

Orchard Replant / Tree Fruit Industry Revitalization Plan

Report on the Recommendations of the Industry Roundtable

Submitted to the Ministry of Agriculture and Food

By Robin M. Junger

March, 2000

Introduction

In September 1999, the Honourable Corky Evans, Minister of Agriculture and Food, announced an intention to extend the orchard replant program for five years (\$25 million) and to establish a \$2 million industry development trust fund. Final approval of these funds is contingent upon industry developing a revitalization plan that will ensure the funds are used to the most effective and productive ends possible.

To facilitate the development of the revitalization plan, I was hired by the Ministry to engage in broad consultations with participants involved with and interested in the BC tree fruit industry. I was asked to document and report on the various issues, ideas and suggestions raised during the consultations, and to facilitate an industry roundtable discussion where recommendations and action plans could be developed to enhance the strength and sustainability of the BC tree fruit industry.

Consultations took place throughout the Okanagan – Similkameen and Creston areas during the months of October – December 1999, and a consultation report was presented to the Ministry of Agriculture and Food on January 6, 2000. It was circulated to over 150 parties including all those who had spoken with or written to me during the consultation process. The report was sent to growers, industry organizations, packinghouses, marketing agencies, local governments, federal officials, educational institutions, nurseries, other orchard suppliers, tourism officials, irrigation districts, financial institutions, and private companies with an interest in the tree fruit industry. The cover letter noted that an industry roundtable would be held on January 22, 2000 to discuss the report, and it invited all interested parties to attend.

Roundtable

The industry roundtable was held on Saturday, January 22, 2000 in Naramata. It was attended by 50 people (see appendix A). This included the Honourable Corky Evans, Minister of Agriculture and Food, ministry staff and participants in the industry (e.g. growers, grower organizations, packinghouses, fieldmen, BC Tree Fruits etc.). One participant was from an educational institution and two represented a museum with an interest in promoting awareness of the tree fruit industry.

Issues considered

The roundtable participants were asked to consider nearly 50 issues identified in the Consultation Report as affecting the replant program and the strength and sustainability of the tree fruit industry generally. They were also invited to identify other issues that they considered worthy of consideration.

To facilitate the discussion, participants were broken into five working groups for the morning session. The five groups dealt with issues falling within the following broad groupings:

- Replant terms and conditions,
- Research, education and dissemination of horticultural / farm management information,
- Market information / marketing,
- Safety net, taxation and regulatory issues, and
- Industry cooperation, cohesion and public perception.

A copy of the breakdown of issues among working groups is attached to this report as appendix B.

Each working group was asked to identify priority issues and to develop recommendations for consideration by the full roundtable as to how the strength and sustainability of the BC tree fruit industry could be furthered in respect of those issues. The groups were also asked to, where possible, specify who might take the lead for implementing a recommendation and how follow up assessment should occur.

In the afternoon session, each working group presented a report of its work. Given time constraints, not every issue discussed by a working group was able to be considered by the full roundtable, but most of the issues identified as high priority were so considered.

Nature of the discussion

The roundtable discussions were cordial and constructive. Despite significant divergence of views, positive discussion occurred. At the meeting a number of parties noted that they felt it was positive for industry participants to be speaking to one another directly in such a fashion.

Consensus was achieved on nearly all of the issues considered by the full roundtable. For the purposes of the discussion, consensus was defined as support by a majority of the participants without the presence of strong opposition by a significant number of dissenting views. Participants were made aware of this definition of consensus early in the process, and there were no cases where the conclusion that consensus was achieved was challenged by any party.

Recommendations

The following are the recommendations made by the full roundtable. In cases where a specific party was identified for pursuing the recommendation that is noted in the recommendation.

Further discussion regarding the issues which are the subject of the recommendations can be found in the Consultation Report. For ease of reference, the relevant page of the Consultation Report is noted in respect of each recommendation where applicable.

Terms and conditions of the replant program

Recommendation 1. Transition Production Adjustment Program (TPAP) (p. 10)

TPAP benefits should be tied to replant results. TPAP should be paid in full the fall of the first year (\$2250) provided the replant program meets the (present) inspection requirements.

If a replant project does not initially meet the requirements upon inspection, a grower should be entitled to address the deficiencies and apply for the TPAP again at any time within the first two years.

