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HORTICULTURE MARKETS INFORMATION

FOB's & Weekly Shipments

OVERVIEW

The Canadian horticultural industry has been provided funding from Agriculture and Agri-Food Canada to assist in improving horticultural markets information for the horticultural sector. The project is sponsored by the Canadian Horticultural Council, Canadian Produce Marketing Association and the Fruit and Vegetable Dispute Resolution Corporation who have come together to form the Fresh Produce Alliance (FPA).

The goal of any markets information system is to help users set a realistic price for the products they have for sale. Prices are determined by supply and demand. A producer's success in marketing depends upon a clear understanding and analysis of the role of supply and demand. Price should be determined at the point of equilibrium between supply and demand.

In real life, supply is controlled by the producer-seller and demand is regulated by the buyer. Price is determined, through negotiation, when the two parties have agreed on a price. Many factors affect the negotiation as each side attempts to tip the balance in its favour by providing information that will influence price. Conditions of supply or demand affect this information. An imbalance of information between the seller and buyer can drive price higher or lower. *This situation emphasizes why marketers need information on markets that is reliable, and that does not come from the buyer.*

This project will provide marketers with knowledge on weekly shipments to combine with reports on storage volumes that can be used when planning sales and pricing strategies.

Having an accurate and reliable database of market prices and shipment volumes will allow marketers to investigate price – volume relationships to assist in forecasting with greater accuracy the impact a change in volume has on price.

How Can it Help?

PRICE DETERMINATION

- Weekly FOB prices can help marketers negotiate the best selling price for their product by knowing the true average weighted prices for a particular market.
- Growers / Marketers will be able to gauge their own pricing in comparison with market averages.
- Market price trends can be analyzed in great detail either daily, weekly, monthly or annually. Annual comparisons of price drops and increases based on the past history of storage holdings and weekly shipments provide marketers a means to forecast this year's prices.
- Without access to accurate and reliable market pricing information, growers / marketers may be selling product below what the market is willing to accept.
- Allows for reliable and accurate comparison of average FOB prices in different provincial, U.S. and export markets.

Marketers will have to defend the price they have determined by using all of the information on supply and demand available. The more fact-based those arguments are, the more likely the marketer is to obtain that price.

WHAT IS AN F.O.B. PRICE?

FOB (FREE ON BOARD) PRICE – the shipping point price for graded and packed product ready for shipment on the *seller's dock*; this does not include pre-determined or forward pricing, e.g. contract pricing. The FOB price does not include any logistics costs, i.e. it does not include the supply chain costs associated with the movement of product from the place it is packed and loaded to the customer's requested delivery destination.

SHIPMENT – a load of product becomes a shipment when it has been packed for end use for delivery to a food service, wholesale or retail buyer and has left the seller's dock. Shipments are only reported for fresh market by intended use. (i.e. food service, wholesale, retail) and *does not include deliveries between packers.*





SUPPLY AND INVENTORY MANAGEMENT

- Knowing the weekly volumes being shipped into the market can help you forecast future market supply conditions and adjust your sales strategies to take advantage of market supply gaps or minimize exposure to an oversupply situation.
- Using historic market supply trends combined with the knowledge of current storage holdings can help you plan the most effective timing for promotions that maximizes value received for the product.
- Example: If historic volumes show that demand for apples slows in February, the slow down in demand may prove as an opportunity to focus on in-store promotions to encourage immediate consumption and reduce current inventories, and in the process help firm up demand and pricing for the future.

EVALUATING THE COMPETITION

- Every time you make a sale, you have to evaluate the competition whether it be local or imported product. When evaluating the competition, factors such as point of origin, volume, quality, variety, transportation, promotional campaigns, government support, local living conditions, and the normal local and export markets of external producers must be considered.

BUYERS AND MARKETS

- Every buyer operates in an environment that we call a market. Markets are made up of different clients who have different needs. The practices in a market in Montréal may be different than Toronto. For example, in Montréal, large cabbages are sold in bags, while in Toronto they are sold in cartons. Any company wishing to sell beyond a local market must offer buyers products that respond to these different market conditions.
- A product offered in a market where there is no consumer demand will lack interest from buyers, and even if a transaction is completed, it will be done at an unsatisfactory price. In this situation, both parties lose time and money and there is a loss of confidence on both sides.

EXTERNAL SALES

- For Canadian marketers, export sales are increasingly destined to the United States and beyond. A marketer's asking price in these export markets must be similar to prices in that particular market. A price that is too low may lead buyers to doubt the quality of your produce. A price that is too high may result in a failed sale.

