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OFFICE OF SECRETARY
ECONOMIC & DEVELOPMENT
COMMISSION, OTTAWA, CANADA

THE APPLE INDUSTRY of BRITISH COLUMBIA

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A Memorandum, with Summary,
December 9th, 1915

Setting forth the Present Condition and Prospects of the Apple
Industry of British Columbia, particularly with
respect to Foreign Competition

Prepared at the Request of the Economic and Development
Commission of Canada (Senator J. A. Lougheed, Chairman)

Laid before the Commission as a Preliminary Statement of a
Case for their Investigation

Prepared by the Executive of the British Columbia Fruit-
growers' Association



THE GOVERNMENT OF
THE PROVINCE OF BRITISH COLUMBIA

VICTORIA, B.C.:

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634.11
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Per Band

1²⁵ A.S.

2⁰⁰ Cent

3⁶⁰ in B.C.

THE BRITISH COLUMBIA FRUIT-GROWERS' ASSOCIATION

The British Columbia Apple Industry.

A SUMMARY OF CONDITIONS.

(Submitted by the Executive of the British Columbia Fruit-growers' Association, December 6th, 1915.)

1. The apple industry of British Columbia is in a most unsatisfactory condition. The growers are in very bad shape financially, largely as a result of low returns on their fruit, and are generally discouraged over results in the past and the prospects for the future.

GROWTH OF BRITISH COLUMBIA INDUSTRY

2. The industry is of recent development. In 1891 there were about 350,000 trees (Provincial Horticultural estimate), which increased to only 436,644 trees by 1901 (Census), and by 1913 (Provincial Statistician) these were increased to 2,291,173 trees, or about 30,000 acres.

The total production in 1900.....	221,294 bu. (Census).
The commercial production in 1912...	430,000 boxes (Prov. Hort.).
" " " " 1913...	477,000 " " "
" " " " 1914...	685,000 " " "
" " " " 1915...	787,750 " " "

In 1915 approximately 40 per cent. of the trees planted are in bearing or partial bearing.

NATURAL CONDITIONS AND MARKETS FAVOURED A BRITISH COLUMBIA APPLE INDUSTRY.

3. The general range of apple prices in the 1900-09 period was high the continent over. The rapidly increasing population of Western Canada was faced by limited supplies and high prices. At the same time, the apple-producing possibilities of British Columbia were being demonstrated. All conditions favoured orchard-planting, and it was encouraged by both Federal and Provincial Governments to supply the Prairie and British Columbia markets.

SELLING BELOW COST.

4. Costs of production increased and selling-prices decreased, so that, on an average of recent years, the British Columbia apple-crops have been sold at a loss to the grower. The average f.o.b. selling-price of No. 1's, 2's, and 3's, 1912-15, is under 90 cents a box.

NO OVERPRODUCTION.

5. Yet there has been no overproduction in British Columbia. Western Canada is importing annually about 1,000 car-loads of American apples. Our plantings are well calculated to meet the demands of our markets when all the trees are in bearing.

NO TRANSPORTATION HANDICAP.

6. We are under no handicap as to transportation rates and service.

MARKETING METHODS EFFICIENT.

7. Our packing and marketing compare very favourably in efficiency and economy with those of other apple-growers. Growers control associations or concerns handling over 85 per cent. of the crop. Our picking, packing, and selling are performed at low rates and with a high degree of efficiency, considering our high costs of labour and materials.

DISTRIBUTION COSTS REASONABLE.

8. The distribution of our crop in the markets is done under high charges. The same or higher charges are made on imported apples. The charges, however, are not much different in similar sections, such as the Dakotas, in which the cost of doing business is also great.

FOREIGN COMPETITION THE TROUBLE.

9. Our great difficulty lies in the character of the American competition, from the State of Washington particularly. The North-western States have apples to supply the entire demand of our markets.

The approximate 1,000 car-loads sent annually to Western Canada affect our outlets and distribution. But these imports, considerable as they are, do not even suggest the extent of the competition or its character.

MARKETS DOMINATED BY AMERICAN QUOTATIONS.

