



INFORMATION

POWER AND PROFIT

# Markets Information

## How it Can Help You

### Introduction



The Canadian horticultural industry has been provided funding from Agriculture and Agri-Food Canada to assist in improving markets information for the horticulture sector. The project is sponsored by an alliance of the Canadian Horticultural Council, Canadian Produce Marketing Association and the Fruit and Vegetable Dispute Resolution Corporation, known as the Fresh Produce Alliance (FPA). The FPA has a number of projects underway to build a better business environment for the horticulture sector.

To say that the trade of fresh fruits and vegetables can be volatile is an understatement. Prices can fluctuate wildly from week to week, day to day, hour to hour depending on the availability (supply vs. demand) and the quality of that available supply. Many factors contribute to this roller coaster ride of price fluctuations, e.g.

- weather conditions in growing areas affecting either total supply or quality
- unavailability of transportation
- distressed product offerings at destination

- the seasonal nature of fruits and vegetables and the “shoulder” seasons (a time when product from competing supply areas begins or ends) when prices fluctuate wildly
- food safety alerts
- special seasons/occasions that produce spiked sales (e.g. cranberries at Thanksgiving/Christmas, strawberries on Canada Day, etc.)

The benefits of good markets information to the Canadian horticultural industry needs to be better understood. Good markets information assists both sellers and buyers to determine a fair price for a pre-determined grade of a lot of produce. Fast, timely and unbiased information on supplies, prices, quality and market conditions help marketers to be the most efficient and buyers to settle disputes quickly and fairly. Markets information is used differently by growers, shippers and wholesalers as will be explained in this brochure.

The entire industry benefits from accurate and timely markets information so that false or “pseudo” pricing doesn’t begin to affect the “real” price on the marketplace.



## The Purpose of Markets Information

Simply put, good markets information provides current, timely, accurate and unbiased fresh fruit and vegetable price and supply information to aid growers, packers, buyers and sellers in making their daily purchase and sale decisions in an informed manner.

This information, once compiled and archived, creates a database which provides for the analysis of trends as year-to-year information can be compared and related to current year marketing efforts.

## Why is Markets Information Important for the Canadian Horticultural Industry?

Horticulture markets information is crucial to balanced decision-making for all businesses engaged in the trade of fresh fruits and vegetables. By keeping growers,

packers, wholesalers and retailers up-to-date with timely and accurate storage, pricing, movement reports and crop conditions, better informed decisions can be made to market product successfully and to the best advantage of all parties. In addition, Canada can use this markets information to compete successfully in an international marketplace by comparing current market conditions and pricing in Canada with markets information obtained from foreign countries, e.g. compare growing conditions, market conditions and transportation conditions in competing areas, particularly the United States.

By collaborating with the U.S. markets information system, U.S.D.A.'s Market News, total North American availability can be evaluated to determine the anticipated market and proper pricing strategies. The industry needs daily market prices to assure that growers and shippers are receiving a fair return. Timely and accurate information also plays a major role when resolving industry disputes between buyers and sellers.

## How Can it Help my Business?

Markets information has many purposes depending on the kind of information collected and who the end user of the information is. It can be used by growers, packers, wholesalers and retailers to determine if they are obtaining the fairest return from the marketplace and adjust their selling and buying patterns accordingly.

The following is a list of the type of information that is useful to the horticultural industry in making sound business decisions:

## 1. Storage Holdings

- helps marketers analyze monthly movement compared to the previous month in the current year and previous years to assist in planning future shipment schedules
- to plan promotions, advertising, etc. in discussion with retailers
- to assist in “category management” with retailers (e.g. phasing out one variety of apple as it nears depletion and replacing it with another)
- to analyse consumption patterns
- assists growers in making future planting decisions (especially important for tree fruit production and potato growers, e.g. potato growers can use this data along with historical data to develop “pack plans” for the future, so supply can meet demand and thus avoid over-production and over-selling.

