

Marketing the Nova Scotian Apple Crop

BY A. E. RICHARDS

INFORMATION that the United Kingdom would require few Canadian apples was received on September 8, 1939. Realizing that this emergency affected all apple producing areas, the Dominion Government convened a conference at Ottawa of key men, representing apple growers and the trade from all parts of Canada, on September 15, 1939.

The submission by the Conference to the Director of Marketing Service contained the following statement.

The situation developed by the recent European calamity presents a picture of an apple crop of 5,000,000 barrels ready to be marketed, with an annual Canadian consumption of approximately 2,500,000 barrels. Thus we are faced with the situation of endeavouring to handle a surplus of 2,500,000 barrels which are annually exported from Canada. These exports were largely directed to the United Kingdom, although within the past three years substantial shipments went forward to Germany and lesser amounts to other European countries. With the demoralization of ocean transportation resulting in the cancellation of regular and chartered steamship service, increased freight rates and increased insurance, coupled with the possible closing of many United Kingdom ports, the problem is one of unusual concern. These conditions, coupled with a large English crop, may result in a situation where few or no apples can be moved from Canada, at least during the early marketing months.

This Conference has given full consideration to the whole situation, and while they do not expect the Government to support the apple producers to the point of securing even costs of production, they feel that unless the situation is met and producers in the apple-growing areas assisted, bankruptcy will develop.

At the Conference a programme was formulated for the disposal of the 1939 apple crop. The Dominion Government felt that it was in the interest of Canadian economy to conserve the food value in the apple crop then being harvested and to protect and maintain this important industry which was in jeopardy due to the war. Accordingly, through

powers granted under the War Measures Act, the Dominion Government agreed to assist the apple industry by (a) the direct purchase of apples, (b) assistance in canning and dehydrating apples, (c) zoning of sales areas within Canada, (d) raising minimum grade requirements, (e) expenditures for advertising and merchandising, (f) negotiations with the United Kingdom to obtain a market for at least a portion of the crop. The Agricultural Supplies Board appointed an Apple Advisory Committee on October 25, 1939, for the purpose of assisting in carrying out the government undertaking. Agreements to provide assistance under each proposal were implemented and carried out by the Dominion Government during the marketing season. In Nova Scotia aid was provided mainly in the processing of the apple crop, and only that phase of the complete government programme will be discussed here.

The first step in the Nova Scotia plan was the setting up of a Central Selling Agency authorized by the growers, to which they agreed to deliver their entire crop. This agency, which was named the Nova Scotia Apple Marketing Board, entered into an agreement with the Dominion Government by which it undertook to deliver to the processing plants for manufacture into dried and canned apples the better grades and sizes of all varieties which could not be sold on the export or local markets. Manufacturers were authorized to accept deliveries up to 1,500,000 barrels, or approximately three-fourths of the commercial pack. They were not permitted to use sub-standard apples for canning or drying. Low quality apples had to be kept in the orchard or used in the manufacture of apple juice or vinegar.

The Nova Scotia Apple Marketing Board designated 37 responsible and recognized packers and shippers of apples

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as sub-agents, and all growers were required to ship through some one of these sub-agencies. The Marketing Board was also empowered to fix minimum prices for domestic sales. Accounting of all such sales had to be made to the Board. All overseas shipments were handled by the Marketing Board, which prepaid freight and insurance and charged these costs to the general pool.

In a separate agreement with the manufacturers, the Dominion Government guaranteed the processors against loss in the purchase of apples from the central agency for their canning and drying operations. The purchase price was calculated to be 65 per cent of the average return received for the main varieties marketed during the crop seasons 1936, 1937 and 1938 by eighteen representative apple packing companies in the Annapolis Valley.*

The apples delivered to the processing plants by sub-agents were paid for at a flat rate per barrel, as follows:

Table 1.

