

Raid May 4, 1915

A Memorandum setting forth the Present Situation of the Fruit-growing Industry
of Canada, and in particular that of British Columbia.

PROTECTION FOR CANADIAN APPLES.

(Compiled for the British Columbia Fruit-growers' Association.)

This memorandum shows, under the following heads, some of the essential conditions affecting the success of Canada's apple industry:—

- (1.) Production in the United States:
- (2.) Western Canada as a market for Apples:
- (3.) Influence of United States apples in Canadian markets:
- (4.) Canada's orchard industry:
- (5.) British Columbia's orchard industry.

(1.) PRODUCTION IN THE UNITED STATES.

In the period 1900 to 1910 the average commercial production of apples in the United States was about 35,000,000 barrels, which, in relation to the demand, usually ensured fair prices to producers. The industry naturally began to expand, and by 1912 it was evident that production had overtaken demand. In 1914 the total production, according to the United States Department of Agriculture, equalled 86,300,000 barrels, of which about 45,000,000 went into commercial channels and much of the balance went to waste. Prices declined to a low level in 1912 and to a point disastrous to the grower in 1914.

In conjunction with the general increase in the United States production and decline in prices there must be noted the phenomenal development of apple-orcharding in the four North-western States—Washington, Oregon, Montana, and Idaho—which sections are special competitors of British Columbia. The North-western States were almost negligible in apple production even as late as ten years ago. Tremendous areas had been and were being planted, however, estimated by the State Departments at about 550,000 acres of apples; and though only a small portion of this is yet in bearing, the commercial production of 1914 was about 14,000 car-loads. The most conservative estimates of those intimate with the facts placed the estimated production at the present rate of increase in these States in 1920 at 40,000 to 50,000 car-loads.

The United States, generally, is evidently reaching a period of very heavy production of apples, and in the North-western States there will certainly be a heavy overproduction in relation to normal market for these apples in the United States.

While prices were low in 1912, they were disastrously so in 1914. In the past season the North-western States consigned to Western Canada hundreds of car-loads, either without any guarantee as to minimum price, or with a guarantee of 30 cents a box on the cars at shipping-point. Quite aside from all the costs of growing the apples, the 30 cents does not equal the packing and shipping costs.

(2.) WESTERN CANADA AS A MARKET FOR APPLES.

It is in the four Western Provinces that the British Columbia apple-crop must be largely marketed. In 1913 the American shipments into this district aggregated nearly 2,000 car-loads, and in 1914, despite tremendous crops in Ontario and British Columbia, they still equalled 556 car-loads; the total consumption of the four Western Provinces was about 3,475 car-loads in 1914.

(3.) INFLUENCE OF UNITED STATES APPLES IN CANADIAN MARKETS.

The proportion of fruit from the different sources of supply does not even suggest the effect which the American supply has had, and will continue ever-increasingly to have unless the evil be remedied on the price.

It is true that, as to quantity, we have more than held our own. At a disastrous sacrifice of value our apples have been sold and put into consumption. The American fruit, however, sets the price, and that with the "C" grade article, which must be kept off the United States markets for higher grades and which is surplus stock. The American fruit-grower is prepared to let that surplus stock go outside his own best markets at any price calculated to equal his out-of-pocket charges for packing and shipping, or even, as in 1914, for less than actual out-of-pocket charges. These apples are consigned or dumped to get something back; preferably they are dumped on Canadian markets. There is a sufficient surplus to fill the whole of our market. Under the present conditions the figure at which the American will let this stuff go sets the price. This figure is never fixed, dropping lower and lower as the American stock in hand gets more congested and as the American loses confidence in his ability to move it. In these conditions and against these figures we have to market our entire crop. Our growers have done so, compelled to meet the slaughter-price quotations, and unable in time to make fixed contracts as to prices, an intolerable market condition. Having disastrous American prices for dumped fruit quoted against us daily, it has taken all our energies to distribute our stuff and get it into the market in preference to American. Had we attempted to secure reasonable prices, there is an ever-ready supply of American apples loaded on the cars to go on our markets.

(4.) CANADA'S ORCHARD INDUSTRY.

