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ISSUES FACING THE ONTARIO HORTICULTURAL INDUSTRY

David Hope

INTRODUCTION

The Ontario government has recently made several changes with the intent of removing barriers to business, reducing red tape and eliminating unnecessary overlap among services offered by different levels of government. Both national standards and provincial grade standards have existed for many crops. The provincial legislation mandating the use of provincial standards and requiring their enforcement by provincial inspectors has recently been amended.

Decisions on appropriate standards and appropriate methods to enforce these regulations face the horticultural industry. At the same time industry is considering the implementation of a system re-useable plastic shipping containers. The horticultural industry in Ontario is also pushing quite strongly for a harmonized pesticide registration system. All of these issues impact on the competitiveness of the producers and processors of horticultural products.

This paper outlines three issues facing the Ontario horticultural industry and highlights some of the implications for this industry as it operates within the continental marketplace.

HISTORICAL CONTEXT FOR GRADE STANDARDS IN CANADA

Government intervention in the field of grading and inspection of farm products predated Confederation. The first legislation dealing with fresh fruits and vegetables was enacted when export grades for apples were established in 1892. In early legislation, the federal government assumed authority for establishing and enforcing grade standards. This was a natural development since the export grades were enacted by the federal government.

In the 1920s, the courts ruled that the federal government had no authority to legislate on transactions which originated and ended within a province. The result was that most provinces enacted legislation delegating authority to the Dominion Government. In 1935, the courts ruled that the provinces could not delegate to the Dominion Parliament authority which was specifically stated in the *British North American Act* to belong to the provinces. Provinces then repealed their enabling legislation and instead passed concurrent legislation which merely duplicated the federal legislation in the field of intra-provincial trade.

All provinces, however, did not uniformly adopt the federal regulations pertaining to fruit and vegetables. All did not provide grades for all products covered by federal legislation. In most cases the main grades for the main products remained the same but regulations covering the application of grades, movement of produce, standard packaging, etc. varied, to suit the marketing setup peculiar to the province.

In Ontario the *Farm Products Grades and Sales Act* was passed in 1973. It provided

- grades for nearly all fresh fruit and vegetables, honey, maple products and tobacco,
- grades for fruit and vegetables for processing,
- several general regulations covering packing, grading, marking, transporting, handling and selling fruit and vegetables within the province, and
- licensing regulations for dealers in fruit and vegetables buying or selling within the province.

These regulations were administered and enforced by provincial inspectors with some federal assistance. The Act has remained in place without major changes for approximately 50 years. Certain rigidities were found in the provincial regulations. One example was the absence of any standard to allow the sale of a mixed basket of fruit in a farmers market. Federal regulations remain paramount for movement across provincial or national boundaries.

RECENT LEGISLATIVE INITIATIVES

In June of 1996, legislation was passed in Ontario that amended the *Farm Products Grades and Sales Act*. Compliance, licensing and regulatory aspects of the program are being phased out. These functions will be replaced with industry driven quality assurance programs and industry dispute resolution initiatives. Effective April 1, 1997 provincial inspectors will no longer enforce grade standards within Ontario. Most of the former inspection staff have ceased their employment with the provincial Ministry of Agriculture, Food and Rural Affairs (OMAFRA). Industry organizations, however, may use the Act to have inspectors appointed. The remaining OMAFRA staff will serve as quality control specialists to assist the commodity organizations and industry to develop their own quality assurance programs.

Each commodity organization must deal with this situation based on the particular challenges and opportunities facing their sector. Buyers of fresh produce often set high

standards, often exceeding those reflected by the grade standards. Products facing intense competition from imports may require a different strategy from one that comes on to the market at a different time than that of major competing regions. This is different from a crop for which a large proportion is focused on export markets.

National standards remain relevant as minimum import requirements and for produce moving into export markets. The federal government, however, is in the process of moving its inspection services into a national agency, at the same time that it is introducing significant cost recovery initiatives.

INDUSTRY DECISIONS

Horticultural commodity organizations are now developing their strategies for dealing with the world as it is evolving. While provincial regulations made sense when the majority of the crop was marketed locally and interprovincial movements were less of a factor, this is no longer the case. The following decisions must be addressed.

1. Should the industry maintain grade standards for product sold within the province or for product exported?
2. If standards are maintained, should federal grade standards be adopted, should previous provincial standards be maintained, or should different standards be developed?
3. Who should be responsible for enforcing standards, federal agency staff or industry staff appointed under provincial authority or others?
4. Are quality initiatives different than traditional enforcement of grade standards more appropriate?