THE START AND FINISH OF THE PRODUCTION SYSTEM

- Producers need to inform buyers as accurately as possible of their expected volume of produce and the delivery period so the buyer can progressively reduce or increase purchases from other production areas, e.g. imports.

POLICY AND PROGRAMS

- Provides Canadian government agencies with reliable data that is used in the creation of policies and programs for the benefit of Canadian producers and marketers, e.g. Growing Forward.
- Is used in evaluating programs that will help maintain the viability of the horticultural sector through marketing initiatives and producer payments including recommendations for the Advance Payments Program (APP).
- Based on export figures, the Canadian Food Inspection Agency (CFIA) can determine the relative importance of various markets and then focus efforts on maintaining key export markets with respect to phytosanitary issues.
- Storage data is used in conjunction with Statistics Canada to determine farm value.
- CFIA uses the value of industry imports and exports to respond to requests from foreign countries for information to support a pest-risk analysis on the importation of Canadian fresh produce.
- In times of crisis, such as the intrusion of damaging pests or diseases, storage holdings can be used to estimate potential compensation payments if product needs to be destroyed.





The Project – How Does it Work?

When shippers agree to become a member of the Fresh Produce Alliance “data pool”, the member’s packing plants agree to report sales and shipping data to the FPA marketing data base or “data pool”. All data is securely held and kept confidential. No customer specific volumes or pricing data will be disclosed.

The collected data is aggregated and reported back to all “data contributing” members of the pool. Reports will provide comparisons

of the participant’s weighted average FOB price with the weighted average FOB price in various geographic locations. Weekly shipments will also be tracked and compared to previous weeks, months and eventually years.

Only limited information is exported to Agriculture and Agri-Food Canada’s website, *InfoHort* (see page 6).

Shipments

Usage

About

LogOut

Weekly Prices Summary for Apples

Date:

Tuesday February 5th, 2008

Destination:

National

Week Ending:

02-FEB-2008

Refresh

of Rows to Display

20

0 = All

Submit

Reset

Our Price (CDN)

Market Price (CDN)

Variety	Grade	Package	Low Price	High Price	Weighted Avg	Volume	Low Price	High Price	Weighted Avg	Volume
EMPIRE	CANADA FANCY	88	24.00	32.00	28.00	230	24.00	32.00	28.00	300
EMPIRE	CANADA FANCY	8/5lbs	24.00	32.00	28.00	22	24.00	32.00	28.00	345
EMPIRE	CANADA FANCY	12/3lbs	24.00	32.00	28.00	45	24.00	32.00	28.00	22
MCINTOSH	CANADA FANCY	CELL PACK	14.00	20.00	14.50	345	12.00	23.00	15.00	230

Records: 4

No Data

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Prices	Shipments	Usage	About	LogOut
Weekly Prices Detail for Apples				
Variety:	EMPIRE			
Grade:	CANADA FANCY			
Package:	88			
Week Ending:	02-FEB-2008			
Destination:	NATIONAL			
<div>Refresh</div> <div>Return</div>				
Price History				
This is Week 5				
Our Price				
	Low Price	High Price	Weighted Avg	Volume
Week 5-2008	24.00	32.00	28.00	230
Week 5-2007	15.00	20.00	17.00	250
Week 5-2006	12.00	17.00	15.00	300
Market Price				
	Low Price	High Price	Weighted Avg	Volume
Week 5-2008	24.00	32.00	28.00	3003
Week 5-2007	16.00	20.00	18.00	3000
Week 5-2006	12.00	18.00	16.50	2550
Current Week	No Data			
Weekly/Monthly History				
Year 2008				
Our Price		Market Price		
Weighted Avg	Volume	Weighted Avg	Volume	
Week 1	20.50	250	21.00	1000
Week 2	18.50	475	19.00	1900
Week 3	17.50	500	18.00	2000
Week 4	18.50	590	19.00	2323
Week 5	28.00	230	28.00	3003
Week 6	n/a	n/a	n/a	n/a
Week 7	n/a	n/a	n/a	n/a
Week 8	n/a	n/a	n/a	n/a
Week 9	n/a	n/a	n/a	n/a
Week 10	n/a	n/a	n/a	n/a
Week 11	n/a	n/a	n/a	n/a
Week 12	n/a	n/a	n/a	n/a
Year 2007				
Our Price		Market Price		
Weighted Avg	Volume	Weighted Avg	Volume	
Week 1	18.50	250	19.00	1000
Week 2	17.50	300	18.00	1200
Week 3	17.50	475	18.00	1900
Week 4	14.50	500	15.00	2000
Week 5	16.50	590	17.00	2323
Week 6	16.50	650	17.00	2600
Week 7	18.50	675	19.00	2700
Week 8	18.50	550	19.00	2200
Week 9	20.50	750	21.00	2500
Week 10	17.50	650	19.00	2400
Week 11	18.50	500	19.00	2500
Week 12	17.50	400	18.50	2550
Monthly Market Prices				
	Month	Weighted Avg	Volume	
	JAN-2008	16.00	20000	
	DEC-2007	17.00	21000	
	NOV-2007	18.00	20000	
	OCT-2007	17.00	19000	
	SEP-2007	15.00	20000	
	AUG-2007	n/a	n/a	
	JUL-2007	n/a	n/a	
	JUN-2007	n/a	n/a	
	MAY-2007	19.00	20000	
	APR-2007	19.00	22500	
	MAR-2007	18.00	20000	
	FEB-2007	17.00	19750	
Current Week	No Data			
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[Prices](#)
[Shipments](#)
[Usage](#)
[About](#)
[LogOut](#)