### Total Holdings Ontario (reported in '000's of bushels)

Variety	2005	2006	2007	5 yr Avg.	2008	% Change vs 2007	% Change from 5 yr Avg.
Crispin	121	56	110	113	152	37.5%	34.4%
Empire	501	294	426	433	607	42.5%	40.3%
Golden Delicious	126	92	109	132	174	59.2%	32.3%
Idared	459	281	373	373	496	32.8%	32.8%
McIntosh	859	967	475	778	1225	157.6%	57.4%
Red Delicious	418	187	320	339	311	-2.6%	-8.0%
Spartan	58	60	49	66	55	13.9%	-15.7%
Spy	412	428	398	386	505	26.8%	30.7%
Unspecified	358	243	229	353	130	-42.9%	-63.1%
Total	3319	2631	2492	2986	3729	49.7%	24.9%

### Total Holdings by Province

Province	2005	2006	2007	5 yr Avg.	2008	% Change vs 2007	% Change from 5 yr Avg.
British Columbia	3151	0	2045	2477	2240	9.5%	-9.5%
Quebec	2369	2270	1946	2199	2537	30.4%	15.4%
Maritimes	1068	1061	884	1005	1174	32.7%	16.8%
Total Canada	9907	5962	7367	8171	9680	31.4%	18.5%

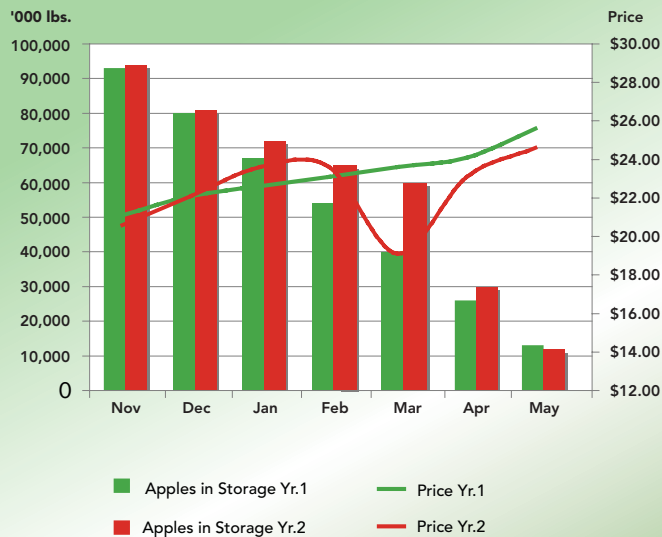
### Total Holdings U.S.

State	2005	2006	2007	5 yr Avg.	2008	% Change vs 2007	% Change from 5 yr Avg.
Washington	92,327	86,596	83,957	81,959	82,413	-1.8%	0.6%
California	1,448	1,202	1,181	1,295	928	-21.4%	-28.3%
Michigan	5,570	5,282	7,790	5,839	5,131	-34.1%	-12.1%
New York State	9,549	8,391	9,166	8,640	10,597	15.6%	22.7%
U.S. Total	123,899	116,018	115,674	111,660	111,023	-4.0%	-0.6%

- comparing storage holdings from one year to the next can assist in developing shipment plans and properly timed promotional initiatives
- comparing storage holdings between provinces and foreign countries can help determine a successful marketing strategy for domestic apples, especially when competing countries have excessively high storage holdings



Apple Storage Holdings and Price



- Year 1 storage holdings indicate steady movement and consistently moderate pricing, whereas Year 2 storage holdings indicate slow movement resulting in a sudden decrease in price in February in order to move product
- slow movement would indicate a need for promotion in February and March

## 2. Wholesale Prices on Major Canadian Markets

### Usefulness to Growers:

- to negotiate the best price given market conditions (e.g. with no information or inaccurate information, growers may be selling product below what the market is willing to accept)
- to choose the best market for a product
- to have unbiased market information as opposed to getting the information from other sources
- to evaluate possible expansion and make proper investment decisions
- to compare with similar U.S. markets at the current time
- develop new markets, including new export markets