TPAP benefits should be transferable to a new owner / occupant if land is transferred.

Recommendation 2. Monitoring and inspection (p. 9)

The present monitoring and inspection standards for a replant project should be continued, but if more than one inspection is required then the cost of the second and subsequent inspections should be charged to the producer.

Recommendation 3. New land (p. 7)

Up to 100 acres of new land in any given year should be eligible for grants under the replant program. No individual should be eligible for more than 10 acres per year of replant grants for new land, and no TPAP should be provided to new land plantings.

Recommendation 4. Maximum per acre grant / minimum density requirements (p. 6-7)

The replant grant should be increased to the 1996 level of \$4 per tree up to 1400 trees per acre for a maximum total of \$5600 per acre (plus the \$2250 per acre TPAP discussed above).

Any replant program funding not utilized in a particular year should be carried forward and made available in subsequent years.

There should be no minimum planting density to be eligible for the replant program.

Replant grants for soft fruits should be based on the same formula as apples (i.e. \$4 per tree per acre to a maximum of \$5600 per acre).

Research, education & dissemination of horticultural / farm management information

Recommendation 5. Dissemination of knowledge and information (p. 12)

Two long-term positions should be established and funded to provide practical horticultural knowledge and information to all growers. The mandate of these positions should be to rebuild grower networking, promote technology transfer, provide field days and seminars, and generally to ensure that knowledge and information is disseminated among growers.

These positions should have a functional relationship with, and receive input and direction from, the fieldmen's group and the BCFGGA.

One of the full time positions should be staffed by a person who is conversant in Punjabi but the person should work with all sectors of the industry.

These positions should be supplemented by contracted services as resources permit.

Funding for these positions should be one of the purposes of the proposed industry development trust fund, and this should be accorded medium priority funding status.

Recommendation 6. Promoting research and education (p. 11)

The roundtable endorses an application by the Okanagan University College (OUC) for federal funding toward the establishment of a chair / centre of excellence dedicated to the tree fruit industry.

The roundtable also endorses establishment of the Education and Research Committee presently being discussed between OUC and the BCFGGA (with a view to involvement of other partners).

The Education and Research Committee should coordinate all current and future research activities pertaining to the tree fruit industry. The Education and Research Committee should involve or liaise with the chair / centre of excellence (if established) as well as the fieldmen's group and the horticultural knowledge and information and dissemination positions discussed above (recommendation 5).

Funding for projects undertaken by the Education and Research Committee (and the chair / centre of excellence if established) should be one of the purposes of the proposed industry development trust fund, and this should be accorded low priority funding status.

Market information / marketing

Recommendation 7. Obtaining product development / marketing information (p. 12)

The BC Fruit Growers Association (BCFGA) and the Okanagan Federated Shippers Association (OFSA) should develop an index of information to clearly identify the various sources of product development / marketing information growers may access to assist in deciding which varieties to replant. This document should be circulated widely to all growers.

Recommendation 8. Access to information and analytic models in making replant decisions.

This matter should be referred to the education and research committee (recommendation 6) which should ensure that existing information and analytic models are properly utilized and made available to growers.

Recommendation 9. New product development (p. 20)

Coordinated efforts should be undertaken regarding the marketing and promotion of new varieties and products, through such means as consumer research / testing and advertising.

Funding for these activities should be one of the purposes of the proposed industry development trust fund, and this should be accorded high priority funding status.

Recommendation 10. Promoting public awareness of the BC tree fruit industry (p. 13)

The BC Orchard Museum should work with the Thompson Okanagan Tourism Association, Chambers of Commerce, economic development commissions, the BCFGGA, the Agriculture in the Classroom Foundation and fruit stand associations to develop specific projects that will enhance public awareness of and support for the tree fruit industry. This could include projects such as travelling exhibits and organization of an apple festival.

Funding for these activities should be one of the purposes of the proposed industry development trust fund, and this should be accorded medium priority funding status.

Recommendation 11. Information regarding disparity between consumer and producer price (p. 19)

The packinghouses and the BCFGGA should disseminate information on the cost breakdown through the chain of grading, packaging, marketing and sales to permit

growers to make informed decisions regarding alternate methods of marketing / sale.