10. Our markets are flooded throughout the season by the lowest American quotations going. It is practically unknown to make a sale of British Columbia apples until the buyer is fully satisfied he cannot possibly do better on foreign offers. We are compelled to meet and often to go lower than the quotations of both the most incompetent and the most aggressive of North-western shippers. The American quotations absolutely set the market for British Columbia apples, and they are the dominating feature of that market.

COMPETITION MOST UNFAIR AND DESTRUCTIVE.

11. American competition is not ordinary competition. It is of a character that could not obtain in manufactured articles. It is competition of the most unfair and destructive character, and promises to continue so.

CONDITIONS IN APPLE DISTRICTS OF NORTH-WESTERN STATES.

12. The North-western States have planted enough apples to supply their markets several times over. Their product has not, for years past, been sold to average the cost of production. The greater part of their orchards must be cut out. Of the 550,000 acres reported to have been planted, 75 per cent. or more must go under to enable the balance to survive. The growers are in bad shape financially and most of them utterly discouraged; the majority have no hope of success. Liquidation is the order of the day. In four years ending 1915 the average selling-price, according to their own authorities, has been over 20 cents a box below average cost of production.

COMPETITORS QUOTE AND SELL TO CANADA 40 CENTS BOX BELOW COST.

13. They use Western Canada and similar agricultural sections in the United States to get rid of their low-grade apples. Eighty-five per cent. of their shipments to Canada are "C" grade, about equal to our No. 2. The average f.o.b. selling-price of North-western apples shipped to Canada in the past four years is under 70 cents a box, showing a loss of nearly 40 cents a box under average cost of production. It is under such conditions that we have marketed, and must continue to market, 90 per cent. of our crop.

In 1914 many of the "C" grade apples shipped into Western Canada were forced on the market, on consignment, on a guarantee of 30 cents a box. In 1915 a con-

siderable percentage of the shipments were worm-stung or wormy apples, in bulk, at a nominal f.o.b. price of 45 cents per 100 lb., equal to 20 cents a box.

OUR COST OF PRODUCTION HIGHER THAN COMPETITORS.

14. Our cost of production is higher than in Washington and Oregon. For the last four years our labour has averaged 10 to 20 per cent. higher than in Washington and Oregon, and the various materials entering into apple production—spray equipment and material, lumber, box materials, nails, fruit-paper, implements—cost us about 25 per cent. more. The cost per box in the four North-west States is \$1.0677, as averaged by Professor Lewis (O.A.C. Bull. 134).

The liquidation in the apple industry south of the line will continue for some time. Estimates are that they had about 48,000 acres in bearing in 1913, and will have 130,000 acres in 1916. If present plantings are moderately cared for, they will have, in 1920, 208,000 acres of trees six years old and over. This estimate requires that the balance of the 550,000 acres estimated to have been planted will be destroyed or so neglected as to be unproductive. Inevitably the greater part of the orchards will be absolutely unremunerative.

The prospective crops for the next few years show that our competition will continue to be of a destructive character.

CONDITIONS IN 1916 REQUIRE PROMPT ACTION.

15. There is every reason to believe that the 1916 crop in the North-western States will be at least double the 1914 crop, or treble that of 1915; we are advised that the growers and their selling agents generally despair of successful marketing; that, in fact, the conditions of 1914, bad as they were, will be reproduced in greater intensity next year.

The destructive and unfair features of their competition in our markets in past years are likely to reach a new high record of consignment on minimum guarantees, or on no guarantee at all. We have much reason to fear the effects of exceedingly low returns on the British Columbia growers. We accordingly most strongly press on the attention of the Commission that it is of the greatest importance that early action be taken to adequately protect our legitimate markets.

MEMORANDUM.

The Apple Industry in British Columbia.

(Prepared for the Economics and Development Commission.)

December 8th, 1915.

INTRODUCTION.

1. The apple industry of British Columbia, notwithstanding the favourable natural conditions of production and markets which called it into being, is in a most unsatisfactory condition. While the growers generally have pursued their vocation energetically and have successfully produced and shipped good crops, the average cost of production, despite every effort towards its reduction, has been considerably higher than the selling-prices. The growers have also created, and are operating with efficiency, marketing organization second to none in the apple business, and are getting from their produce, as a rule, all the market will allow. As a result of conditions beyond their control, they are generally discouraged over the past results and the prospects for the future. It is needless to add that the majority are in bad shape financially.