Weekly Shipments Summary for Apples

Date:

Tuesday February 5th, 2008

Destination:

NATIONAL

Week Ending:

02-FEB-2008

Refresh

of Rows to Display

20

0 = All

Submit

Reset

Last 8 Weeks										Year 2008		Year 2007	
Variety	02-FEB-08	26-JAN-08	19-JAN-08	12-JAN-08	05-JAN-08	29-DEC-07	22-DEC-07	15-DEC-07	Last 4 Wk	YTD	Last 4 Wk	YTD	
MCINTOSH	3305	2366	3299	3570	3240	2809	3490	2539	12540	15780	13000	14500	
CRISPIN	120	1230	1680	2020	900	580	1410	700	5050	5950	500	6040	
EMPIRE	7890	5690	8580	7880	6972	7500	7500	7590	30040	37012	30000	45000	
FUJI	n/a	n/a	n/a	n/a	n/a	100	450	950	n/a	n/a	n/a	n/a	
GALA	1000	1000	2000	2000	2000	2500	2500	2500	6000	8000	5675	7450	
OTHER	n/a	n/a	n/a	91	120	110	230	900	91	211	100	200	
Totals	12315	10286	15559	15561	13232	13599	15580	15179	53721	66953	49275	73190	

Records: 4

No Data

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Prices Shipments Usage About LogOut

Weekly Shipments Detail for Apples

Date: Tuesday February 5th, 2008

Destination: NATIONAL

Week Ending: 02-FEB-2008

Refresh

of Rows to Display 20 0 = All Submit Reset

Packaging

Note: All total volumes converted to 42 lbs.

Variety	Grade	12/3 LBS	8/5 LBS	4/8 LBS	4/10 LBS	TRAY PK 88 UP	TRAY PK 100/113	CELL PK	BULK HF BIN	BULK BIN	OTHER	TOTAL	% TOTAL	YTD	% YTD
EMPIRE	CANADA FANCY	500	50	0	0	200	200	200	200	0	30	2154	21.0	5000	19.6
EMPIRE	CANADA EXTRA FANCY	500	50	0	0	200	200	200	200	0	30	2154	21.0	5000	19.6
GOLDEN DELICIOUS	CANADA EXTRA FANCY	400	50	0	0	200	200	200	200	0	30	2068	20.1	2300	9.0
MCINTOSH	CANADA EXTRA FANCY	200	20	0	0	100	40	20	50	0	10	622	6.1	1400	5.5
RED DELICIOUS	CANADA EXTRA FANCY	400	120	0	0	250	250	250	250	0	20	2537	24.7	8000	31.4
SPARTAN	CANADA EXTRA FANCY	0	0	0	0	320	230	20	20	0	0	737	7.2	3750	14.7
Totals		2000	290	0	0	1270	1120	890	920	0	120				
Totals 42 lbs		1714	276	0	0	1270	1120	890	4819	0	120	10272		25450	
% Total 42 lbs		16.8	2.7	0	0	12.4	11.0	8.7	47.2	0	1.2				

Records: 6

No Data

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Prices Shipments About LogOut