Recommendation 12. Packinghouse contracts and employment (p. 20)

Packinghouse contracts and employment of growers' family members are issues that should be addressed by the members of the packinghouse coop through their representative structures as necessary, and do not require government intervention.

Recommendation 13. Integrated pest management (p. 21)

The roundtable endorses the recent application made by the BCFGGA to the Investment Agriculture Foundation in respect of research projects pertaining to integrated pest management (IPM). (This does not predetermine future cost-benefit analysis of pursuing IPM initiatives.)

Funding for additional research and initiatives pertaining to IPM should be one of the purposes of the proposed industry development trust fund, and this should be accorded high priority funding status.

Recommendation 14. Organic production (p. 23)

The decision as to whether to pursue organic production and marketing should be left as a business decision for individual growers based on prevailing market considerations.

Recommendation 15. Transfer of technology from PICO to other countries (p. 24)

This matter should be referred to the board of the Okanagan Plant Improvement Company (PICO) for further discussion and consideration, recognizing that this is a complex issue with various costs and benefits.

Safety nets, taxation and regulatory issues

Recommendation 16. Safety nets (general) (p. 15-19)

The total level of government funding for safety net programs should be increased.

There should be a commitment to long-term and consistent programs.

This should be pursued by the Safety Nets Committee of the BCFGGA through the provincial and national advisory committees.

Recommendation 17. Crop insurance

Crop insurance should be maintained as the principal safety-net program for managing production risk as it is essential to managing risk exposure of replant.

Crop insurance should be based on no fault, low rate calculations, and it should consider all peril coverage including losses in storage.

The Basic crop insurance coverage should be increased to a disaster level of 60%.

The cost of buy-up coverage should be more affordable to producers (i.e. 4%).

Efforts should be undertaken to address misperceptions about the costs of premiums.

The Safety Nets Committee of the BCFGGA should consider these and other safety net recommendations and pursue them through the Crop Insurance Tree Fruit Advisory Committee and the provincial and national advisory committees.

Recommendation 18. NISA (p. 17)

The eligibility rules for accessing NISA should be made more flexible (e.g. to permit access for funding the grower's portion of replant).

NISA withdrawals should be available in a timely way and there should be greater awareness of early triggers.

Growers should be provided greater flexibility to replenish NISA accounts after a draw down (i.e. a variable rate NISA contribution that is over and above the current formula).

Greater efforts should be taken to ensure that the public understands the purposes of the NISA accounts, the nature of the balances and the use to which growers are putting them in order to sustain their farming operations.

The BCFGGA should consult with the BC Safety Nets Advisory Committee which could in turn consult with the national safety nets committee to review these issues.

Recommendation 19. Whole Farm Insurance Program

The Whole Farm Insurance Program should be the second priority for safety net programs (after crop insurance) if appropriate changes are made to ensure the program is workable for the tree fruit industry.

The Whole Farm Insurance Program should be changed to include negative margins, expanding farms, appropriate reference margins, alternate reference margins for growers engaged in replant, and increased support levels.

The BCFGA should consult with the BC Safety Nets Advisory Committee which could in turn consult with the national safety nets committee to review these issues.

Recommendation 20. Carry forward of safety net funding

If the funds in a particular safety net program are not fully used in any specific year they should be carried forward or used to top up other financial supports where possible.

Recommendation 21. Taxation of packinghouses (p. 20)

The province should reconsider legislative changes made to permit local governments to tax packinghouses at industrial rates.

This matter should be considered by the proposed partnership committee (recommendation 22).

As an alternative, the province should rebate taxes in excess of farm rates to the packinghouses.

Recommendation 22. Partnerships with regulatory agencies

The BCFGA and the Ministry of Agriculture should develop a partnership committee involving the tree fruit industry, interested provincial government agencies, local governments, federal agencies and other bodies to serve as a forum where regulatory matters of common concern can be addressed on a regular basis. It should be modeled on the existing partnership committee on agriculture and the environment.

This committee should meet at least once per year, and more as required.

Recommendation 23. Land leasing (p. 17)

The partnership committee (recommendation 22) should review and promote changes to legislation that presently create impediments to leasing. This includes issues of whether portions of a legal parcel can be leased for more than three years, and concerns about capital gains exemption as it relates to leased land.