This memorandum is presented with the request that the Commission will investigate the situation with a view to its amelioration.

ACREAGE AND PRODUCTION OF BRITISH COLUMBIA ORCHARDS.

2. The British Columbia fruit industry is of comparatively recent growth, as shown by the following statement:—

Year.	No. of Trees.	Increase.
		Per Cent.
1891 (estimate of Provincial Horticulturist)	Not given, about 450,000	...
1901 (Census)	649,001	32
1911 (Census)	2,677,486	312
1913 (Provincial Statistician, Bulletin No. 59)	2,978,993	11

The production of tree-fruits and the value are returned as follows:—

Year.	Quantity.	Value.	Increase in Quantity.
	Bu.		Bu.
1890 (Census)	122,120
1900 (Census)	343,533	\$ 436,000	221,413
1910 (Census)	789,739	1,000,335	446,206
1913 (Provincial Statistician, Bulletin No. 59)	570,924	803,419	218,815*
1914 (Provincial Horticulturist, Crop Returns)	850,601	996,071	289,683†
1915 (Provincial Horticulturist, Crop Returns)	953,700	1,325,357	103,099†

* Decrease. † Increase.

NOTE.—The census figures include all production. Provincial records are based on commercial movement, and do not include fruit used or canned at home, etc. There was actually a considerable increase from 1910 to 1913.

In 1915, 60 per cent. of the trees planted are still not yet of bearing age.

Of the total trees in 1913 (2,291,173), 77 per cent. were apples, and of the total production in 1915, apples constituted 71 per cent. Apple production is, therefore, and promises to continue, the main feature of our fruit industry. The apple industry has particular difficulties in respect to American competition, and this memorandum will deal only with apple production.

NATURAL CONDITIONS AND MARKETS FAVOURED BRITISH COLUMBIA APPLE INDUSTRY.

3. Apple production in America was comparatively smaller, and consequently prices were better, in the decade 1900-10 than in the previous decade. No similar records are available for Canada, but the general trend of production was similar. The census shows that Canada produced 18,626,186 bushels of apples in 1901, and 10,652,966 bushels in 1910, a decline of 43 per cent.

During the same period (1900-10) there was a great immigration to Western Canada, and this rapidly increasing population, urgently requiring fruit, was faced by limited supplies and high prices. At the same time, a number of widely scattered orchards in British Columbia, especially in the Southern Interior, were demonstrating that large crops of fine apples could be readily produced. Near markets at good prices made apple-orcharding especially attractive.

NUMBER OF APPLE-TREES.

4. These obvious conditions justified the development of an apple industry in the suitable sections of British Columbia, and with the specific advice and endorsement of the Federal and Provincial Governments heavy plantings were made, especially during the period 1904-10. The number of apple-trees increased as follows:—

Year.	Trees.	Increase.
		Per Cent.
1891 (estimate of Provincial Horticulturist)	About 350,000	...
1901 (Census)	436,644	24
1911 (Census)	1,976,425	352
1913 (Provincial Statistician, Bulletin No. 59).....	2,291,173	15.9

INCREASE IN PRODUCTION OF APPLES.

5. Actual production showed little increase until about 1910, as apple-trees take practically eight years to reach the point of commercial bearing. Since then the increase has been rapid. The yields in boxes, and their equivalent in car-loads, of commercial apples, 1910-15, are shown:—

Year.	Boxes.	Car-loads.
1910	210,000	350
1911	250,000	417
1912	430,000	716
1913	477,000	795
1914	685,000	1,142
1915	787,750	1,313

INCREASE IN COSTS WITH LOWER PRICES.

6. There has been an increasingly higher standard of grading and packing, enforced by both Federal and Provincial legislation, regulation, and inspection, materially increasing the cost of production and packing; coincident, too, there was a

large increase in the cost of labour and a general increase in the cost of living and orchardists' supplies. These two factors materially increased the cost of both growing the orchard and handling the fruit.

Since 1910 the average selling-price has decreased, and since 1911 has averaged considerably below the average cost of production. Most of the growers are in a bad state financially, and there is general discouragement over the outlook.

