

ECONOMIC IMPACT STUDY

ONTARIO TENDER FRUIT INDUSTRY



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CONTENTS

THE ONTARIO TENDER FRUIT INDUSTRY AT A GLANCE	3
ECONOMIC IMPACT OF THE ONTARIO TENDER FRUIT INDUSTRY	3
ONTARIO TENDER FRUIT PRODUCTION AND CONSUMPTION	3
ONTARIO'S SHARE OF NATIONAL TENDER TREE FRUIT PRODUCTION	4
SUPPLY AND DISPOSITION INTO FRESH AND PROCESSING MARKETS	5
ECONOMIC IMPACT OF THE INDUSTRY AS A WHOLE	6-7
ECONOMIC CONTRIBUTION OF THE ONTARIO TENDER TREE FRUIT INDUSTRY BY IMPACT AREA AND SECTOR	8
ECONOMIC CONTRIBUTION OF ONTARIO TENDER FRUITS BY IMPACT AREA AND SECTOR	8-9
ECONOMIC IMPACT OF PRODUCING TENDER FRUIT IN ONTARIO	10
ECONOMIC IMPACT OF TENDER FRUIT DEALER-SHIPPIERS IN ONTARIO	11
ECONOMIC IMPACT OF TENDER FRUIT PROCESSING IN ONTARIO	12-13
THE FUTURE OF ONTARIO TENDER FRUIT	14
CONCLUSIONS	14

The Ontario Tender Fruit Growers (OTFG) commissioned JRG Consulting Group to conduct a study evaluating the economic impact of Ontario's tender fruit industry from growing to packing and processing. Completed in November 2019, it also highlights the substantial opportunities and increased economic impacts created by industry expansion.

Note: This report uses 2017 and 2018 crop years as reference years for volumes, values and averages.

The views expressed in the report or materials are the views of the Ontario Tender Fruit Growers and do not necessarily reflect those of the governments of Canada and Ontario.

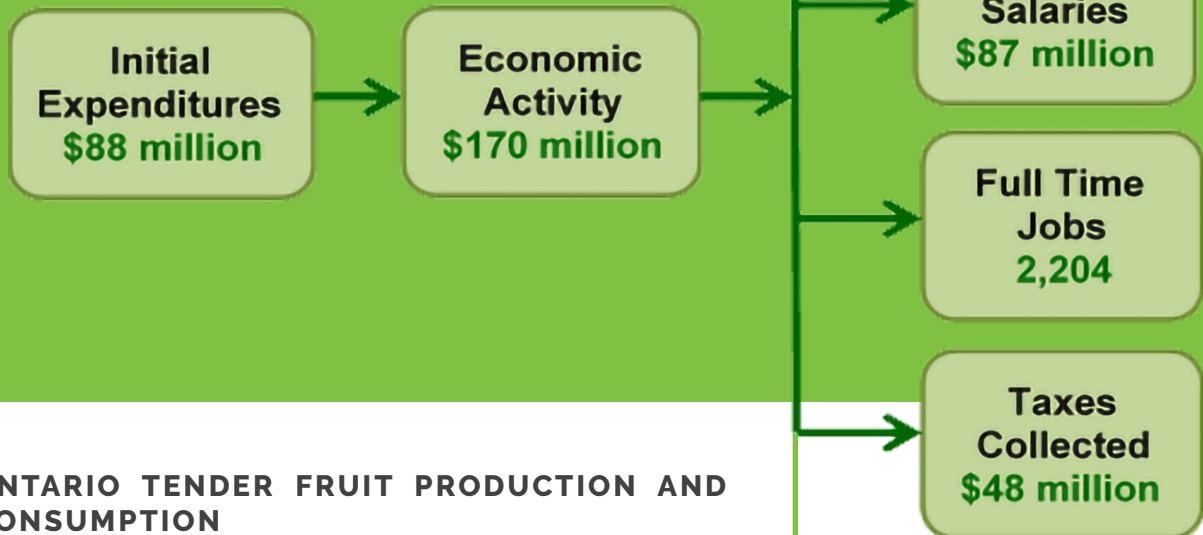




THE INDUSTRY AT A GLANCE

The Ontario tender fruit industry generates overall economic activity of \$170 million in the province, resulting in a \$113 million contribution to Ontario’s Gross Domestic Product (GDP), and 2,204 full time direct and indirect jobs with associated wages and salaries of \$87 million. Every \$10 million in additional output created in the tender fruit sector generates an additional \$9.4 million of economic activity in other parts of the provincial economy.

