

The Plan to Establish an Apple Industry Development Council for British Columbia Apple Producers



Submitted by the BC Fruit Growers Association,
November 2013

EXECUTIVE SUMMARY

WHAT IS THE BC APPLE INDUSTRY DEVELOPMENT COUNCIL?

The Council is formed under the Farming and Fishing Industries Development Act. It will have the authority to collect levies and fulfill the objectives that are outlined in this plan. The Council will secure a larger funding base that will benefit BC apple producers. The Council will represent all apple producers regardless of how their apples are packed or sold.

PURPOSE OF THE COUNCIL

The Council will fund projects that promote and research all BC-produced apples, including the funding of the following specific activities:

- Promotion of BC apples to the consumer through consumer events, advertising and other media.
- Promotion of BC apples to the retailer and wholesale trade via cooperative advertising and in store sampling.
- Fruit quality, horticultural, and packing and grading research and development, as well as monitoring to ensure excellent productivity, efficiency, quality and enhanced consumer demand.
- The Council itself will not conduct research or promotion projects, but will encourage industry organizations to apply for funding which meets the research and promotion objectives of the apple industry.

The Mandate of the Council will be ongoing, with a cancellation period of one year based on a plebiscite called by the Minister of Agriculture any time after 2018, as deemed necessary by the Minister of Agriculture.

MISSION STATEMENT

To promote the development of a strong and viable apple industry that will promote a profitable and sustainable industry for BC producers.

ELECTION AND OPERATION OF THE COUNCIL

Commercial producers will be defined as producers with a minimum of 2 acres (0.40 hectares) of apples for fresh and process consumption.

The directors of the Council will ensure that research and promotion goals are established, invite applications, and make funding decisions.

The Board of Directors will be composed of up to 5 voting members as follows:

- 3 apple producers at least one of which must be an organic producer.
- Two members at large (non-producers, with marketing expertise)
- One non voting member appointed by the PARC Director.
- One nonvoting member appointed by the provincial Ministry of Agriculture.

The Board will elect their executive annually. For the first term, the Council members will be appointed by the BCFGA, in consultation with industry organizations. For the second and following terms, an Annual General Meeting will elect the producer members of the Council. The BCFGA will operate a selection process for the members at large (e.g. establish criteria, advertise, receive applications, and interview). The members from PARC and the BC Ministry of Agriculture representative will be determined by consultation with their respective governments.

THE LEVY

To fund the research and promotion projects, a levy on apples of \$0.002 per pound (\$0.08 per box) will be collected from apple producers on apples shipped for fresh consumption. For apples shipped for processing, a levy of \$0.0002 will be collected.

A credit for the BC Apple and Research Promotion Agency levy will be provided for other apple levies collected on fruit under the Farming and Fisheries Development Act – currently the only such levy is that collected on Ambrosia production by the New Tree Fruit Varieties Development Council.

THE PLEBISCITE

A voter registry will be established by the Contractor. BCFGA will provide a member list to begin the registry. The Contractor will establish a process for adding any commercial apple producers to the list. New producer registrations will be validated by the contractor responsible for organizing the voting procedure, this contractor will act as the returning officer. The returning officer will not be a current employee of an industry organization nor a producer actively producing tree fruits.

- A contractor will be engaged by the BCFGA to
 - Establish the registry of eligible producers.
 - Be present, supervise, and secure the ballots cast at polling stations.
 - Receive the mail ballots.
 - Count the ballots in the presence of BC Ministry of Agriculture and BCFGA representatives, and other organization representatives appointed by the BC Ministry of Agriculture representative.
 - Hold the ballots securely until receiving direction in writing to destroy the ballots by the BC Ministry of Agriculture representative.

THE PLEBISCITE QUESTION

Do you support *'The Plan to Establish an Apple Industry Development Council for British Columbia Apple Producers, November 2013'*? Yes or No.

REQUIRED SUPPORT

In the plebiscite, approval is defined as 40% (of the voters list) returned by producers with at least 65% of those voting yes.