ARE OUR MARKETING METHODS ADEQUATE?

7. Our marketing methods have steadily improved and kept pace with our development in production. Eighty-five per cent. of the crop is marketed by co-operative or other concerns controlled by the growers. The average cost of picking, packing, and selling a box of British Columbia apples has been reduced, and is about 48 cents in 1915. The average in the North-western States, according to Professor Lewis's survey, is 47.57 cents. In Ontario good authorities state that the average cost of picking, packing, and selling a barrel of apples (which equals three boxes) in which the apples are not graded for size, individually packed or wrapped in paper, is \$1.20. When British Columbia's high costs for labour, boxes, paper, nails, etc., and the high standard of our packing and selling organizations are considered, there is evident a very high degree of economy in the operation of our harvesting and marketing.

NO TRANSPORTATION HANDICAP.

8. We are under no handicap in respect to transportation rates or service. Tables of rates from the apple districts of British Columbia, the North-western States, and Ontario, to the principal marketing centres of Western Canada, will be laid before the Commission.

DISTRIBUTION COSTS REASONABLE.

9. The costs of distributing fruit in Western Canada, including brokerage charges, jobbers' margins, and retailers' margins, have been searchingly investigated on behalf of our growers. We find that the charges, which are high compared with Eastern charges, are equally high in the handling of imported fruit, often higher. The charges are about the same as in similar territory, the Dakotas, Montana, etc., on the American side. Western Canada is an expensive territory to do business in. At any rate, the question of price is determined in our experience by the laid-down cost of competitive fruit, and not by the cost of distribution, which is apparently borne by the consumer.

WESTERN CANADA OUR MARKET.

10. The British Columbia apple-crop depends for its market almost entirely on Western Canada. In 1915, 30 per cent. was consumed in British Columbia, 60 per cent. in the Prairies, and 10 per cent. in other markets, mainly Australia and New Zealand. The export market requires special sizes and varieties, in special months, and the percentage of this outlet cannot be materially increased.

NO OVERPRODUCTION IN BRITISH COLUMBIA.

11. Our apple-crop is still, however, far from supplying the demand of our home market, Western Canada. British Columbia imported 334 cars of American apples in 1914, and nearly as much in 1915; the Prairie Provinces imported 595 cars of American apples in 1914, and greater quantity in 1915. *There has been, therefore, no overproduction in British Columbia.* The present demands of our home markets and the normal expansion with increase of population would appear to warrant our present apple production and its prospective increase; provided always that the fruit can be marketed without unfair competition.

	Car-loads.
12. In 1915 we produced	1,313
In 1915 we exported	130
	—
Balance consumed in Western Canada	1,183
In addition, foreign imports into Western Canada, 1915	900
	—
	2,083
In five years Western Canada may increase its box-apple demand by 50 per cent., or	1,040
	—
Giving us an outlet for	3,123
Our exports may equal then (increase 50 per cent.)	195
	—
	3,318
Our production five years hence, at present rate (40 per cent. of our trees now producing 1,313 cars)	3,273
Our plantings, then, agree closely with our expected outlet.	

FOREIGN COMPETITION IS THE DIFFICULTY.

13. Our markets in Western Canada are supplied, to a considerable extent (an average of 32.6 per cent. in 1913 and 1914), by apples from the North-western States. Such importations materially affect our prices and distribution, especially as the North-western States are ready to supply the entire demand. The actual imports do not, however, even suggest the extent of the competition, nor its character.

MARKETS DOMINATED BY AMERICAN QUOTATIONS.

14. Our markets are flooded throughout our marketing season by American quotations, submitted by mail, telegraph, and personal representatives. The lowest quotations going are urged on the jobbers. It is practically unknown to make any sale of British Columbia apples without studied reference to foreign offers. The telegraph files of any jobber or broker will show conclusively what a dominant feature of apple-marketing the American quotations are. The foreign competition is actually the one dominating feature of the situation. Practically no sale of British Columbia apples is made until the buyer is fully satisfied that he cannot possibly do better on imported fruit.

American competition, in price quotations, absolutely sets the prices and the market for British Columbia apples.

AMERICAN COMPETITION MOST UNFAIR AND DESTRUCTIVE.