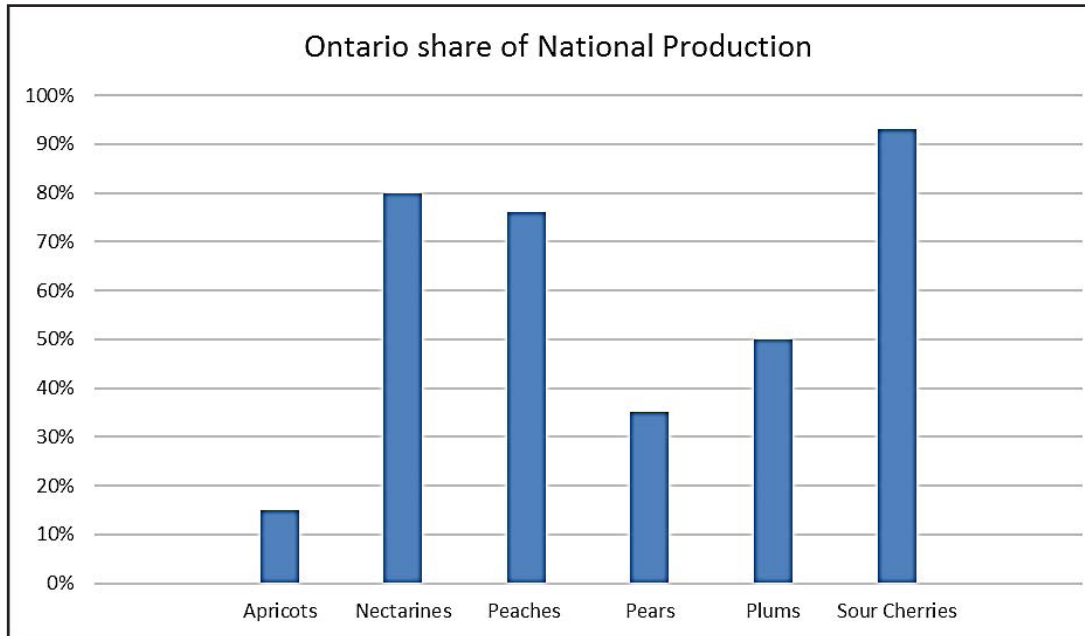
ECONOMIC IMPACT OF THE ONTARIO TENDER FRUIT INDUSTRY



ONTARIO TENDER FRUIT PRODUCTION AND CONSUMPTION

Ontario’s tender fruit industry supplies fresh, locally grown peaches, nectarines, plums, apricots, pears and sweet and sour cherries, as well as many products produced using tender fruits to Ontario, to Canada and to some international markets. Ontario is the largest tender fruit producer in Canada and supplies over 50% of Canadian produced tender fruit commodities (Illustrated on page 4).

ONTARIO'S SHARE OF NATIONAL TENDER FRUIT PRODUCTION (2017 & 2018 AVERAGE)



The province's major tender fruit-producing areas are located along the shores of Lake Ontario and Lake Erie and consist of over 9,300 acres of orchards. The majority is grown in the Niagara region, with some production also in Norfolk and parts of south western Ontario.

Source: Statistics Canada, Table 32-10-0364-01 Estimates, production and farm gate value of fresh and processed fruit.







The Ontario Tender Fruit Growers represents all Ontario tender fruit growers commercially selling fresh or processing fruit in Ontario. In 2018 there were 214 OTFG grower members across five production districts.

SUPPLY AND DISPOSITION OF ONTARIO TENDER FRUIT INTO FRESH AND PROCESSING MARKETS

Ontario has two major market categories for tender fruits: fresh and processing. Over the last two crop years, approximately 84% of Ontario's tender fruit production, at 55.9 million pounds, was sold into fresh markets, which includes food retail, farmers' markets, farm gate sales, and shipments into other provinces and selected export markets. The remaining 16% of tender fruit at approximately 11 million pounds per year flows to processing.

With the majority sold fresh, the fresh market tender fruit distribution accounts for 95% of overall farmgate value at \$45.2 million with virtually all the fresh market supplied through dealers.

Total annual tender fruit production (both fresh and processing) in the province averages around 66.9 million pounds in fresh equivalents, with an average value of \$66.6 million.

-  ➤ 39.0 million pounds of peaches
-  ➤ 8.1 million pounds of nectarines
-  ➤ 6.3 million pounds of pears
-  ➤ 4.6 million pounds of plums and prunes
-  ➤ 0.1 million pounds of apricots
-  ➤ 8.8 million pounds of sweet & sour cherries (processing only)

SUPPLY AND DISPOSITION OF ONTARIO TENDER FRUIT INTO FRESH AND PROCESSING MARKETS

On average and including imports, Ontario has an overall tender fruit supply of 214 million pounds for both fresh and processing markets. Due to the brief growing season of tender fruit in general, Ontario grown tender fruit only accounts for 31% of total supply. Average imports to Ontario of 148 million pounds include both fresh and processing tender fruits, and account for 69% of all tender fruit supplies.