Several issues must be considered when an industry chooses an approach. For many organizations cost is the first aspect considered. Some sectors faced with grading charges for product being exported that are perceived to be high or considered of little value in selling the product are requesting the removal of grade standards for exported product. This has happened without provincial legislative changes.

The adoption of national standards sometimes comes with additional costs to meet the standard if it requires practices different than that common within the province. For example honey producers would not be able to sell unpasteurized honey if federal standards were followed. Also niche markets for maple products may be lost if full harmonization to federal standards were implemented. The needs of the consumer and/or the retailer may not be reflected in established grade standards. Marketing strategies may incorporate a *seal of approval* that reflects product qualities in demand.

Trade issues have an impact. Provincial differences can be seen as providing protection for local produce. The maintenance of regulations due to their benefit as a barrier to trade cannot be considered a long term strategy given the pressures for reduction in barriers to trade, both within Canada and from outside the country.

OTHER IMPACTS FROM THE LEGISLATIVE INITIATIVE

The OMAFRA inspection service provided several functions for industry. Grading raw product to assist in price determination for processed crops was previously provided on a cost recovery basis. A recently established agency which delivers Crop Insurance and Income Stabilization Programs has been contracted to provide several of these services.

Both federal and provincial inspectors once played a role in price reporting. Initiatives to cost recover some of these activities have not been successful to date. There are examples where provincial licensing is significant in meeting the demands of an importing country. Other methods to meet these requirements have to be found in the absence of provincial licenses.

OTHER HARMONIZATION CONCERNS

The main issue for the Ontario horticultural industry is the harmonization of pesticide regulations. Many issues around the harmonization of pesticide standards have been successfully addressed. The main outstanding issues are in the area of process. Producers feel strongly that the Canadian government agency responsible for pesticide registration has not demonstrated sufficient desire to move forward. They see no reason why steps must be duplicated and cannot understand why produce treated with a product are allowed to enter the country while they are not allowed to use the same product. Cost recovery initiatives have heightened the tensions.

With the signing of the CUSTA, expectations were raised on the benefits that could accrue from harmonization. In the early years of the agreement little was accomplished. There are now many examples of cooperative efforts. The expectations around harmonization, however, have definitely not been met. The expectations around harmonization, however, have definitely not been met. Canadian growers have turned to their U.S. industry colleagues, on occasion, to apply pressure on the Canadian government through their connections with U.S. officials.

One issue where Ontario growers have taken a lead is in the area of reusable plastic shipping containers. Producer organizations have cooperated closely with marketers, shippers, wholesalers and retailers and have been supported by both levels of government in this project. Ontario producers have been cooperating with colleagues in the province of Quebec and recently have involved someone from the University of California in Davis. This project if successful has huge ramifications for products moving across regional boundaries.

V. IMPLICATIONS, RESEARCH NEEDS AND FUTURE DIRECTION

ROUND TABLE PANEL OVERVIEW AND WRAP-UP

John J. Murphy

I consider it an honour and a pleasure to have been invited to be a participant and an observer at this important international event. I make the following comments as a Canadian agricultural banker whose customers are highly dependent on international trade for their livelihood and the special interest they hold in the U.S. and Mexican marketplace which accounts for at least half of their exports of agricultural commodities and food products. While I am not sure as to the extent to which we have narrowed the gap at this meeting in harmonizing the agriculture and agri-food policies within our three countries, I am convinced that the dialogue and study that went into the presentations delivered at this meeting will contribute significantly to an improved marketing scenario. .

One of the presenters raised the issue that perhaps the work was somewhat redundant. It was noted in the Canada-U.S. dairy dispute, rather than experts attending this meeting adjudicating on the issue, there were four lawyers, all of them from academic institutions that in fact deliberated the Canada-U.S. dairy dispute.

I would encourage the academic community as it relates to agriculture to continue its vigilance in assessing in a chronological and objective fashion the issues facing freer international trade in agriculture and food commodities. While rarely are your efforts seen as high profile, front-end issues, it is my strong opinion that the accomplishments made to date in liberalizing agriculture trade throughout the world is attributable to your efforts. I would encourage you to be as pro-active as you have been in the past, if not more so, in advancing the findings in your analysis in order that we may advance and encourage a greater degree of freer trade throughout the world.

I regard the deliberations at this meeting to be of first-class quality, highly complex and as such it is somewhat impossible to provide a critical review of each presentation. I would however suggest that the proceedings of this meeting receive wide distribution in order that others like myself can benefit from the extensive work and analysis of the issues that have been provided vis-à-vis the delivery of the papers presented at this meeting. All of us here should accept the challenge of distributing this information by whatever means possible in order that we may influence the political process in freeing up world trade in agriculture.