Notwithstanding the considerable imports of American apples, Canada has within her own borders an ample production of apples to meet all demands. According to the census of 1911, there were in Canada 14,830,492 apple-trees, of which about 60 per cent. only was in bearing. The average production is about 5,000,000 barrels per year, equal to 15,000,000 boxes. Canada exports about 1,250,000 barrels per year. The capital invested in the orchard industry of the Dominion in 1910 was estimated by W. W. Moore, Chief of the Markets Division, Department of Agriculture, Ottawa, at \$127,000,000.

(5.) BRITISH COLUMBIA'S ORCHARD INDUSTRY.

Encouraged by both the Governments and by the favourable market conditions prevailing up to 1910, there was a general development of the orchard industry in British Columbia, increasing, according to the census, from 8,100 acres in 1900 to 33,606 acres in 1910; and in 1913, according to the Provincial orchard survey, to 38,200 acres, an increase in thirteen years of 372 per cent.; 73.6 per cent. of the trees are apples, and in 1910 the percentage of these of bearing age was only 28.3 per cent. The value of British Columbia fruits in 1900 was \$436,000, and in 1910, also according to the census, was \$1,000,335.

The Provincial Statistician in his report values the British Columbia fruit-crop, 1913, at \$1,022,216; the crop increased about 25 per cent. in 1914, but its total value was only \$996,071.

The Department of Agriculture has estimated that the capital directly invested in our orchard industry amounts to over \$20,000,000, while there are directly interested some 2,500 to 2,800 orchard-owners. The British Columbia apple-crop is steadily increasing in quantity: 1912 being 430,000 boxes; 1913, 477,000 boxes; and 1914, 685,000 boxes.

The statements of orchard areas and production show amply that all of Canada's apple consumption can readily be supplied from within our own borders. British Columbia has always looked to finding an ample market in Western Canada for the product of our rapidly growing orchards. The destructive and eminently unfair

American competition is the only essential reason why we should not get the market. It is true that we can market our apples by accepting low prices. But this means ruin to our growers, and the destruction of our orchard industry would be a serious thing for our Province. The orchard industry is a fundamental one, and it is of the greatest consequence to our mercantile life that it succeed.

If the failure of the fruit industry would be bad for British Columbia, it would be equally bad for the Prairie Provinces. British Columbia buys annually from the Prairies about \$12,000,000 of grain, flour, meat, hay, and other agricultural products. This is a valuable asset for the Prairies, especially Alberta. Interprovincial trade—trade within Canada—we all desire to foster. Its advantages are great, and the question, in this aspect, is a national one.

In another way, the consumers of the Prairies and of British Columbia are vitally interested in the success of our industry. The wholesale fruit trade is highly organized, and dominated by a powerful, almost monopolistic, organization, known as the Nash houses or the American ring. The supply of imported fruit in our markets and its price rests with the wholesalers. The records of the Department of Agriculture shows that, as long as there is no British Columbia fruit of any certain kind on the market, these houses hold down the importations and hold up the prices. British Columbia fruit brings down these prices at once, and the quantity increases. Were there no British Columbia fruit, the jobbers would join together to control entirely the supply of imported fruit, and increase the rate of their profits. The consumer would be handicapped permanently in his efforts to get a liberal supply of fruit at a moderate price.

The demand is for increased protection. This increase must be to the point of sufficiency—adequacy.

The present duty is 40 cents per barrel and 13½ cents per box. These figures were originally fixed by the rough-and-ready method of considering the quantity of the contents of the package—roughly, a barrel contains three times as much fruit as a box—without taking into consideration the quality and greater relative cost of production (as to packing and package) of the boxed article.

That the increase in the duty be adequate is essential. Ontario is responsible for the suggestion that the figures should be \$1 per barrel and 33½ cents per box. If \$1 be taken as the proper figure for the barrel, it should be 40 to 50 cents on the box. Meantime, to avoid possible contention, British Columbia would concede that 35 cents per box would be adequate.

The demand for an increase in the rate of the duty to the point of adequacy is in no sense revolutionary. It does not attack the existing principle or policy, and does not involve the adoption of a new principle. No new economic departure is involved.

The Dominion trade is under protection. The cardinal principle of Canadian fiscal policy is protection. Apply it properly; make it adequate. This principle involves such readjustment of the tariff from time to time as may be necessary to meet the requirements of industrial development.