15. The existence of ordinary trade competition is a normal factor in the sale of most commodities. But the market condition confronting the apple-grower is not one of ordinary trade competition. On the contrary, our competition is of the most unfair and destructive character, and promises to continue so.

COMPETITORS ARE LIQUIDATING.

16. The underlying reasons for this condition are three—the overproduction, disorganization, and general financial condition of the apple industry of the North-western States.

COMPETITORS SELLING BELOW AVERAGE COST.

17. The North-western States are selling their whole crop, on an average, much below average cost of production. The average cost (Professor Lewis's survey) is \$1.9677 per box. The average selling-price, for all apples shipped, for four years past is about 85 cents, showing a net loss per box of 21¾ cents. They sell below

costs for many reasons, mainly beyond their control. Statistics show that the United States, as a whole, has entered upon an era of large crops in excess of the normal market demands.

NORTH-WESTERN STATES HAVE OVERDONE IT.

18. It is admitted that in the North-western States plantings have been beyond all prudence, and these are now coming into bearing. The United States Census shows as follows:—

Washington, Idaho, Oregon, Montana—	
Trees in 1910, bearing	6,741,671
" " non-bearing	9,951,300
<hr/>	
Total	16,692,971
<hr/>	
Yield in 1899	1,870,559 bu.
" 1909	5,830,039 "
An increase of 212 per cent.	

State authorities say that over 550,000 acres have been planted to apples, largely in the period 1904-12. Over half of this area is so unfavourably situated, or has already been pulled out, or so neglected, that it does not figure in production estimates. Their acreage in bearing (five years old and over) in 1913 was estimated at 48,000 acres, and there were shipped 8,500 cars.

TREMENDOUS OVERPRODUCTION IN NEXT FEW YEARS.

19. In 1916 the acreage five years old and over will be 130,000 acres, and the most conservative production estimates call for 23,850 cars, while other estimates go as high as 33,850 cars. These estimates were accepted by the North-west Growers' Council in general meeting recently. In 1920 it is estimated that present trees, if properly cared for, will represent 208,300 acres, which would yield, at the same rate as the minimum 1916 estimates, 38,215 cars.

These figures show graphically the reasons why their prices have been unsatisfactory. They also show that, until the greater part of their good trees have been neglected or destroyed, with the huge losses that process entails, their prices will continue unremunerative. The apple industry of the North-western States is, briefly, entering a period of contraction involving very great hardship and privation to those who have gone into it. The industry is bankrupt. Liquidation is evidenced by the statement that there were 176 foreclosures on orchard properties in Yakima County, Washington, one of the best districts, this year. Professor Thorner stated at the Washington State Horticultural Society Convention recently, after a survey of one of the biggest and most suited orchard sections, that 75 per cent. of the growers had made no money for the past three years, and 90 per cent. would gladly sell out at any reasonable figure.

COMPETITORS DUMP "C" GRADE APPLES INTO CANADA 40 CENTS BELOW COST.

20. Not only have our North-western competitors been unable, despite the most strenuous efforts, to make their average price equal to the cost of production, but their average selling-price to Canada has been still lower. They can survive only by securing good prices for the higher-grade apples in the more discriminating Eastern markets. Western Canada, like other agricultural sections, is not a market for the best grades; our markets want about 75 per cent. of the cheaper grades. Of the imports, 35 per cent. is "C" grade, which is their lowest shipping grade, about equal to our No. 2. In such markets it is the practice of the North-western shippers to dispose of or dump the "C" grade, keeping the big Eastern markets clear for the premium grades, out of which they must make their returns. The average f.o.b. price of all North-western apples, including "Fancy" and "Extra Fancy," into Canada for

four years past is under 70 cents per box, or over 37 cents below average cost of production. Often these "C" grade apples are shipped across the line on consignment for what they will fetch. In 1914 they were shipped over on a guarantee of 30 cents per box f.o.b., or at 28 per cent. of the average cost of production. The main thing was to get them out of the way. In 1915, a short-crop year, they shipped many car-loads of wormy or worm-stung apples in bulk to our Prairie markets, some at a nominal price of 45 cents per 100 lb., which even then was not in some cases finally secured. One shipper stated recently that, for a total of such sixty cars, besides losing the fruit and all expenses, he finally had a net loss of \$3,600.