DETAILS OF THE PLAN

1. PROFILE OF THE BC TREE FRUIT INDUSTRY

The BC tree fruit industry is composed of about 800 producers, of which 400 are larger commercial producers, who farm about 14,425 acres of apples, pears, apples, peaches, nectarines, apricots and plums. The industry is located in the Okanagan Valley from Salmon Arm in the north to Osoyoos in the south, the Similkameen Valley to the west and the Creston Valley in the Kootenays to the east. Tree fruits are also produced in the Fraser Valley and on Vancouver Island, albeit on a much smaller scale.

	Acres Planted	Average Production (000,000 lbs)	Estimated Farm Gate Value (\$000,000)
Apples	8,400	200	37
cherries	3,615	20.6	31
Pears	485	10	2.2
Peaches/nectarines	1,400	12	4
Apricots	200	2	0.5
Plums/Prunes	325	1.	0.327
Total	14,425	219.4	75.027

2. THE BC APPLE INDUSTRY

2.1 Production

The BC apple and pear industry is centered in the Okanagan Valley from Salmon Arm in the north to Osoyoos in the south, the Similkameen Valley to the west and the Creston

Valley in the Kootenays to the east. Fewer than 100 acres of apples are also produced in the Fraser Valley and on Vancouver Island. The climate in the Okanagan is well suited for the production of apples and pears: low rainfall and plentiful sunshine result in naturally low disease and insect pressures, and cool nights in the early fall combined with warm days produce excellent apple colour.

The industry generated \$37 million in farm gate sales from approximately 8400 acres of apples. Due to poor returns for the more traditional varieties of apples in the 1990's, many producers have been planting new varieties into their orchards with the goal of increasing returns and profitability.

BC is a price-taker in apple market; therefore world surpluses depress prices and impact producer returns in the BC tree fruit industry.

Canada is a net importer of apples, with the majority coming in from the USA and secondly from Chile. Canada also exports a significant amount of its domestic production, primarily to the USA, but shipments also go to other countries such as SE Asia and Mexico. For both pears and apples the biggest competition comes from Washington State that has a similar climate and growing season but produces 15 to 20 times more apples and pears annually than BC. The industry has a well organized packing and selling system for the majority of the apple and pear crops. The major cooperative packer has modern packing lines and storage facilities. Other independent packers also process significant volumes of apples.

The Okanagan Kootenay Sterile Insect Release Program is a leading edge program to control codling moth, the apple and pear industry's most damaging and costly pest. This area-wide program uses environmentally friendly technology to reduce the use of insecticides..

New varieties are the focus for the revitalization of the industry. "Galas and "Ambrosia" is considered to be the cornerstone of the new industry. "Galas and Ambrosia" have taken over from "Red Delicious" and "McIntosh" as the premier varieties in BC. "Ambrosia",

Packing and Sales

Almost all apples are targeted for the fresh market. However some of BC's apple production is processed, primarily through Sun Rype Products..

BC regional fresh fruit sales are mainly sold through roadside outlets that supply local and tourist trades with direct-to-the-consumer sales of fresh fruit and vegetables. Some producers also sell directly to the consumer. Many packinghouses have stores with seasonal fruit for sale. There is a small but growing agri-tourism industry with farm tours, markets, and restaurants for the summer tourist market.

While some producers and packers sell directly to wholesalers and overseas buyers, most fruit is marketed through major brokers, including:

- **BC Tree Fruits Cooperative** - sells fruit for the cooperative packinghouses and is the largest agency for apple sales. BCTF sells about 70% of the total apple crop and about 30% of the total soft fruit crop.
- **Pro Fresh Marketing International** - sells some apples, but primarily apples for independent producers and packers
- **Other packers such as Cawston Cold Storage, Canadian Fruit Distributors, and several others also pack significant volumes of apples.**
- Recently a significant quantity of apples are being packed in Washington State packing organizations

2.2 Associations and Councils

Organizations that contribute to the industry include:

- **BC Fruit Growers Association (BCFGA)**
This association represents about 600 producers of all tree fruits and is the main

producer organization for safety net programs, regulation lobbying, producer education and other activities.

- **The BCFG**A also provides members with a newsletter, educational sessions and a website for research reporting, industry and horticultural news, and producer information for pickers about labour requirements.

3. **INDUSTRY DEVELOPMENT COUNCILS**

A number of horticultural crop producers have established industry development Councils under the *Farming and Fishing Industries Development Act*. This Act enables the creation of Councils which representing producers of commodities of the farming and fishing industries to collect levies as approved by government. The Minister establishes a Council to administer the payment of the levy and the use of funds collected to promote and benefit the industries in accordance with the Act.