No. 1 grade, 2 $\frac{1}{2}$ " up.....	\$1.69	per barrel
No. 1 grade, 2 $\frac{1}{4}$ "-2 $\frac{1}{2}$ ".....	1.51	" "
Domestic grade, 2 $\frac{1}{4}$ " up.....	1.24	" "
Domestic grade, 2 $\frac{1}{4}$ "-2 $\frac{1}{2}$ ".....	1.03	" "

This scale of prices applied to 34 named varieties. For other varieties prices were reduced by twenty-five cents per barrel. These prices included an allowance of 2 cents a barrel to be retained by the Central Agency to cover its cost of operation.

In its contract with the Dominion Government, the Central Selling Agency (The Nova Scotia Apple Marketing Board) agreed as follows.

To conduct a pool for the equalization of returns to growers of moneys received from processors and from the sale of apples after deducting all necessary and proper disbursements and expenses, and to make payments to growers in accordance with such pooling agreement.

It was agreed that all proceeds from local and export sales and apples delivered to processors should be pooled and settlement made with the grower on the basis of variety, grade and size.

Since varieties vary in yield and cost

of production, it was decided that a fair and reasonable method of equalizing the returns to growers would be on the basis of the performance of the varieties on the fresh fruit market over the past three crop years, i.e., 1936, 1937 and 1938. Price returns by variety, grade and size covering the three crop years were obtained for 225 varieties from representative fruit packing houses in the Annapolis Valley. Deliveries accounted for by the Nova Scotia Apple Marketing Board in the 1939-40 crop season amounted to 1,691,025 barrels from 212 varieties of apples and approximately 2,528,000 were distributed by the Board to the growers.

The Nova Scotia Apple Marketing Board is the agent of the growers and is responsible and accountable to them. At meetings held with growers and sub-agents throughout the marketing season, the Marketing Board presented reports of their operations and gave growers an opportunity to voice their criticism. The Marketing Board employed a firm of well-known chartered accountants, which conducted a continuous audit. As a party to the marketing agreement, the Dominion Government has maintained a representative of the Treasury Board in the Valley throughout the marketing season, his duty being to audit transactions of manufacturers recoverable from the Government. The Apple Marketing Board has worked in close co-operation with the Marketing Service of the Dominion Department of Agriculture, and frequent conversations have been held on matters of policy. The agreement between the Central Selling Agency and the Dominion Government requires an accounting in detail from sub-agents of apples purchased from or packed and handled for growers and all costs and expenditures incidental to the packing and handling of apples. In these several ways the growers' interests were protected.

Comparative returns from apple sales. The eight-year (1931-38) average tree-run return to the packing-houses is estimated at \$1.92 per packed barrel. (Table 2). The average cost of packing on a tree-run basis is estimated at 27 cents

*Based on a survey conducted by the author.

per barrel. This means that the grower received an average return of \$1.65 per barrel during the eight years 1931 to 1938. Out of this return he had to pay for the barrel, which amounted to approximately 30 cents.

average return of the three years previous.

Due to a larger-than-average crop, the total returns from the 1939 crop averaged \$2,767,558, or 75 per cent of the eight-year average returns and 70 per cent of the last three-year average.

Table 2. Returns to growers from Nova Scotia apple crops.

	Total production	Total returns from crop	Ave. return per barrel tree-run	Cost of packing	Net return for grower per barrel
	bbls.	\$	\$	c.	\$
Average 8 years 1931-38.....	1,929,562	3,695,826	1.92	27	1.65
Average 3 years 1936-38.....	1,999,667	3,953,432	1.98	27	1.71
1939-40:					
Graded apples.....	1,691,025	2,710,456	.....	..	.....
Culls and small sizes.....	400,000	57,102	.....	..	.....
Average 1939-40.....	2,091,025	2,767,558	1.32	24	1.08
1939-40 in % 8-year average.....	.....	75	69	..	65
1939-40 in % 3-year average.....	.....	70	67	..	63