### Usefulness to Wholesalers:

- to determine fair market value when disposing of product in dispute
- average market prices reported at the close of each business day
- to provide information for dispute resolution of claims related to arrival condition (condition problems, transportation problems, other conflicts) that would be used by the Dispute Resolution Corporation, Canadian Board of Arbitration and to settle produce claims with U.S. rail carriers



### 3. Weekly FOB Prices

(e.g. apples, potatoes, carrots, onions and cabbage)

- to negotiate the best selling price given market conditions (e.g. with no information or inaccurate information, growers/marketers may be selling product below what the market is willing to accept)

### 4. Weekly Commercial Shipments (volume movement)

- this information is useful to compare movement with the previous week, month or year or to track the evolution of an entire season

- if movement is too slow, advertising and promotion may be necessary to move product

### 5. Crop Condition Report

- good, timely information related to weather and growing conditions can indicate future supply conditions and therefore future pricing

By having the most up to date commodity market information including pricing, volumes and storage holdings, growers, sellers and buyers can make the right short term and long term decisions for maximizing their business and profits. These decisions can fall anywhere from pricing your product at the proper level to planting varieties that bring in the highest return.

## Commonly used Terms and Definitions

**“average weighted price”** – volume weighted average price, i.e. total sales divided by total volume over a period of time

**“spot wholesale price”** – is the price for a commodity sold by the first handler that is determined from the supply demand scenario at a given moment in time; this does not include pre-determined or forward pricing, e.g. contract pricing

**“FOB” price** – the shipping point price for graded and packed product ready for shipment on the seller’s dock; as above, this does not

include pre-determined or forward pricing, e.g. contract pricing

**“delivered price”** – the price for graded and packed product delivered to the buyer’s dock which includes the price of transportation

**“unbiased information”** – information collected from a common group of information suppliers which is compiled confidentially and displayed or reported without identifying the names of the suppliers (this is different from information gained from rumours, hearsay or the individual advice of buyers or sellers)

## How Good Markets Information Works For You

- spot wholesale prices provide fair market value of a given commodity at a given time to provide information to resolve disputes between sellers and buyers, e.g.
  - ▶ complaints considered for arbitration with the Canadian Board of Arbitration under the *Canada Agricultural Products Act* and the *Licensing and Arbitration Regulations*
  - ▶ informal dispute resolution and formal arbitration of disputes by the Dispute Resolution Corporation
  
- to assist in establishing fair contract values, when agreements are made between buyers and sellers
  
- to assist the Canadian government in the development of policies and programs to support the Canadian horticultural industry, e.g. when considering producer requests for assistance related to:
  - ▶ programs that maintain a viable horticultural sector, including ad hoc producer payments
  - ▶ development of producer assistance programs, e.g. CAIS Program
  - ▶ unfair trade at the border