Recommendation 24. Reducing red tape regarding employees (p. 24)

The partnership committee (recommendation 22) should review this issue to determine whether methods exist to reduce red tape associated with hiring and employment of workers.

Industry cooperation, cohesion and public perception

Recommendation 25. New entrants

The partnership committee (recommendation 22) should work with concerned agencies to develop tax incentives to assist new entrants into the tree fruit industry.

Recommendation 26. Commitment of government to program funding (p. 18)

The provincial government should confirm its commitment to financial support programs once announced, preferably by placing funds in trust accounts if possible.

Recommendation 27. Trust fund advisory committee

An advisory committee should be established to recommend funding of specific projects by the proposed industry development trust fund. This advisory committee should include, but not be limited to, the BCFGa and the OFSA.

Follow-up

At the conclusion of the roundtable forum the Minister of Agriculture and Food expressed appreciation for the constructive dialogue that industry participants had engaged in, but he indicated concern that the many of the broader community of interests which have a stake in the tree fruit industry did not attend the roundtable. He stressed the need for all interested parties to work toward the goals of the revitalization plan, and directed that I undertake more comprehensive follow-up with local governments, financial institutions, educational institutions, nurseries, tourism associations and agricultural awareness bodies. He asked that I confirm that these institutions are prepared to support the tree fruit industry, the goals of the revitalization plan, and the specific recommendations that pertain to them.

My follow-up activity in this regard consisted of contacting the organizations listed in appendix C, in writing, by telephone or both. Overall, there was broad support for the revitalization plan and a clear commitment to the recommendations set out above. The specific responses are summarized below.

Local governments

The **Town of Oliver** advised that it wishes to participate in the partnership committee established by recommendation 22, and also noted that it has both a Chamber of Commerce and a newly developed Economic Development Organization that may be interested in participating in recommendation 10 (public awareness of the tree fruit industry).

The **Regional District of Central Okanagan** passed a resolution supporting both recommendations 22 and 10, and further indicating that the Regional Board is supportive of the tree fruit industry generally, as well as the goals of the revitalization plan. The Regional Board indicated it is prepared to commit to the recommendations that require its involvement.

The **City of Kelowna** confirmed its support for the industry, the revitalization plan and any recommendations that require local government involvement (including recommendations 10 and 22 specifically).

The **City of Vernon** supported the revitalization plan and expressed a willingness to cooperate with the future development of the industry.

The **District of Lake Country** expressed support for recommendations 10 and 22, with the proviso that federal and provincial support for farmers in BC should not be limited to the tree fruit industry.

The **District of Peachland** expressed strong support for recommendations 10 and 22, specifically noting that recommendation 10 provided an opportunity for enhancing a positive public perception of an industry that is too often publicly discussed only when problems and conflict arise.

The **Town of Osoyoos** confirmed its support for the revitalization plan, and the partnership committee in particular. It noted that a profitable industry was essential to the lifestyle quality of the Okanagan Valley, and suggested pursuit of enhanced sales through fruit stand and general promotion of the industry through ideas such as holding a major “industry-awareness” concert.

Six local governments indicated they had not had the opportunity to fully consider the matter within the reply deadline (District of Summerland, Town of Creston, Regional District of North Okanagan, City of Penticton, Regional District of Okanagan – Similkameen, Regional District of Central-Kootenay). Most indicated the matter would be considered in the next several weeks. Two local governments did not respond to enquiries within the requested time frame for preparing this report (Village of Keremeos and District of Salmon Arm). One declined to participate in the partnership committee, but still expressed support for the industry generally (Village of Fruitvale).

Financial Institutions

The **Farm Credit Corporation** supported the revitalization plan and expressed the view that the recommendations will make a difference to the vitality of the industry. The Farm Credit Corporation offered specific support in three areas: (i) continued use of the 123 Grow loan which allows payments to be deferred until trees mature, with no limits as to planting density, (ii) assistance in business planning education through the development of a training module that could be tailored and delivered by industry organizations, and (iii) provision of expertise in replant cost and cash flow analysis, including developing or critiquing computerized replant spreadsheets.