Years ago there existed in the Niagara District of Ontario, in the grape-growing industry, exactly the same conditions as exist to-day in the apple-growing industry of Canada. As the direct result of the dumping in the Canadian market by the American immediately across the line at that point of the surplus of his stock, prices to the Canadian had declined to the point that the return did not cover cost of production, apart altogether from beginning to meet interest on capital outlay. The industry was ruined and in many cases actual abandonment of the land by the people had followed. A repetition of this disastrous result is not unlikely in British Columbia. To meet the necessities of the situation the Liberal Government of the time imposed a protective duty of 2 cents per pound on imported grapes. The Canadian industry immediately responded. There followed successful production of high-class fruit, with a living wage to the producer; the recovery of land-values, and the increased settlement and development of the district. To-day there is in Canada no agricultural district more substantially and successfully founded than the grape-producing district of the Niagara Peninsula. And be it noted that to-day the Canadian con-

sumer gets this fruit at an average price of less than the rate of duty, the fruit being sold at 1½ to 2 cents per pound. There has been no increase to the consumer in the price of the protected commodity.

The present condition of affairs is not in any way temporary. Rather will it go from bad to worse. It is true that the continued financial stringency, so vastly accentuated by the war, has affected the position, but that to the extent only of further reducing prices. That condition does not account for nor did it bring about American dumping.

The moment the Canadian producer had any appreciable quantity to put on his home markets, the American dumped his surplus in those of the Canadian markets he could reach. From year to year the Canadian product increases in bulk. From year to year the surplus of the American increases in bulk. Unless prevented, the American must dump an ever-increasing quantity in the future, even under normal financial and other conditions.

NOTE.—The Dominion Government still continues to urge fruit-growing in British Columbia as a good investment. (*Vide Fruit & Farm* of January, 1915, and other papers; e.g., "If you want a sure living," etc., "buy or rent a British Columbia fruit-ranch.")

The legislative Assembly of British Columbia having in view the critical situation of the fruit industry, on February 17th, 1915, passed the following resolution:—

"Moved by A. Lucas, seconded by Jas. Schofield,—

"That whereas the following conditions exist affecting the interests of the apple industry of Canada:—

"Between the years 1900 and 1910 the production of apples in the United States, in relation to demand, ensuring fair prices to producers:

"In 1914, the production, through the stimulation of success during the ten years mentioned, had increased nearly two and a half times. Almost one-half of this went into the ordinary commercial channels and much of the remainder went to waste, with the result of a disastrous decline in prices:

"The overproduction in apples in the United States had the effect of a large export of the surplus to Canada at prices at which the producers in the latter country could not profitably grow and market their fruit:

"These general conditions were accentuated in the territory of the North-west Pacific Coast:

"In the four States of Washington, Oregon, Montana, and Idaho the area of orchards and the production of apples have enormously increased during the past ten years, with the result that in 1914 the commercial output was 14,000 carloads. With the great area of orchards not yet in bearing, that production will steadily increase in a similar ratio:

"As a consequence of this increased production there was overproduction in 1914 and disastrous prices. Hundreds of car-loads of the surplus apples were shipped from these four States into Western Canada, upon which market British Columbia growers must mainly depend, at prices with which the latter cannot, without loss, compete:

"On account of this condition of affairs, although, as the result of rapid expansion of the orchard areas, the apple production in the interior parts of British Columbia was larger and better in quality than ever before, prices have been seriously depressed and the effect upon the industry has been equally depressing:

"And whereas, in view of such conditions, it is highly desirable to point out to the Federal authorities that—

"There is, in the existing circumstances of overproduction in the United States and unfair competition in the Canadian markets as a consequence, no prospect of betterment in the future:

"Western Canada is the largest and best market for British Columbia and Ontario apples, and has been supplied from as far east as Nova Scotia:

"The Coast Cities of British Columbia have been to a large extent supplied with apples from the States of Washington and Oregon at prices which completely discourage home production:

"British Columbia apples, as demonstrated by frequent awards in exhibition contests, are superior in quality to those of the Pacific Coast States:

