



Economic Impact of the Ontario Apple Industry



About the Ontario Apple Growers

The Ontario Apple Growers (OAG) operates under the Farm Products Marketing Act and represents commercial Ontario apple growers with 10 or more acres of apple orchard.

The organization has approximately 230 grower-members and, on their behalf, provides a variety of benefits and services. These services include government relations and lobbying, research and development, providing up-to-date industry information to grower members, generic promotion of apples, and juice apple pricing.



Mission

To foster a viable apple industry through advocacy with government and collaboration with industry partners for the health of consumers and the wealth of producers.

Vision

Ontario Apples...a healthy consumer...a healthy industry.

About this report

The Ontario Apple Growers (OAG) has commissioned JRG Consulting Group to conduct a study evaluating the economic impact of Ontario's apple industry from growing to packing and processing. Completed in March 2016, it also highlights the substantial opportunities and increased economic impacts created by industry expansion.

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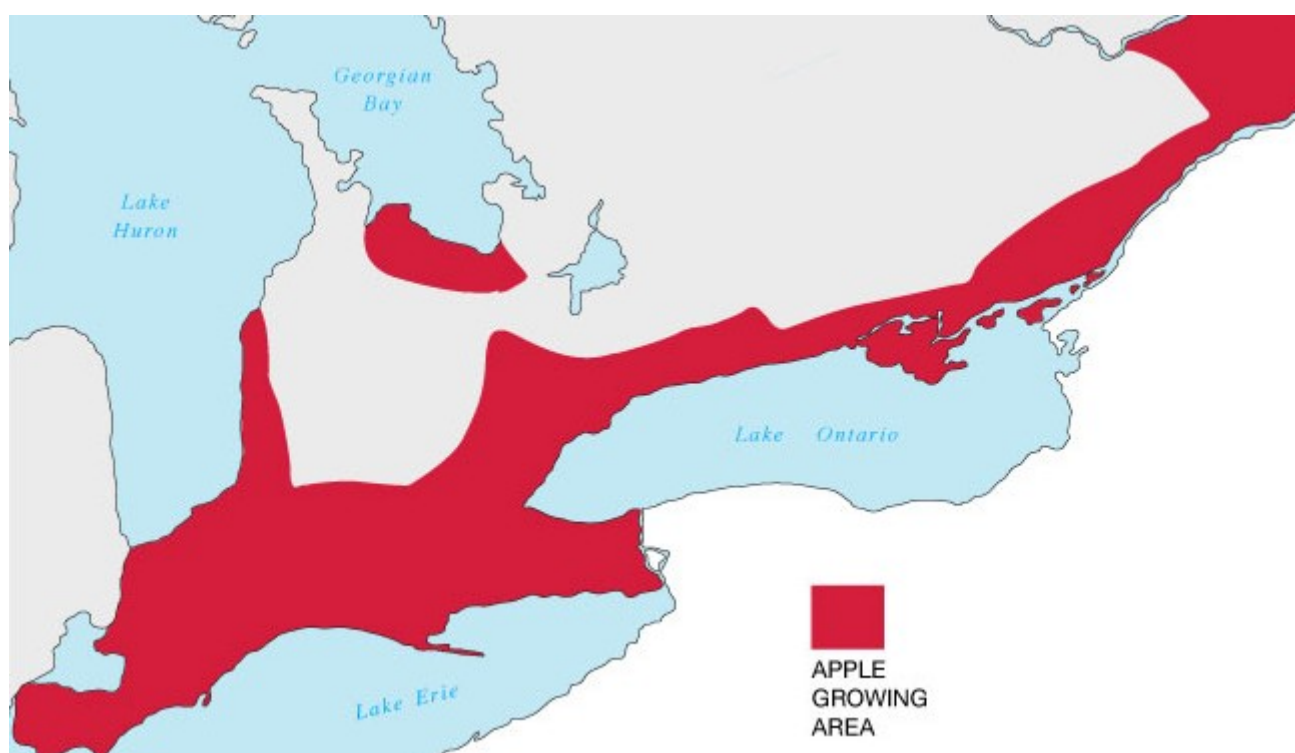
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Introduction

The Ontario apple industry generates overall economic activity of \$634 million in the province, resulting in a \$351.6 million contribution to Ontario's Gross Domestic Product (GDP), and 5,127 full time direct and indirect jobs with associated wages and salaries of \$247.1 million. Every \$10 million in additional output created in the apple sector generates an additional \$14.2 million of economic activity in other parts of the provincial economy.