The **Canadian Bankers Association, BC Agriculture Committee** indicated the financial community will continue to provide long term and working capital loans to entrepreneurs who demonstrate management capabilities and possess necessary equity requirements.

Industry Organizations

The **BC Fruit Growers Association** expressed strong support for the revitalization plan, which includes various recommendations requiring the Association's direct participation. These include recommendations 5, 6, 7, 10, 11, 13, 16-20, 22 and 27.

The **Okanagan Federated Shippers Association** offered unequivocal support for the tree fruit industry and the revitalization plan specifically. It expressed a willingness to pursue or participate in recommendations 5, 7, 9, 11 and 27 as recommended by the roundtable.

The **Okanagan Plant Improvement Company (PICO)** indicated it fully endorses the tree fruit industry generally and the revitalization plan, and that it is prepared to participate in recommendations that warrant its involvement. In response to recommendation 15, PICO specifically noted that it strives to deal with technology transfer within the boundaries of its mandate. PICO also expressed strong interest in recommendations 7 and 9 and indicated an intention to dedicate increased attention and resources to consumer research and testing / marketing trials, to support the development of new varieties.

Educational institutions

Okanagan University College indicated it is supportive and committed to the BC Tree Fruit Industry generally. It confirmed a willingness to work in support of recommendation 11 regarding the establishment of an industry Education and Research Committee, as well as the possible establishment of the chair / centre of excellence dedicated to the tree fruit industry.

The **College of the Rockies** also expressed a willingness to work in support of the goals of recommendation 11, to enhance collaborative education and research initiatives.

Nurseries

Byland's Nursery expressed strong support for the tree fruit industry and indicated it will continue to work cooperatively with growers and practice flexibility on deposits for fruit trees and the carrying of debt. Byland's also indicated an ongoing willingness to consult with growers about new varieties and horticultural practices that can result in higher pack-out rates.

Golden West Nurseries also expressed strong support for the tree fruit industry and the revitalization plan. It indicated it would be pleased to commit to any recommendations that require nursery involvement, including recommendation 5 (dissemination and knowledge of information).

Agricultural awareness and tourism institutions

The **BC Orchard Museum** indicated it would be happy to participate in the implementation of recommendation 10 regarding promoting public awareness of the tree fruit industry.

The **Thompson Okanagan Tourism Association**, on behalf of its 360 members, expressed strong support for the goals of the revitalization plan and specifically recommendation 10 (promoting public awareness of the tree fruit industry). The Association noted the travelling public has responded strongly to agri-tourism related activities and facilities. It asked that it be advised of what further actions are required and indicated that it looks forward to exploring future opportunities.

The **Agriculture in the Classroom Foundation** offered its support for the promotion of the BC tree fruit industry, and indicated it is well prepared to commit to the recommendations that require the involvement of the Foundation.

Conclusion

The revitalization plan developed at the industry roundtable contains a number of positive elements that can reasonably be expected to contribute to the strength and sustainability of the tree fruit industry in future. This includes specific proposed changes to the terms of the replant program, as well as a variety of other recommendations related to matters such as developing and marketing new BC apple varieties, enhancing dissemination of horticultural knowledge and information, enhancing business planning and analytic modeling, promoting awareness of the tree fruit industry, improving coordination of and response to regulatory issues, review of regulatory impediments such as leasing and taxation restrictions, and

review of the relationship between the terms and conditions of safety net programs and the circumstances of tree fruit growers.

The follow-up to the roundtable indicates that there is broad and firm commitment to the revitalization plan and the specific recommendations set out above. The parties who are the subject of the recommendations have agreed to take the actions contemplated. Implementing these specific recommendations will however require considerable ongoing commitment and follow-up activity, and it is important that some organization be responsible for overseeing the implementation plan if the revitalization plan is to achieve its full promise. Provided the provincial government decides to extend the mandate of the Okanagan Valley Tree Fruit Authority (OVTFA), it may be appropriate to ask the OVTFA to undertake such a role. Specifically, the OVTFA could be given responsibility for ensuring that a lead agency is designated in respect of each recommendation, and for preparing a follow-up report outlining the progress made on each recommendation at some specified time in the future. The OVTFA could also be asked to undertake appropriate follow-up in respect of the issues that are address in the Consultation Report but which were not addressed in the limited time available at the industry roundtable in Naramata.