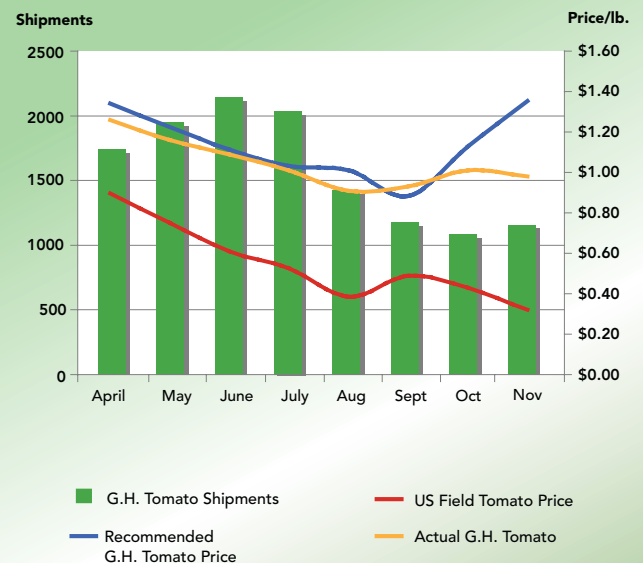
Vegetables					
Product	Grade	Package Size	Low Price	High Price	Wght. Avg.
Potato - White, ON	Canada #1	5/10 lb.	\$12.00	\$14.00	\$13.25
Potato - White, PE	Canada #1	5/10 lb.	\$13.00	\$15.50	\$14.40
Onions - Yellow, ON	Canada #1	50 lb.	\$8.50	\$10.00	\$9.05
Tomato - FL	85% U.S. #1	25 lb Carton (5x6)	\$26.00	\$30.00	\$27.70
Tomato - G.H., ON	Canada #1	15 lb Flat (20's)	\$30.00	\$32.00	\$31.20
Bell Pepper - Green, FL	Large	1 1/9 Bu.	\$16.00	\$19.00	\$17.85

Apples					
Product	Grade	Package Size	Low Price	High Price	Wght. Avg.
Red Delicious, ON	Canada Fancy	Tray Pack 88	\$27.50	\$29.50	\$28.24
Red Delicious, WA	WA Extra Fancy	Tray Pack 88	\$26.00	\$32.00	\$29.75
Red Delicious, ON	Canada Fancy	8/5 lb. Bags	\$20.00	\$22.00	\$21.58
Empire, ON	Canada Fancy	Tray Pack 100	\$28.00	\$28.50	\$28.40
McIntosh, ON	Canada Fancy	8/5 lb. Bags	\$21.50	\$24.00	\$22.72
McIntosh, ON	Canada Fancy	12/3 lb. Bags	\$22.50	\$24.50	\$23.75

- average weighted wholesale prices on terminal wholesale markets are important to determine fair market value for a commodity when comparing prices received on goods handled "on account" and reported in an account sales
- wholesale prices also assist arbitrators determine a fair market value during dispute resolution between buyers and sellers

- to compare the Canadian market with the U.S. grower/shipper market
- to estimate the future supply in relation to growing conditions in major growing areas in Canada and the U.S.
- knowing the volume in storage in Canada assists in evaluating the available supply of a commodity or variety that allows for effectively establishing future market prices, plan for future shipment schedules and promotion and advertising programs
- FOB prices from major growing areas in Canada and the U.S. help set fair grower prices
- truck rates from the major shipping point areas in Canada and the U.S. are useful in determining “landed” prices

Prices and Their Relationship to Shipments &amp; Other Prices



- note how the U.S. field tomato price impacts the Canadian greenhouse tomato price
- note that greenhouse tomato shipments decrease quickly starting in August, but price remained the same indicating that increased shipments during this time frame next year may not impact price significantly

## Confidentiality

All suppliers of information must have complete trust that the information they provide will be treated with the utmost of confidentiality. Industry members can be assured that the information that is provided is uploaded directly to Agriculture and Agri-Food Canada's website (InfoHort) and is not shared with any other government agency.

Individual information remains confidential and is used to calculate totals and averages which assists AAFC to develop programs and policies that will fill the needs of the horticulture sector.







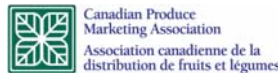
## Conclusion

Promoting a collaborative approach to collecting and disseminating markets information will assist industry at all levels build a better environment in which to conduct business. Accurate, reliable information is essential for forecasting market demand and planning successful marketing strategies for horticultural commodities. Timely and detailed information equates to better decision-making and subsequent market analysis and therefore value to everyone in the supply chain.

For further information, please check out the Fresh Produce Alliance website at [www.freshproducealliance.com](http://www.freshproducealliance.com).



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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 Canadian Horticultural Council and not necessarily of AAFC.