The overall economic impact of the Ontario apple industry and its value chain cannot be ignored.

Ontario is a net importer of apples and apple products with a significant expansion opportunity for the industry to increase its market share. It is estimated that Ontario's apple orchard acreage could increase by at least 650 acres per year over the next two years.



Ontario apple production and consumption

Ontario's apple industry supplies fresh, locally grown apple and apple products to the Ontario, Canadian and some international markets. Ontario is the largest apple producer in Canada, with approximately 40 per cent of national production volumes, followed by Quebec and British Columbia.

The province's major apple-producing areas are located along the shores of Lake Ontario, Lake Erie, Lake Huron and Georgian Bay, and consist of over 16,000 acres of orchards.

Northern Ontario (Bruce, Grey, Dufferin and Simcoe counties) and Central West Ontario (Elgin, Haldimand-Norfolk, Huron, Oxford and Perth counties) each represent 25% of Ontario's apple production. This is followed by Western Ontario (Essex, Chatham-Kent, Lambton and Middlesex counties) at 19%, Eastern Ontario (Durham, Hastings, Kawartha Lakes, Northumberland, Peterborough, Prince Edward, Lanark, Leeds & Grenville, Lennox & Addington, Frontenac, Ottawa, Prescott & Russell, Renfrew, and Stormont, Dundas & Glengarry) at 18%, and Central Ontario (Waterloo, Wellington, Peel, York, Halton, Brant, Niagara, Hamilton, and Toronto) at 13%.

The Ontario Apple Growers represents all Ontario apple growers with 10 or more acres of apple orchard. In 2015, there were 230 OAG grower members across the OAG's five production districts.

Since 2000, annual apple production in the province has averaged around 381 million pounds, with an average annual farm gate value of \$80 million. Ontario apple farmers look to new, high returning apple varieties such as Gala, Honeycrisp and Ambrosia which account for over 63% of Ontario apple trees less than 5 years old. With over 80% of apple trees older than 5 years, there is ample room for orchard rejuvenation in Ontario.

Ontario has two major market categories for apples: fresh and processing. The volume of apples going into fresh markets has been increasing over the last decade, compared to a decrease into processing.

Over the last two crop years (2013 and 2014), approximately 55% of Ontario's apple production was sold into fresh markets, which includes food retail, farmers' markets, farm gate sales, and shipments into other provinces and selected export markets. Processing apples fall into two categories: juice (juice, sweet cider and craft cider) or peeler (peeled for sauce, pies, or sliced and diced apple products). Over the last 10 years, the volume of processing apples has been declining by approximately 12 million pounds per year.



Disposition of Ontario apples into fresh & processing markets

Overall Ontario apple consumption is estimated at 568 million pounds in fresh equivalents. This is equal to 324 million pounds as fresh apples, 208.7 million pounds as apple juice, 16.3 million pounds as apple sauce, 9.7 million pounds as dried apples, and 3.7 million pounds as pie filling, etc.

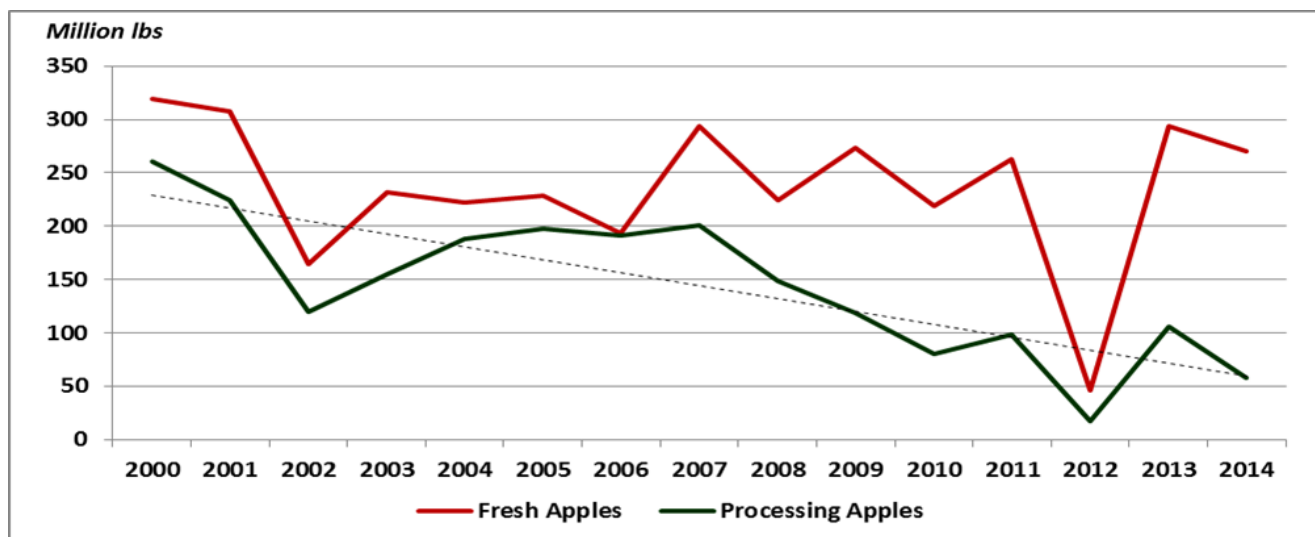
On average in the 2013 and 2014 crop years, Ontario had an overall apple supply of 571 million pounds with Ontario grown apples accounting for 64% of that. Average imports of 194 million pounds include