Appendix A

Breakdown of issues among roundtable working groups

Group 1. Terms and conditions of the replant program

- 2.5 acre minimum farm size for replant eligibility
- Maximum per acre replant grant
- One acre minimum replant per year
- One acre minimum per block
- Minimum replant density
- New land
- Maximum number of acres of replant per year
- Business and horticultural planning requirements
- Monitoring and inspection
- Should fumigation be a condition of the replant program?
- Should soil testing be required as a condition of the replant program?
- Grants for soil preparation, fumigation and fertigation
- Should TPAP remain a component of the replant program?
- Replant planning and timing of applications
- Relationship of the replant program to ongoing commitment to the tree fruit industry

Group 2. Research, education and dissemination of horticultural / farm management information

- Promoting research and education
- Dissemination of knowledge and information
- Fact finding missions or sponsoring of visitors
- Potential advances in technology
- Access to pesticides

Group 3. Market information / marketing

- Obtaining product development and marketing information
- Promoting agri-tourism and public awareness of the tree fruit industry
- Access to information and analytic assistance in making replant decisions
- Gross disparities between grower returns and prices paid by consumers
- Packinghouse contracts
- Packinghouse employment
- Marketing (General)
- IPM / Reduced Pesticide Use / GMO

- Marketing Commission
- Shift to organic production
- Okanagan Plant Improvement Company (PICO)

Group 4. Safety net, taxation and regulatory issues

- Relationship of terms and conditions of safety net programs to replant
- Adequacy of safety net programs when combined with the replant program
- Access to NISA accounts to finance replant
- Revenue Canada assessment of tree fruit growers engaged in replant
- Limitations on leasing
- Impact of program changes on grower planning
- Government's financial commitment to the industry generally
- International subsidies
- Complexity of safety net programs and applications
- Taxation of packinghouses
- Access to labour
- Local government issues
- Reducing red tape regarding employees

Group 5. Industry cooperation, cohesion and public perception

- Lack of young people in the industry
- Involvement of minority groups in industry decision making
- Promoting public support for the tree fruit industry
- Industry cohesiveness

Topics included in paper but not identified as specific issues for any group

- General comments on trust fund
- Minimize administrative expenses and fees (for trust fund)
- Leveraging funds with existing programs (for trust fund)
- Governance (trust fund)

Appendix B

List of roundtable participants

Al Oliver
Alan Claridge
Allan Patton
Brian Baehr
Brian McDonald
Brian Witzke
Bruce Harker
Dan Roach
Dave Stirling
Don Claridge
Don Kato
Fred Gartrell
Gary Rieger
George Geldart
Glen Lucas
Gord Macatee
Greg Gauthier
Harjit Sohota

Harvey Sasaki
Jamie Kidston
Jim Campbell
John Pankratz
Keith Carlson
Kirpal Boparai
Lone Jones
Lorna Gunn
Lorraine Bennest
Lucio Almeida
Marg Arthur
Marney James
Mike Mitchell
Mike Sterling
Pedro Barata
Penny Gamble
Peter Waterman
Richard King

Rob Dawson
Rob Holitski
Robert Commandeur
Ken Hayter
Robin Junger
Russell Husch
Sam Di Maria
Shane Witzke
Tarsem Singh Goraya
The Hon. Corky Evans
Tom Kinvig
Tony Di Maria
Tony Thompson
Wayne Wilson
Wilf Mennell
Wray McDonnell

Appendix C

List of parties contacted for follow-up

Agriculture in the Classroom Foundation
BC Fruit Growers Association
BC Orchard Museum
Byland's Nursery
Canadian Bankers Association, BC Agriculture Committee
City of Penticton
City of Vernon
District of Lake Country
District of Peachland
District of Salmon Arm
District of Summerland
Farm Credit Corporation
Golden West Nurseries
Okanagan Federated Shippers Association
Okanagan Plant Improvement Company
Okanagan University College
Regional District of Central Okanagan
Regional District of Central Kootenay
Regional District of North Okanagan
Regional District of Okanagan - Similkameen
Thompson Okanagan Tourism Association
Town of Creston
Town of Oliver
Town of Osoyoos
Village of Fruitvale
Village of Keremeos