For the three years 1936-38 the average tree-run return to the packing house was \$1.98 per barrel and the return for the grower \$1.71 per barrel. A comparable tree-run return to the packing companies from apples delivered to the packing houses for processing or sale as fresh fruit in 1939-40 averaged \$1.32 per barrel. This was 67 per cent of the average return of the three years 1936-38. After packing costs were deducted, the average return to the grower for tree-run apples was \$1.08 per barrel, or 63 cents below the

The Valley as a community did not experience as heavy loss as did the grower in the 1939-40 season. A larger proportion of the money which ordinarily goes out of the Valley to pay transportation and selling costs was retained and spent for trucking apples and for the additional labour required in manufacturing apple products. It is estimated that the total cash income from the 1939 apple crop was 86 per cent of the eight-year average and 80 per cent of the average of the last three years. (Table 3). The truck-

Table 3. Statement of estimated total gross cash income to the Annapolis Valley from the apple crops, 1931 to 1939.

	Income from apples	Income derived from manufacturing		Total gross cash income from apple crop
		Trucking at 7.28c. per bbl.	Labour at 34.4c. per bbl.	
	\$	\$	\$	\$
1931-32.....	2,874,623	13,379	63,220	2,951,222
1932-33.....	2,030,370	19,098	90,246	2,139,714
1933-34.....	4,285,330	30,884	145,938	4,462,152
1934-35.....	3,579,921	32,906	155,492	3,768,319
1935-36.....	4,936,086	20,818	98,372	5,055,276
1936-37.....	2,604,286	41,628	196,705	2,842,619
1937-38.....	3,727,601	42,568	201,146	3,971,315
1938-39.....	5,528,410	18,277	86,362	5,633,049
Average, 8 years.....	3,695,828	27,445	129,685	3,852,958
Average, 3 years.....	3,953,432	34,158	161,404	4,148,994
1939-40.....	2,767,558	89,675	448,435	3,305,668
1939-40 in % of 8-year average.....	.....	.....	.....	86%
1939-40 in % of 3-year average.....	.....	.....	.....	80%

ing, storing and shipping of the finished product has not been taken into consideration in estimating the total cash income.

Manufacturers' processing agreement. Agreements between the Dominion Minister of Agriculture and the apple manufacturers in Nova Scotia provided for the reimbursement of each manufacturer's expenses in connection with apples, and direct processing costs, which included labour, materials, repairs, fuel and power; and an allowance for overhead amounting to 7 per cent on apples and direct processing costs. This allowance for overhead could under certain conditions be increased or reduced.

Table 4. Estimated cost of Nova Scotia Apple Processing Agreement to May 15, 1940

Canning, including cost of apples.	1,831,970.90
Drying, including cost of apples.	1,491,197.08
Insuring.....	9,105.37
Storing.....	24,600.01
Allowance for selling.....	56,818.35
Duty drawback.....	23,312.22
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Gross amount of manufacturers' claims.....	3,437,003.93
Sales to date.....	1,019,971.52
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Net cost to Government to May 15.....	2,417,032.41
Apparent value of stocks on hand.	1,408,130.00
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Probable loss to Government if product sold at current prices..	1,008,902.41

It had been hoped that the processed apple products could be marketed abroad; and up to the time this spring when the United Kingdom restricted importations of canned fruits and vegetables, exports of canned apples were satisfactory, though purchases of dried apples authorized by the United Kingdom Dried Fruit Control Board had been disappointing. Sales of these products to May 15, 1940, resulted in the disposal of 51% of the canned and 24% of the dried apples processed under the agreement, leaving some 548,653 cases of canned apples and 154,633 cases of dried apples to be taken over by the Dominion Government on the above date.

The 1940 programme. The Dominion Government has three objectives in the programme of assistance for 1940. First,

to maintain the industry; secondly, to conserve food; thirdly, to increase consumption. The assistance will be directed to that part of the apple crop which is normally exported but which, due to a condition of war, is now uncertain of movement overseas.