Weekly Usage Summary for Apples

Date: Tuesday February 5th, 2008

Destination: NATIONAL

Week Ending: 02-FEB-2008

Refresh

of Rows to Display 20 0 = All Submit Reset

Our Volume						Market Volume								
Variety	Retail		Wholesale		Food Service		Retail		Wholesale		Food Service			
	Volume	%	Volume	%	Volume	%	Volume	%	Volume	%	Volume	%		
MCINTOSH	1000	30.3	1500	45.4	805	24.4	4250	38.5	3500	31.7	3300	29.9		
CRISPIN	50	45.5	30	27.3	30	27.3	1000	25.0	1500	37.5	1500	37.5		
EMPIRE	2350	26.7	3500	39.8	2950	33.5	12000	27.3	15000	34.1	17000	38.6		
FUJI	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0		
GALA	2050	28.1	2700	37.0	2550	34.9	9500	32.6	11075	38.0	8575	29.4		
Totals	5450	27.9	7730	39.6	6335	32.5	26750	30.3	31075	35.2	30375	34.4		

Records: 5

Note: All volumes converted to 42 lbs.

No Data

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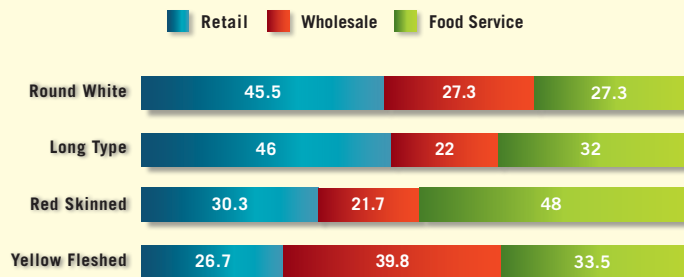
What Remains Confidential to Participants vs. Public Information?

	What's Collected	What's Reported to Participants	What's Exported to AAFC for Posting on InfoHort Website
Storage Holdings	<ul style="list-style-type: none"> Apples by variety, type of storage and intended use Potatoes by type and intended use 	<p>Apples</p> <ul style="list-style-type: none"> Fresh, peeler and juice (<i>by variety</i>) CA and cold storage (<i>by variety</i>) <p>Potatoes</p> <ul style="list-style-type: none"> Tablestock, processing (chipping, french fry, other), seed (PEI does not report separately) Round whites, long-type, red-skinned, yellow-fleshed, blue/purple skinned (proposed) 	<p>Apples</p> <ul style="list-style-type: none"> Fresh, peeler and juice (<i>by variety</i>) CA and cold storage (<i>by variety</i>) <p>Potatoes</p> <ul style="list-style-type: none"> Tablestock, processing (chipping, french fry, other) Round whites, long-type, red-skinned, yellow-fleshed
FOB Prices	<ul style="list-style-type: none"> FOB price at the packing plant for potatoes and apples only Apples by variety, grade and selected package sizes Tablestock potatoes only by type, grade and by selected package sizes 	<p>Apples (<i>Selected list of varieties</i>)</p> <ul style="list-style-type: none"> Daily high, low and average weighted FOB prices to wholesalers, retailers & food service (participant's prices vs. average provincial FOB prices) Daily, weekly, monthly & annual reports <p>Potatoes</p> <ul style="list-style-type: none"> Round whites, long-type, red-skinned, yellow-fleshed, blue/purple skinned (proposed) 	<ul style="list-style-type: none"> High and low provincial wholesale FOB prices Weekly reporting (weekly, monthly and annual reports generated by InfoHort)
Weekly Shipments	<ul style="list-style-type: none"> Potatoes and apples only and in all producing provinces Tablestock potatoes only by type, grade and by all package sizes Apples by variety, grade and all package sizes Intended geographical destination from packing plants as well as the intended receiver (retailer, wholesaler, food service company) 	<p>Apples (<i>Selected list of varieties</i>)</p> <ul style="list-style-type: none"> Daily volume shipped (participant's volumes vs. average provincial volumes) Daily, weekly, monthly and annual reports Intended geographical destination from packing plants as well as the intended receiver (retailer, wholesaler, food service company) Will measure intraprovincial, interprovincial and export volumes <p>Potatoes</p> <ul style="list-style-type: none"> Round whites, long-type, red-skinned, yellow-fleshed, blue/purple skinned (proposed) 	<ul style="list-style-type: none"> Provincial volume shipped Weekly reporting (weekly, monthly and annual reports generated by InfoHort)





Potato Shipment Profile By Usage



- The potato shipment profile allows you to compare your sales profile to the market profile and determine if you should be adjusting your sales strategy to meet current market demands.
- The shipment profile can assist you in targeting your marketing efforts and corresponding budgets in achieving your strategic planning initiatives.
- Allows for historical trends in shipment profiles for a specific product in a particular market to be tracked and analyzed for shipment patterns that can be used in forecasting weekly market buying behavior.
- The sensitivity of market prices to changes in shipment volumes can be determined for each type of usage and used in negotiating prices and in forecasting future prices.
- Trends in price relationships between product usage types can be estimated and tracked.