both fresh and processing apples, and accounted for 34% of all apple supplies.

When looking at the higher value fresh market, Ontario grown apples represent 45% of overall fresh apple consumption in the province. During the last two crop years, Ontario's major apple packers and marketers supplied an average of 136.9 million pounds (or 39%) of Ontario apples for fresh consumption in the province, and a further 27.5 million pounds or 6% were sold through on-farm retail sales, pick-your-own operations, farmers' markets, and direct shipments to smaller food retail outlets. Three percent of Ontario's fresh apple consumption came from other provinces in bulk shipments, and 51% was imported from other countries.

This indicates a significant expansion opportunity for Ontario apple growers.

Based on the average production years studied, Ontario apple growers would need to produce another 200 million pounds of apples to meet the full current Ontario use; the production deficit is in the range of 36% of overall consumption.



Economic impact of the Ontario apple sector as a whole

In an average crop year, overall economic activity generated from Ontario apples is valued at \$634 million. This results in a \$351.6 million to Ontario's GDP, and 5,127 full time direct and indirect jobs with associated wages and salaries of \$247.1 million. Taxes captured by all three levels of government total \$106.7 million annually.

The food and beverage manufacturing sector receives the greatest employment impact from the apple industry with 1,932 full time jobs (37.7% of all jobs created by the industry), followed by agriculture at 1,136 (22.2%).

Direct and indirect activity creates employment in other sectors too, such as 35.6 jobs in the construction industry and 3.9 jobs required in the motor vehicle industry as a result of the Ontario apple industry.

Did you know?

- ✓ Approximately 20 jobs are created for every \$1.0 million in spending by the Ontario apple sector.
- ✓ Each million dollars in output by apple growers generates \$2.39 million of activity throughout the Ontario economy.
- ✓ Every \$10 million spent by apple packers on inputs other than apples results in an additional \$22.1 million in Ontario economy gross output.
- ✓ Every \$10 million spent by apple processors on non-apple inputs creates an additional \$26.2 million in economic activity.

Economic impact by Ontario apple sector

Economic impact of the apple production sector

Ontario apple growers' contribution to the provincial economy starts with production – based on an average annual volume of 364 million pounds of apples per crop year, their apple shipments are worth an average of \$116 million annually.

This is linked to \$287 million in economy activity province-wide, which requires 2,045 full time direct and indirect jobs worth \$104 million in wages and salaries. It also results in \$46.1 million in tax revenue collected by the three levels of government.