In order to maintain and protect the industry it was realized that early action was necessary in order to ensure proper pest control and other essential cultural activities being undertaken in good season. On April 26, 1940, the Dominion Government approved a plan of assistance for Nova Scotia apple growers which guarantees a return to the apple producers of 80 per cent of the 3-year (1936-37-38) average net return for as nearly as can be calculated 85 per cent of the average exports of the said three-years. The maximum quantity to which the guarantee applies is 1,147,500 barrels. This means that the guarantee will apply to 37, or practically all exportable varieties of desirable grade and size. That part of the normal exports to which the Government guarantee does not apply consists of odd varieties, low grades and small sizes.

The programme of assistance has not been fully worked out for the other apple producing areas, but it is the Government's intention that no province will be placed at a disadvantage with respect to another. It is the intention of the Government that the zoning provisions which were in effect last season will be modified to permit the free movement of apples of desirable varieties and grades from producing areas to any consuming centre in Canada.

Effort will be made to make good quality apples available to consumers in every walk of life throughout the Dominion at reasonable prices. Apple juice production increased from 60,000 gallons in 1938-39 to 1,000,000 gallons in 1939-40. It is hoped that this outlet for the lower quality apples will be expanded.

In carrying out this programme it appears unlikely at this time that the Government will recover its guarantee. It is also unlikely that the grower will receive a return equal to that of the last

8 or 10 years. The Dominion Government cannot be expected to maintain any one industry at pre-war status during this emergency. That would necessitate extending, without prejudice, similar assistance to all industry throughout the Dominion. The Government's first duty is to protect the financial solvency of the nation. In this particular undertaking the Government is sharing the loss and at the same time affording protection to the apple growers. The loss to the grower and to the Government can be greatly reduced if the grower at this time eliminates his aged trees and many odd and undesirable varieties.

In view of present and prospective conditions, and with United Kingdom purchases likely to be controlled by the Ministry of Food, differences in quality within recognized government grades cannot be expected to receive the same consideration as in pre-war years. A standardized wholesome product is required by a country at war. Under the guarantee, the producer who has good varieties and grows a high quality of fruit is compensated for his efficiency through grade and size differentials.

A number of packers have built up a good reputation on the export market in the past. It is to their interest to continue to serve their customers, maintain their contacts, and protect their investment throughout this emergency. That should be sufficient inducement to maintain a high standard if they expect to be packing and shipping apples when the war is over.

We are no longer operating on a free and open market, where a product moves to the market place on a pre-arranged schedule and usually brings its true worth. Luck and chance play a large part in war; the outlook is always speculative, and risks are large. Under such conditions, risks must be spread, and the group must take precedence over the individual. In other words, under a plan of government assistance to provide subsistence and protection to an industry, it appears necessary that the resources of the apple growers be pooled and the returns from the crop shared on some reasonable basis which will be fair to all parties and at the same time permit some incentive to shippers to put up a superior pack.

The Co-operative Movement in Newfoundland

By H. B. MAYO

IN spite of several sporadic attempts to start co-operatives there was, until a few years ago, hardly a good co-operative society in the whole of Newfoundland. Sir Wilfred Grenfell pioneered a number of well intentioned efforts in north Newfoundland and Labrador but these societies either failed or, in the case of one or two still existing, became indistinguishable from other private companies, even to the extent of having watered stock. It is possible, however, that one of these may reorganize on co-

operative lines and so, late in the day, realize one of the famous doctor's dreams.

Failure or perversion also followed other co-operative ventures, and left a bad taste in many mouths. To-day this prejudice is one of the many obstacles in the way of genuine co-operative effort.

The bright spot in this poor record is the large retail society established just after the last great war in the paper mill town of Grand Falls. Built after the English model, this society flourished until it now has an annual turnover of around \$350,000 and consistently returns to its members 5% on their purchases. Oddly enough, the movement

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