in 2009/10. This volume represents less than a third of what Canada used to export ten years ago.

PEARS

Post forecasts a small increase of 0.7 percent in the volume of imported fresh pears for MY 2010/11, up to 72 TMT from 71.5 TMT in 2009/10. Similar factors to those prevailing for apples influence this trend. In addition, specific for pears is the disappearance of the canning plants: ten years ago 13 percent of total imports of fresh pears were destined to processing. This has dropped to zero today slowing down import growth.

Canada: Imports of fresh pears

Marketing year: July-June / Quantity in metric tons

	2005/06	2006/07	2007/08	2008/09	2009/10
World	74,181	76,497	77,239	68,456	71,513
for processing	4,169	3,332	2,431	58	205
organic	0	717	1,486	1,338	1,578
other	70,012	72,448	73,322	67,060	69,731
United States	41,619	40,366	44,088	35,436	42,273
for processing	4,169	3,332	2,431	58	205
organic	0	385	1,068	1,029	1,245
other	37,450	36,648	40,588	34,349	40,823
China	10,456	12,810	12,823	12,517	10,931
Argentina	12,622	14,960	10,865	11,584	9,792
South Africa	2,335	2,933	2,889	3,438	3,526
Australia	2,143	952	1,694	1,860	1,955
Chile	2,765	2,468	2,996	2,074	1,312
All other	2,119	1,899	1,778	1,439	1,629
Import Market Shares					
United States	56.1%	52.8%	57.1%	51.8%	59.1%
China	14.1%	16.7%	16.6%	18.3%	15.3%
Argentina	17.0%	19.6%	14.1%	16.9%	13.7%
South Africa	3.1%	3.8%	3.7%	5.0%	4.9%

Source: *Global Trade Atlas*

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

United States is the main supplier of fresh pears, with China and Argentina as major competitors. Since the introduction of organic HS codes in 2007, the import volume of organic pears doubled.

Canada has an insignificant volume of exports of fresh pears.

FRESH TABLE GRAPES

As indicated earlier, Canada imports over 95 percent of its fresh table grapes. Local grapes production is primarily used in wine making. Post forecasts an increase of 1.8 percent in imports of table grapes for MY 2010/11, up to 190 TMT from 186.6 TMT in 2009/10. Sustained consumption coupled with a strong Canadian dollar are behind this trend.

Canada: Imports of fresh grapes

Marketing year: July-June / Quantity in metric tons

	2005/06	2006/07	2007/08	2008/09	2009/10
World	185,037	178,856	191,447	186,955	186,610
organic	0	0	0	11,107	3,645
other	185,037	178,856	191,447	175,848	182,965
United States	98,586	86,540	99,174	98,057	97,299
organic	0	0	0	353	2,421
other	98,586	86,540	99,174	97,704	94,878
Chile	59,530	61,966	64,233	63,308	65,207
Mexico	16,593	20,747	20,444	19,151	18,807
Brazil	1,331	3,057	3,025	2,935	1,713
Peru	1,133	590	1,119	1,175	1,445
South Africa	3,825	2,472	2,395	1,292	953
Italy	3,692	2,059	487	981	664
Argentina	202	1,283	472	5	377
All other	145	142	98	51	145

Import Market Shares

United States	53.3%	48.4%	51.8%	52.4%	52.1%
Chile	32.2%	34.6%	33.6%	33.9%	34.9%
Mexico	9.0%	11.6%	10.7%	10.2%	10.1%
Brazil	0.7%	1.7%	1.6%	1.6%	0.9%
Peru	0.6%	0.3%	0.6%	0.6%	0.8%
South Africa	2.1%	1.4%	1.3%	0.7%	0.5%
Italy	2.0%	1.2%	0.3%	0.5%	0.4%

Source: Global Trade Atlas

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

In 2009 Canada introduced organic HS codes for grapes as well.

Compared to the size of its imports, Canadian exports of fresh table grapes are not significant.

Policy:

Orchards and Vineyards Transition Program Comes to End

Over the past three years, Canada's major tree fruit producing provinces operated an orchard replant program. These programs assisted producers with the removal of older lower yielding, less popular varieties and their replacement with more efficient higher density plantings of newer varieties. This year (2010) was the last implementation year for these programs. Post reported extensively on these programs in 2009 and the report can be found at this link:

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/FRESH%20DECIDUOUS%20FRUIT%20ANNUAL Ottawa Canada 11-21-2009.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/FRESH%20DECIDUOUS%20FRUIT%20ANNUAL%20Ottawa%20Canada%2011-21-2009.pdf)

Numbers reflecting the impact of the programs in terms of acreage removed and replanted, as well as amounts paid out, will become available in 2011. For the time being, it is fair to assume that reductions observed in fruit tree planted areas are the consequence of these programs.

Government of Canada Helping to Build a Competitive and Innovative Future for Canadian Horticulture

In September 2010, the government announced an investment of over C\$5 million to bring together expertise from academia, industry and government to address key challenges in the industry. This investment will create two science clusters:

- The Canadian Horticultural Council will receive C\$3.6 million to create an Edible Horticulture Cluster to help improve production and increase marketable yields. Projects will address sector priorities such as field sanitation for blueberries and enhancing the storability of apples.
- The Vineland Research and Innovation Centre will receive C\$1.5 million to create an Ornamental Horticulture Cluster to help increase profitability through improved efficiencies and new market opportunities. Research will focus on a number of key areas, including developing best practices for pest and weed control and fertilization, optimal production conditions to reduce energy consumption and improved product development.