Locally grown tender fruit represents approximately 39% of estimated annual fresh market consumption in Ontario. During the last two crop years, Ontario's tender fruit dealers supplied an average of 54 million pounds of Ontario tender fruit for fresh consumption in the province, and a further 2 million pounds were sold through on-farm retail sales, pick-your-own operations, farmers' markets, and direct shipments to smaller food retail outlets.



ECONOMIC IMPACT OF THE ONTARIO TENDER FRUIT INDUSTRY AS A WHOLE

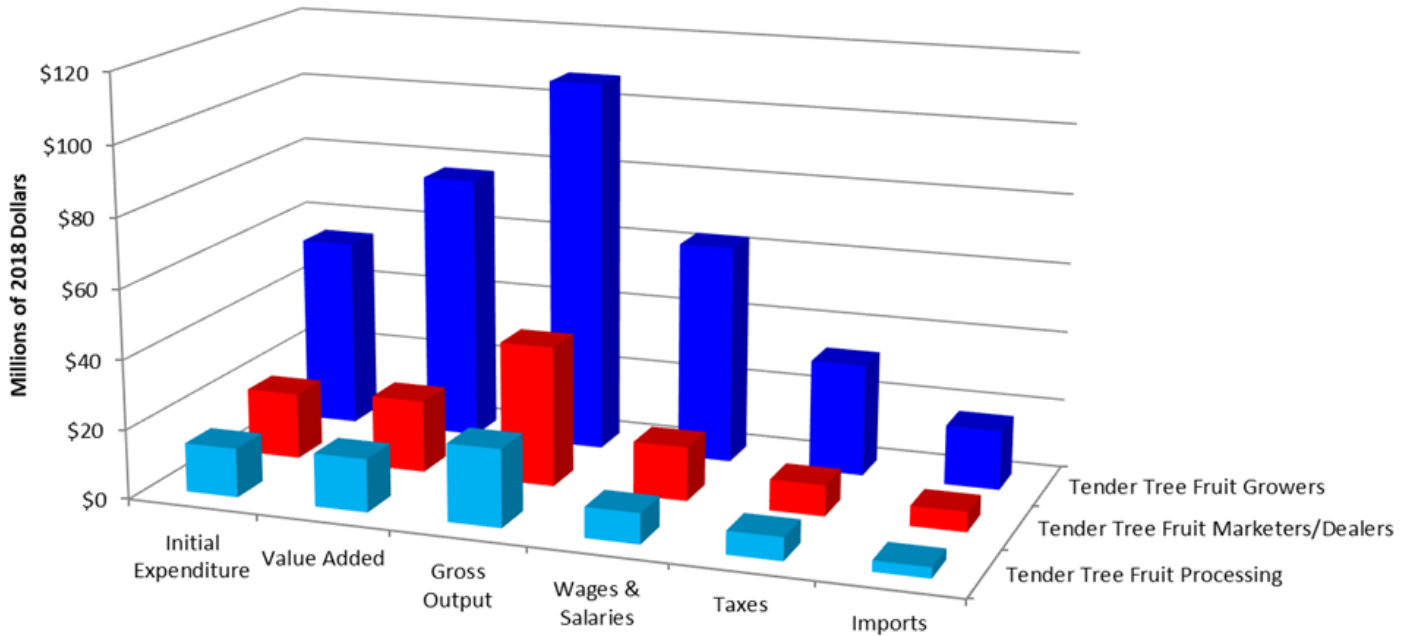
Using the 2017 and 2018 crop years as reference years, overall economic activity due from Ontario tender fruit is valued at \$170 million. This resulted in a \$113 million to Ontario's GDP, and 2,204 full time direct and indirect jobs with associated wages and salaries of \$87 million. Taxes captured by all three levels of government are \$48 million annually.

In addition to this overall economic impact created by growing, marketing and processing, many Ontario tender fruit farms are expanding into agritourism. Connecting consumers with the growers who produce their food adds to on-farm income and enhances rural economic development. Although the distinctive impact of this new booming economic driver is not reflected in this study, it has a significant and increasing beneficial impact on Ontario's economy.



**EVERY \$10 MILLION IN
ADDITIONAL OUTPUT
CREATED IN THE TENDER
FRUIT SECTOR GENERATES
AN ADDITIONAL \$9.4
MILLION OF ECONOMIC
ACTIVITY IN OTHER PARTS
OF THE PROVINCIAL
ECONOMY.**


ECONOMIC CONTRIBUTION OF THE ONTARIO TENDER FRUIT INDUSTRY BY IMPACT AREA AND SECTOR



ECONOMIC CONTRIBUTION OF ONTARIO TENDER FRUITS BY IMPACT AREA AND SECTOR

With Ontario's tender fruit production being highly labour intensive, the agricultural sector receives the greatest employment impact from the tender fruit industry with 700 full time jobs (32% of all jobs created annually by the industry), followed by the manufacturing sector at 167 (8%) and retail and wholesale trade at 140 (6%).