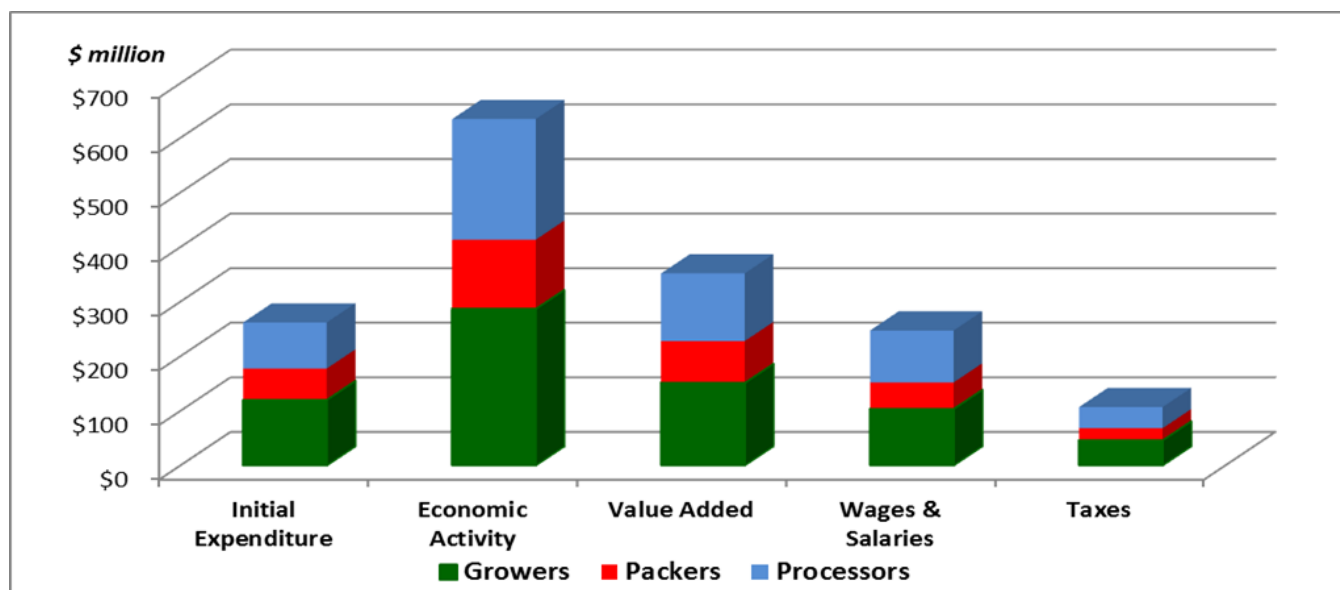
Economic impact of the apple packing sector

Ontario apple growers ship an average of 244 million pounds of apples annually to packing facilities in the province. The apple packing sector provides storage, marketing, packaging, and logistical and distribution services, creating \$126 million in economic activity province-wide and 963 full time jobs associated with wages and salaries of \$48.1 million. The packing sector adds \$76.4 million to the provincial GDP, and results in tax revenues of \$21.9 million for the three levels of government.

Economic impact of the apple processing sector

Ontario apple processors use 144 million pounds of apples to manufacture products like apple juice, apple cider, apple slices, apple pies, apple sauce, and apple chips.

Value-added processing creates an additional \$221 million in economic activity and 2,120 jobs, and increases provincial GDP by \$124 million. Tax revenues collected are \$38.7 million for the three levels of government.



The future of Ontario apples

As a net importer of apples and apple products, Ontario has a significant opportunity to increase local apple production and capture some of that market share lost to imports.

A 20% expansion in apple production – an increase of 72.8 million pounds - is estimated to result in an increase in overall economic activity of \$83.8 million, an additional 610 full time jobs with associated wages and salaries \$30.8 million, \$13.8 million of additional tax revenues, and an overall increase in provincial GDP of \$46.2 million in Ontario due to the higher levels of economic activity. The future of Ontario's apple industry can be influenced by a variety of strengths and weaknesses.

Strengths:

- ✓ Growers with necessary skills and knowledge willing to invest in expansion
- ✓ Well-established apple packers and marketers and supporting infrastructure
- ✓ "Buy Local" food movement and promotion through OAG and Foodland Ontario
- ✓ Proximity to large urban markets
- ✓ Diverse micro-climates in Ontario suitable for apple production



Challenges:

- ✓ Low market share in Ontario and high dependence on imported apples;
- ✓ Variable spring weather which can result in frost damage and variability in annual supply volumes
- ✓ Labour costs related to production and cost of producing apples in relation to marketplace returns
- ✓ Availability and costs of crop input materials and technologies
- ✓ Concentrated retail sector and regulations that increase cost structures
- ✓ Need for research and development support for apples and apple production
- ✓ Apple processing capacity in relation to consumer requirements for apple products

Overall, however, Ontario apple growers are in expansion mode and the majority of growers are optimistic about the future of the apple business. It is estimated that Ontario's apple orchard acreage could increase by at least 650 acres per year over the next two year. Growth is expected in all apple growing districts with large planned acreage increases for Gala, Honeycrisp and Ambrosia varieties in particular.

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