In the Okanagan region, the New Tree Fruit Varieties Development Council (Ambrosia apples) and the British Columbia Wine Grape Council are good examples of successful Councils. Other successful BC Councils include the Blueberry Industry Development Fund Council and the BC Raspberry Industry Development Council.

This plan is a part of the mandatory process to establish, with producers' approval, a similar industry development Council for apples under the *Farming and Fishing Industries Development Act*.

4. **BC APPLE INDUSTRY DEVELOPMENT COUNCIL**

4.1 **Purpose of the Council**

The purpose of the Council is fund apple research projects and apple promotion projects for the benefit of BC apple producers.

Mandate

The Council that will fund projects that promote and research all BC-produced apples, including the funding of the following specific activities:

- Promotion of BC apples to the consumer through consumer events, advertising and other media.
- Fruit quality, horticultural, and packing and grading research and development, as well as monitoring to ensure excellent productivity, efficiency, quality and enhanced consumer demand.
- The Council itself will not conduct research or promotion projects, but will encourage industry organizations to apply for funding which meets the research and promotion objectives of the apple industry.

The Mandate of the Council will be ongoing, with a cancellation period of one year based on a plebiscite called by the Minister of Agriculture any time after 2015, as deemed necessary by the Minister of Agriculture.

Funding

To fund the research and promotion projects, a levy on apples of \$0.002 per pound (\$0.08 per box) will be collected from apple producers on apples shipped for fresh consumption. For apples shipped for processing, a levy will be collected, but at a lower rate of \$0.0002 per pound.

A credit for the BC Apple and Research Promotion Agency levy will be provided for other apple levies collected on fruit under the Farming and Fisheries Development Act – currently the only such levy is that collected on Ambrosia production by the New Tree Fruit Varieties Development Council.

Income		
Fresh crop:	130 M lbs @ \$0.002	\$260,000
Processed crop	35 M lbs @ \$0.0002	7,000
Rebate Ambrosia levy:	40 M lbs @ \$0.002	-80,000
Grants		100,000
SRED tax credit (est)	20% of \$146,000	<u>29,000</u>
Total income		<u><u>\$316,000</u></u>

The levy will be collected on fresh and processed apples, except for apples sold direct to consumer. The levy will not be collected on sales to the final consumer (e.g. farm markets and direct from farm), as the levy is not funding promotion projects for these purposes, and apples sold through these channels do not generally benefit from storage research, which is one of the research priorities of Council.

The proposal is that the levy will not change for the first five years of Council- any changes to the levy must be approved by producers at the Annual General Meeting. The levy will be non-refundable.

The levy will be collected at the first point of sale. The first sale takes place from the producer to a packinghouse, sales agency or retail outlet. Producers making direct sales to retail stores, wholesalers, processors or any other business other than the final consumer of the apples must submit payment directly to the Council. Direct sales to consumers are exempt from the levy.

Compliance with the levy will be through powers conferred in the Act, with non-compliance subject to the remedies available in the Act (Farming and Fishing Industries Development Act) and the courts. Packinghouses and processors must report, collect, and forward the producer levies to the BC Apple marketing and Promotion Agency. Audits of packinghouses' records, for the purpose of the levy collection, may be conducted as outlined in the Act. The packinghouse obligation to collect and forward the levy is enforceable as a debt owed.

The amount of levy collected from the organic fruit that is attributed to promotion will be segregated and directed to the organic sector promotion projects. Research projects will be inclusive of organic production and receive input of an organic member on the Council Board.

Principles & critical success factors of the Council and its Administration

- Provide industry financing for research and promotion projects.
- Be producer funded, and producer -driven.
- Keep costs to a minimum.
- Ensure that producers fairly contribute to Council by using all reasonable effort to collect levies owing.
- Focus on Return on Investment in the selection of projects.
- Recognize that balance is needed between research and promotion.
- Recognize that balance is needed between storage research and horticultural research.
- Maximize government contributions.
- Access Scientific Research and Experimental Development (SRED) Tax Credits.
- 'Virtual organization' – contract out administration to BCFGA.