Both clusters are delivered as part of the Growing Forward framework under the Agri-Innovations program, a C\$158 million, five-year (2009-2014) program.

Canada and British Columbia Invest in Provincial Tree Fruit Industry

In July, the government of Canada, in partnership with the Province of British Columbia (B.C.), announced an investment of C\$5 million to support the tree fruit industry. This funding will help develop new marketing opportunities, infrastructure, and further improve orchard pest management. The Province of B.C. announced C\$2 million in funding, and the federal government will provide an investment of C\$3 million more. This combined funding will be used for new environmentally friendly packing and storage infrastructure, marketing opportunities that raise the profile of fresh and processed apples, and to build on work accomplished by the sterile insect release program in the Okanagan and Kootenay regions. The federal funding is made through AgriFlexibility, a five-year (2009-2014), C\$500-million fund.

Government of Canada Invests in Fruit Grower Research and Innovation

New apple and sweet cherry varieties will help Canadian tree fruit growers expand production and give them a competitive edge in markets around the world. The Okanagan Plant Improvement Corporation will receive up to C\$2.3 million to enhance and accelerate the commercialization of new high-quality varieties. The announcement was made in January 2010. The investment will help the development of new varieties that appeal to consumers, tree fruit breeding and refining horticultural practices. The commercialization of new apple and sweet cherry varieties will help expand domestic production and increase exports of tree fruit products. The initiative is part of the larger AgriInnovations program, a C\$158 million five-year (2009-2014) program.

Production, Supply and Demand Data Statistics:

Note: Given the availability of data from Statistics Canada Post has revised the PS&D tables for APPLES and PEARS from MY 2001/02 through MY 2009/10. In addition, Post has created a new data series for FRESH TABLE GRAPES covering the same period.

Apples, Fresh Canada	2008/2009		2009/2010		2010/2011	
	Market Year Begin: Jul 2008		Market Year Begin: Jul 2009		Market Year Begin: Jul 2010	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	20,305	20,305	19,275	20,137		18,377
Area Harvested	17,808	17,808	16,159	17,147		16,139
Commercial Production	393,435	426,858	410,000	413,096		405,000
Production	393,435	426,858	410,000	413,096		405,000
Imports	174,100	173,393	185,000	184,128		185,000
Total Supply	567,535	600,251	595,000	597,224		590,000
Fresh Dom. Consumption	439,235	416,138	473,730	435,768		430,000
Exports	29,300	30,373	21,270	21,266		20,000
For Processing	99,000	153,740	100,000	140,190		140,000
Total Distribution	567,535	600,251	595,000	597,224		590,000

Data in hectares or metric tons

Pears, Fresh Canada	2008/2009		2009/2010		2010/2011	
	Market Year Begin: Jul 2008		Market Year Begin: Jul 2009		Market Year Begin: Jul 2010	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1,161	1,161	864	878		761
Area Harvested	1,095	1,095	791	789		696
Commercial Production	9,564	9,564	7,600	8,400		7,500
Production	9,564	9,564	7,600	8,400		7,500
Imports	68,600	68,456	72,000	71,513		72,000
Total Supply	78,164	78,020	79,600	79,913		79,500
Fresh Dom. Consumption	77,614	77,630	79,450	79,595		79,250
Exports	50	270	50	68		50
For Processing	500	120	100	250		200
Total Distribution	78,164	78,020	79,600	79,913		79,500

Data in hectares or metric tons

CANADA: FRESH TABLE GRAPES; Production, Consumption, Trade

Marketing Year: July/June	2006/07	2007/08	2008/09	2009/10	2010/11*
Fresh market production	4,424	4,072	3,432	438	3,000
Imports	178,856	191,447	186,955	186,610	190,000
Total Supply	183,280	195,519	190,387	187,048	193,000
Fresh consumption	179,015	191,243	187,452	184,198	190,500
Exports	4,265	4,276	2,935	2,850	2,500
For processing	0	0	0	0	0
Total Distribution	183,280	195,519	190,387	187,048	193,000

Source: Global Trade Atlas & Post estimates derived from available Statistics Canada information

All data in metric tons / * Post forecast

CANADA: FRESH TABLE GRAPES; Production, Consumption, Trade

Marketing Year: July/June	2001/02	2002/03	2003/04	2004/05	2005/06
Fresh market production	3,031	3,359	3,493	3,520	3,596
Imports	154,838	172,698	165,119	176,809	185,037
Total Supply	157,869	176,057	168,612	180,329	188,633
Fresh consumption	156,940	174,496	168,318	175,557	185,051
Exports	929	1,561	294	4,772	3,582
For processing	0	0	0	0	0
Total Distribution	157,869	176,057	168,612	180,329	188,633

Source: Global Trade Atlas & Post estimates derived from available Statistics Canada information

All data in metric tons