Direct and indirect activity creates employment in other sectors too, such as 131 jobs in the construction industry, 112 jobs in professional/consulting services and 63 jobs required in the financial services industry as a result of the Ontario tender fruit industry.

A person wearing a grey long-sleeved shirt, a grey cap, and work gloves is using large pruning shears to trim a tree. The tree is covered in pink blossoms. The background shows a field of similar trees under a clear blue sky. The text is overlaid on the image in a large, white, sans-serif font.

**APPROXIMATELY 25 JOBS
ARE CREATED FOR EVERY
\$1.0 MILLION IN SPENDING
BY THE ONTARIO TENDER
FRUIT SECTOR.**



ECONOMIC IMPACT OF PRODUCING TENDER FRUIT IN ONTARIO

Ontario tender fruit growers' contribution to the provincial economy starts with production – based on an average annual volume of 66.9 million pounds of tender fruit, their tender fruit shipments are worth an average of \$54.7 million annually.

The \$54.7 million of expenditure by growers generates \$53.0 million in indirect and induced expenditures resulting in \$107.7 million in total economy activity province-wide, which requires 1,650 full time direct and indirect jobs worth \$63.1 million in wages and salaries. It adds \$76.9 million to Ontario's gross domestic product (GDP) and results in \$32.2 million in tax revenue collected by the three levels of government.

This value of economic activity is solely the result of producing Ontario grown tender fruit crops and accounts for supply chain linkages associated with producing these crops such as crop protection materials, trees from nurseries, machinery, professional services, energy, labour, etc.



ECONOMIC IMPACT OF TENDER FRUIT DEALER-SHIPPERS IN ONTARIO

Ontario growers ship an average of 54 million pounds of tender fruit annually to licenced dealer-shipper facilities in the province. The tender fruit dealer sector provides storage, marketing, containers and packaging for retail ready packs, and logistical and distribution services, creating \$40.4 million in economic activity province-wide and 353 full time jobs associated with wages and salaries of \$15.5 million. The dealer-shipper sector adds \$20.9 million to the provincial GDP, and results in tax revenues of \$8.9 million for the three levels of government.

**Every \$10 million
expended by
tender fruit
dealers on
inputs other
than tender fruit
purchases results
in an additional
\$21.2 million in
economic output
in Ontario.**

ECONOMIC IMPACT OF TENDER FRUIT PROCESSING IN ONTARIO

Ontario tender fruit processors use 11 million pounds of tender fruit in the manufacturing of products like sour cherry pie fill, cherry juice, dried cherries, pear cider, frozen peach slices and many more.

Value-added processing creates an additional \$22.3 million in economic activity and 201 full-time jobs, increases provincial GDP by \$15.3 million and results in an additional \$6.6 million in government taxes.



**EVERY \$10 MILLION
SPENT BY TENDER FRUIT
PROCESSORS OVER AND
ABOVE TENDER FRUIT
PURCHASES CREATES
AN ADDITIONAL \$15.8
MILLION IN ECONOMIC
ACTIVITY.**

THE FUTURE OF ONTARIO TENDER FRUIT



A 5,000 ton increase in tender fruit production through either additional acreage or technologies equates to a 15% expansion in overall tender fruit production in Ontario and would generate:

- an increase of 10 million pounds sold mostly for fresh market consumption;
- an increase in overall economic activity of \$23.4 million;
- an additional 311 full time jobs with associated wages and salaries \$12.2 million;
- \$6.4 million of additional tax revenues; and
- an overall increase in provincial GDP of \$15.3 million in the province due to the higher levels of economic activity.

The future of Ontario's tender fruit industry can be influenced by a variety of strengths and weaknesses.

Identified strengths:

- Growers with necessary skills and knowledge willing to invest in expansion;
- Well-established dealer-shippers and supporting infrastructure;
- Local food movement and promotion through Ontario Tender Fruit Growers and Foodland Ontario;
- Proximity to large urban markets;
- Unique micro-climate in Ontario suitable for tender fruit production; and
- Booming agritourism in Ontario.

Identified weaknesses:

- High dependence on imported tender fruit;
- Variable spring weather which can result in frost damage and variability in annual supply volumes;
- Labour costs related to production of tender fruit in relation to marketplace returns;
- Availability and costs of crop protection materials and technologies;
- Concentrated retail sector and regulations that increase cost structures;
- Need for research and development support for tender fruit and tender fruit production; and
- Tender fruit processing capacity in relation to consumer requirements for tender fruit products

Conclusions:

Overall, Ontario tender fruit growers are optimistic about the future of the tender fruit industry. Ontario's tender fruit orchard acreage could increase substantially with commercialization of new varieties coming out of the breeding and testing program at University of Guelph and implementing technologies to increase shelf life.