PRICE VS. SHIPMENTS – WHAT DOES IT MEAN?

1. Weekly pricing and shipments for current year vs. last year vs. 3 year average.

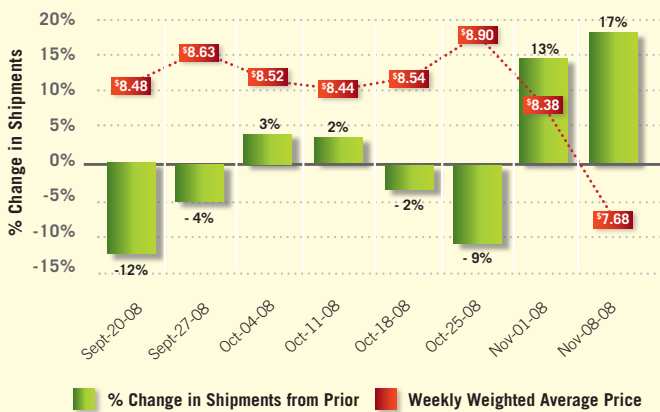
- Enables you to track market price and movement relationships relative to the prior week, the prior year and the average calculated using three years historical data.
- Provides you with information on historical price and movement on the weeks ahead.
- Knowing the current season's price and shipment trends relative

to historical data will help you forecast with some degree of confidence on what the trend in pricing and shipments may be in the coming weeks.

2. Weekly pricing and shipments for the current year and 3 year average weekly shipments

- Provides weighted average pricing information over the last few weeks and the % change in shipment volume relative to the prior week's reported shipments.
- Historical variance in weekly shipments is tracked and expressed as a % change.
- Allows you to track the current year's weekly trend in market pricing and the degree of variance in the current year's weekly shipment volumes compared to historical average weekly variance in shipments.
- Tracking the weekly % change in shipments and total weekly shipment volume will help you forecast pricing over the coming weeks. A large % increase in shipments when shipments are high will add significant downward pressure on pricing while a large % increase in shipments when shipments are low will have less of an impact on prices.

Shipments vs. Weighted Average FOB Destination: National





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3. Year-to-Date Shipments (YTD) vs. prior year and 3 year average

- Tracks the current YTD shipments expressed as a percent variance compared to the same time last season and the 3 year average.
- Having reliable information on current and historical year-to-date shipments provides you with the ability to forecast market supply gaps or surpluses that will likely impact pricing as the season progresses. A long market where supply is greater than forecasted demand will indicate weaker pricing while a short market where forecasted demand exceeds supply indicates price strength.



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Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

Agriculture and Agri-Food Canada is pleased to participate in the production of this publication. AAFC is committed to working with our industry partners to increase public awareness of the importance of the agriculture and agri-food industry to Canada. Opinions expressed in this document are those of the agriculture and agri-food industry to Canada. Opinions expressed in this document are those of the Canadian Horticultural Council and not necessarily of AAFC.

CASE STUDY

A marketer has 1000 bins of McIntosh apples and is trying to decide whether or not he should keep the product in storage or sell the product over the next few weeks. The marketer needs to know what the current market conditions are and to anticipate future market trends over the remainder of the season.

In order to achieve this, the marketer needs to know the current and historical consumption patterns and market supply to make a judgment about future product availability. Since the marketer participates in supplying his shipment and FOB pricing data to the National Markets Information Database, he has market information on pricing, storage volumes and shipments available to him. Using this information, the following can be observed:

- The latest national storage report shows that McIntosh volumes in storage are 20% lower than the same time last year, 30% below the three year average and shipments over the last three weeks continued to track 10-15% above last year and the three year average.
- Weekly weighted average FOB prices compared to the prior year and the three year average have been trending higher for McIntosh apples.
- The weekly shipment profile indicates that product sold into wholesale is down 50% compared to the prior year and 45% from the three year average. Shipments are correspondingly higher to retail.
- The difference in weighted average prices to wholesalers and retailers has narrowed considerably over all markets.

The information above indicates that there is a significant supply shortage of McIntosh apples available to the market and that retailers are looking for product. Prices are strong and market fundamentals suggest that the tight supply situation will continue to put upward pressure on pricing as the season progresses.

Since this marketer has the latest storage facilities and is able to keep his product in top condition over the next few months, he decides to minimize his sales and hold onto the bulk of his product in the hope that he will receive higher prices if he sells more of his product later in the season.