It is under such conditions that we have to market the greater part of our crop.

DUMPING WILL CONTINUE.

21. The "sloughing-off" of low grades of North-western apples in Western Canada, as it has been, and for some years at least will be carried on, constitutes destructive competition of a particularly vicious kind.

OUR BASIC COSTS MATERIALLY HIGHER.

22. Our costs of production are considerably higher in British Columbia than in the North-western States. The average cost per box in British Columbia under an average of good conditions is about 15 to 20 per cent. higher than in the North-western States. Our orchards have been in bearing for so short a period and our industry is so recent in development that accurate records are few. The question can be approached more readily from another view-point, one which eliminates the question of relative efficiency in production, in which we perhaps have more to learn than our competitors. We can compare the costs of the basic factors of production in British Columbia as against the North-western States. In so doing, we find that our labour for four years past averages 10 to 20 per cent. higher in cost; and our materials, such as spray machinery, spray materials, implements, horse-feed, lumber, box materials, wrapping-paper, nails, nursery stock, and the cost of boarding help, average about 25 per cent. higher than in Washington and Oregon. These results of our investigation have confirmed the cost records made on a number of orchards. Our high costs are not due to inefficiency or to unfavourable soil or climate conditions, but to economic conditions general to British Columbia.

CONDITIONS IN 1916 REQUIRE PROMPT ACTION.

23. There is every reason to believe that the 1916 crop in the North-western States will be at least double the 1914 crop, or treble that of 1915; we are advised that the growers and their selling agents generally despair of successful marketing; that, in fact, the conditions of 1914, bad as they were, will be reproduced in greater intensity next year.

The destructive and unfair features of their competition in our markets in past years are likely to reach a new high record of consignment on minimum guarantees, or on no guarantee at all. We have much reason to fear the effects of exceedingly low returns on the British Columbia growers. We accordingly most strongly press on the attention of the Commission that it is of the greatest importance that early action be taken to adequately protect our legitimate markets.

CANADA ALREADY HAS PRODUCTION IN EXCESS OF DOMESTIC DEMANDS.

24. Canada is recognized as one of the principal apple-producing countries. Our exports to Great Britain are about equal to those of the United States.

If imports of apples were prevented for any reason, Canada is able to supply the entire domestic demand and still have a large exportable surplus.

The situation as to Canadian exports, and imports into Canada, for the last six years is shown by the Department of Trade and Commerce, as follows:—

CANADA'S IMPORTS AND EXPORTS OF APPLES, 1909-14.
(Reports of the Department of Trade and Commerce, Ottawa.)

Year.	IMPORTS.		EXPORTS.		NET SURPLUS.
	Barrels.	Value.	Barrels.	Value.	Barrels.
1909	56,763	\$ 225,850	1,092,066	\$2,804,087	1,035,303
1910	59,071	261,792	1,604,477	4,417,926	1,545,406
1911	150,961	487,516	523,658	1,756,884	372,697
1912	195,069	681,086	1,664,165	5,104,107	1,469,096
1913	320,325	857,134	1,324,769	4,047,806	1,004,444
1914	330,907	1,104,302	947,382	3,465,475	616,475
Average	185,516	\$ 602,946	1,193,752	\$3,509,380	1,007,236

In 1912 and 1914 a large part of the apple-crop of Western Ontario, between 30 and 45 per cent., according to the Fruit Branch at Ottawa, was not harvested at all. The situation as shown is more than a problem of British Columbia alone. It is of national significance.

(Signed on behalf of the Executive, British Columbia Fruit-growers' Association.)

W. CRAWLEY RICARDO,

President.

R. M. WINSLOW,

Secretary.

Victoria, B.C., December 8th, 1915.

NOTE.—The above is, as stated, only a preliminary draft of our case. A series of tables, showing acreages, production, prices, costs of production, fruit consumption in Western Canada, etc., are being prepared. These will be laid before the annual meeting of the British Columbia Fruit-growers' Association in February. You will note, further, that no argument is included. This, too, will be prepared by your Executive and laid before you at the annual meeting.

VICTORIA, B.C.:

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