Other Reasons to establish an Apple Research and Promotion Agency

- In December 2012, a National Competitiveness Study recommended that the apple industry establish a national market and industry development body.
- Apple Working Group: in 2011 passed a motion of strong and united support to establish a national research and promotion Council and support continues to be very strong.

4.2 Program funding

A strong incentive for producers to support an industry Council is that the funds collected by the Council can be used to leverage additional funding. Many government funding programs require matching industry funds, including those listed below:

- Growing Forward 2 programs, including AgriInnovation, AgriCompetitiveness and AgriMarketing. These programs can provide up to 75% of the cost of projects. Potential projects can include research, market strategies, international market development and promotion.
- Investment Agriculture Foundation of BC provides funding for various projects that must have matching industry funding.
- Buy Local Program provides 50% funding for promotion projects within BC.

4.3 *Mission Statement*

To promote the development of a strong and viable apple industry that will ensure profitable and sustainable businesses for BC producers.

4.4 *Election and Operation of the Council*

Commercial producers will be defined as producers with a minimum of 1 hectare (2.47 acres) of apples for fresh and process consumption.

The directors of COUNCIL will ensure that research and promotion goals are established, invite applications, and make funding decisions. The Board of Directors will be composed of 5 voting members as follows:

- Three apple producers at least one of which must be an organic producer.
- Two members at large (non-producers, with marketing expertise)
- One member appointed by the PARC Director.
- One member appointed by the provincial Ministry of Agriculture.

The Board will elect their executive annually. For the first term, the Council members will be appointed by the BCFGGA, in consultation with industry organizations. For the second and following terms, an Annual General Meeting will elect the producer members of the Council. The BCFGGA will operate a selection process for the members at large (e.g. establish criteria, advertise, receive applications, and interview). The members from PARC and the BC Ministry of Agriculture representative will be appointed by their respective governments. In 2013, the resolution to establish the levy may be brought forward by the interim Council. In future years, to request a change to the levy, Council must receive approval from the producers and bring forward a signed resolution to the Minister responsible for the *Farming and Fishing Industries Development Act*.

4.5 *Strategies, Actions and Results*

The proposed Council will for the most part offer funding for projects that have the following main strategies:

- Promote BC apples and the BC apple industry to consumers and marketers, both domestically and in export markets, to increase consumption and demand.
- Improve product quality and value through research, innovation, and dissemination of information to producers and packers.

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	Strategy	Actions	Expected results
	Encourage promotion of BC apples	<ul style="list-style-type: none"> Accept applications for promotion of BC apples 	<ul style="list-style-type: none"> Increased demand and returns for BC apples
1	Enhance industry communications	<ul style="list-style-type: none"> Develop and distribute newsletters and other news releases. Establish and maintain a Council website. 	<ul style="list-style-type: none"> Supportive and better informed producers.
2	Fund research projects	<ul style="list-style-type: none"> Initiate and fund research projects that benefit the apple industry. 	<ul style="list-style-type: none"> Increased producer returns based on higher quality fruit.
	Strategy	Actions	Expected results
3	Administer the fund and Council in an efficient and cost-effective manner	<ul style="list-style-type: none"> Collect the levy and administer the fund. Provide the Council with meeting documentation (minutes, agendas and financial information). Distribute information such as newsletters. Website administration. Other administrative services as required. Collect and maintain production and trade statistics if feasible. Monitor and disseminate information and reports to producers and packers. 	<ul style="list-style-type: none"> Efficient and cost-effective administration.

5. BC APPLE INDUSTRY DEVELOPMENT COUNCIL LEVY

5.1 Levy Amount and Payment

The levy will not be refundable. The levy is payable by the first receiver or producer. This levy will normally be deducted from the pool returns of the producer. The levy will begin with the 2014 production year provided the plebiscite passes.

The levy will be as follows:

- \$0.002 per pound (\$0.08 per box) for fresh market apple sales
- \$0.0002 per pound for process apples.

6. THE LEVY IS PAYABLE BY SEPTEMBER 30 OF EACH YEAR FOLLOWING THE PREVIOUS PRODUCTION YEAR.

7. POSSIBLE PRELIMINARY BUDGET

The table below indicates potential earnings and expenses when Council is fully operational. It is illustrative only, and not intended to portray actual budget amounts.