"British Columbia buys annually from the Prairie Provinces about \$12,000,000 worth of grain and other agricultural products, and the destruction of the fruit industry in British Columbia would be largely injurious to Middle West commercial interests. The fostering of interprovincial trade, being one of the prime objects of Confederation, is vitally important to Canadian development:

"The wholesale fruit trade of the Pacific Coast States is highly organized as a combination of interests, and if the British Columbia industry were crippled the fruit markets of both British Columbia and the Middle West would be at their mercy:

"Canada has within her own borders an annual apple production ample to meet all her demands, and with the remarkable increase of output provided for and interprovincial competition, at prices just to the consumer:

"An increase in the protection afforded by the tariff to Canadian apple-growers would enable them to continue in an industry that is of immense consequence to the Dominion as shown by the value of annual apple production already reached:

"No new economic departure is involved, as the readjustment of the tariff from time to time to meet the requirements of the industrial development is the cardinal principle of Canadian fiscal policy:

"The grape-growing industry of the Niagara Peninsula of Ontario formerly suffered from conditions similar to those which affect apple-growing in British Columbia at the present time and was eventually ruined. The Canadian Government of ten years ago imposed a protective duty of 2 cents per pound upon imported grapes, and grape-growing was restored to prosperity and consumers have never yet since complained as to prices paid as a consequence:

"Therefore be it *Resolved*, That a humble petition be presented to His Honour the Lieutenant-Governor, requesting His Honour to urge upon the Government of the Dominion of Canada that the tariff schedule respecting fruits may be so amended during the next session of Federal Parliament as to afford increased protection necessary in the interests of the apple industry of the whole of Canada."

NOTE.—The resolution was prepared before the present session commenced, and the "next session" referred to is that now in session.

DEBATE ON MR. LUCAS'S RESOLUTION RE DUTY ON APPLES.

Mr. Alex. Lucas, M.P.P. for Yale, in moving the above resolution in the Assembly, stated that the case for the fruit industry was concisely and accurately outlined in the resolution. In this resolution it was aimed to place on record the views of the members in respect to one of the most important questions now confronting the country. In so doing there was involved no radical innovation or change in policy. Since 1878 the fiscal policy of Canada, under both parties, has been directed towards protection of Canadian industries, and the preservation of their products for Canadian markets. Delegations have frequently gone to Ottawa on such questions, and Provincial Legislatures have frequently passed resolutions in purport similar to this one.

The apple industry is now an important one in all parts of southern British Columbia, producing annually to the value of about \$1,000,000. The industry is fully justified by the demand for apples in Western Canada; and both Federal and Provincial Governments, in the expectation that, under fair competition, British Columbia apples would supply these requirements, had encouraged its development. But the great increase in production in the North-western States has materially modified conditions; these districts now using Western Canada (at a loss to themselves, it is true) as a dumping-ground for their large surplus not saleable in the United States. The fruit-jobbing trade use this surplus at low prices to hammer

down the price of all Canadian apples in the Prairies. It is true that this is felt most disastrously by British Columbia, but the apple industry of Eastern Canada is also suffering as a result.

As there is an increasing overproduction in the whole United States, as well as in the North-western States, the conditions are not likely to be more favourable in time to save our apple industry. And yet it is distinctly to the interest of the fruit consumers of Western Canada to foster British Columbia fruit-growing, for, as experience has shown, the highly organized fruit-jobbers maintain maximum prices on imported fruits whenever Canadian fruit is not available, and control the imports to that end. When our fruit is offered, however, they use the American surplus to compel disastrously low quotations, though the consumer does not by any means get the benefit he naturally expects under such conditions.

As to whether the consumers are willing to see the fruit-grower get a reasonable return for his labour, it is surely the case that they do so desire. They have not been made aware of the critical conditions existing, nor of the inevitable results of continued loss to the fruit-grower. At the same time, they have little reason to fear that prices for apples would be increased very materially. Our production is increasing so rapidly that any great increase in price is not possible, and if attempted would restrict consumption of apples and so defeat itself. Even if this were not the case, the interests of the consumer can always be safeguarded by further readjustment of the tariff. With every consideration for the interests of the consumer, it is entirely proper to ask your favourable consideration for this resolution.

Mr. Parker Williams (Socialist), Leader of the Opposition, contended that if the farmer of British Columbia could not raise apples in open competition they should turn their attention to some other line of activity. The trouble was, in his opinion, the initial cost of growing fruit. Farm machinery paid from 17½ to 22 per cent. duty, while other classes of machinery came in free. His remedies for the situation were the enforcement of the dumping clause, the invoking of the Railway Commission on rates, and putting farm machinery on the free list.

Sir Richard McBride, Premier, as reported in the *Vancouver Province*, said that he had followed the remarks of the member for Newcastle very closely because he had been interested to see how he would justify his proposed amendment. He had apparently been very anxious to treat this House to a long dissertation of free trade. As that subject had been from time to time passed by the electors of the country, they could very well dismiss it, taking it for granted that the country as a whole was for protective tariffs. The member for Newcastle had tried to show that what was at the bottom of the difficulty in the fruit industry was the tariff on machinery. By a very clever and interesting argument he had tried to induce the House to believe that the industry was not fairly treated when a duty was placed on farm machinery and mining machinery, for instance, was allowed to come in free. This was a grossly unfair comparison. Mining machinery and other machinery came in free in cases where it was not manufactured in the country, while agricultural machinery was made in a large way in Canada, and even British Columbia had small beginnings now of an industry to make agricultural implements.

There was no free-trade party in Canada to-day in any event. The same policy was in force when the Liberals were in power as when the Conservatives had been, and the same was true to-day, now that the Conservative Government was again in power at Ottawa. In his opinion, he said, the fiscal policy of the Dominion regarding the apple industry might well be revised. He referred to the recent convention of leading fruit-growers, which he had attended, and they had taken a strong stand on the subject, being practically unanimous, and there was no party politics in it, as Liberals and Conservatives were as one on the matter. In this Province apple-production was a young, important, and growing industry and needed considerable paternal aid on the part of the Government to protect it in the varying experiences of good and bad crops, favourable and unfavourable market conditions, and they always had the freight troubles to contend with and endeavour to adjust. The fruit-growers had a perfect right to look to the Government for assistance. A few days ago, in their convention, they had made out a strong case. For some time

past they have been making strong representations, even sending a delegation to Ottawa, and now he understood the Eastern growers, especially Ontario, which is nearer the market in the North-west, were in line with the idea of securing some adequate protection. He felt the Legislature should be prepared to fall in line with the movement, especially as they had the assurance from the growers that the price to the consumer would not be raised as a result of the increase of tariff on apples. If so, he could not see why there would be any objection at Ottawa. If the way was clear, there should not be much difficulty in adjusting the question. He thought now was the time to act. The industry has been passing through a period, in the past two years, which did not show the profits the growers were entitled to. Just now the cry all over was, to help the producer, to assist anything that would develop production from the land. Therefore the Legislature should strain a point in this question, and should support the resolution of the member for Yale.

Referring to the Fruit-growers' Association, he said it was a non-political body, very earnest, very anxious to promote their industry. The individual members came here from all parts of the Province at their own expense, though times were hard, and with practically unanimous voice they had adopted a statement similar to that in the resolution. He thought the condition of the fruit market was a strong case, a clear-cut situation, and there was no reason why the House should not strongly support the resolution. He suggested to Mr. Williams that he withdraw his amendment, and later bring it in as a substantive resolution, when, if he could show the House it was in the best interests of the industry, "I am the last man," said the Premier, "to stay the hand of the honourable member. Let us make a strong case of this question of the apple industry."

Sir Richard concluded by questioning if the member for Newcastle had not been guilty of gross neglect of the farmers' interests if he had never discovered the serious conditions he now complained of, until the member for Yale had brought in the resolution. If he was anxious to make a case on the matters contained in his amendment, let him bring it in separately, "and we will all back him up." As it was, he did not wish to see the main issue clouded when such strong pressure was being brought to bear from all quarters to secure the revision of the tariff on apples. He concluded with a word of praise for the excellent work done by the member for Yale in preparing the resolution, the preamble of which made the whole case so clear.

Dr. McGuire, Vancouver, objected to it as a recommendation for legislation. It might have the effect of increasing, rather than decreasing, the cost of living. In his opinion the real question was one of transportation.

*Victoria, B.C.,
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