Income	
Fresh Levy @\$130 million lbs	\$260,000
Process levy @ 35 million lbs	7,000
Grants from various sources	100,000
SRED tax credit	29,000
Rebate of ambrosia levy	(80,000)
Total	\$316,000
Expenses	
Administration	\$29,000
Research	102,000
Domestic Markets	65,000
Promotion projects	89,000
Competitions, value added	12,000
Organic projects	19,000
Total	\$316,000
Surplus/Deficit	\$0

8. VOTING PROCEDURES

8.1 Assignment of Votes

A eligible producer is defined as a person or persons that own(s), leases or rents land for purposes of growing at least 2 acres (0.4 hectares) of any *Malus domestica* cultivars (all apple varieties) in British Columbia Only one representative, in the case of joint operations, is allowed to vote.

ELECTION PROCEDURES

Producers or joint operations, with one hectare or more, will have one vote. **In the plebiscite, approval is by a majority vote, which is defined as 65% of the ballots returned who vote yes. In order for the plebiscite to be considered at least 40% of the voters list must provide a returned ballot.**

Plebiscite

The Steering Committee will appoint a designated person to be the Returning Officer to conduct the plebiscite by direct vote and by mail. The Returning Officer will obtain grower lists from cooperating organizations, including packinghouses and the BC Fruit Growers Association to form the registry of eligible voters. Growers may also register at meetings where direct votes are held (November 27 and 28, 2013 and February 15, 2014), as well as by contacting the Registrar by mail. The following procedures will be followed:

- The Returning Officer will maintain the list of eligible voters (apple producers with over 2 acres).
- Each known apple producer will be sent “*The Plan to Establish an Apple Industry Development Council for British Columbia Apple Producers (‘The Plan’), November 2013*” prior to December 6, 2013. Growers may pick up copies of *The Plan* from the initial meetings or obtain it from a website.
- Notices will be placed in various producer publications to advise all producers that this vote is being undertaken and to contact the Registrar if they do not receive a ballot and information package.
- Informational meetings in various locations will and have already been held to inform the producers about the proposed Council and its mandate. Voting procedures will be described.
- Voting in person will be at meetings held on November 27 and 28, 2013 and February 15, 2014.
- Ballots and an information package including *The Plan* will be mailed prior to December 6, 2013 to all growers registered who have not already voted on November 27 and 28, 2013.
- Mail ballots must be postmarked no later than February 15, 2014 to be counted.
- Ballots will be counted by the returning Officer and a staff or designate fo the BC Ministry of Agriculture no later than February 28, 2015, with results reported within a week of counting to the Minister and within two weeks to producers.
- The Minister of Agriculture will determine if a regulation is to be drafted and if so, seek to have the regulation approved in the Fall of 2014, for implementation in 2015.

8.2 Plebiscite question

Do you support ‘The Plan to Establish an Apple Industry Development Council for British Columbia Apple Producers’, October 2013? Yes or No.

8.3 Interim Council

The BCFGA executive will act or appoint an interim council until an AGM can be held

9. STRATEGY AND TIMELINES

Step	Activity	Responsibility	Timing
1	Initial producer assessment of the proposal.	BCFGA	December 2012 completed
2	Completion of the plan.	BCFGA	November, 2013
3	Complete producer survey and registry. Notices to be placed in newsletters and magazines.	BCFGA and contractor	November 18, 2013
4	Approval of plan.	Ministry of Agriculture	December 1, 2013
5	Appoint returning officer for plebiscite.	BCFGA	October 21, 2013
6	Hold information meetings and conduct plebiscite vote following some producer meetings. Meetings will be in various locations in the Okanagan, and Similkameen areas.	BCFGA	2013 some have been held already and some are scheduled this fall. Completion date by February 15, 2015
7	Distribute the plan and plebiscite voting documentation to producers who have not yet voted. Votes must be post marked by April 8, 2013.	BCFGA	December 6 2013
8	Complete count of plebiscite votes.	Returning Officer	February 21, 2014
9	Inform minister of outcome of plebiscite, provide signed copy of resolution, and request regulation.	BCFGA	February 21,, 2014
10	Inform producers the results of the vote.	BCFGA	March 7, 2014
11	Regulation is drafted and approved.	Government	Fall 2014