

History and Economic Impact of the Ontario Food Terminal on the Ontario Economy

Ontario Food Terminal History:

The Ontario Food Terminal's creation was generated by many factors including poor existing produce distribution facilities in the downtown core of the City of Toronto, limited access by farmers to those existing facilities, and the plight of the Ontario Farmer in the post war period.

The premier at the time recognised the importance of state planning as an essential tool for facilitating economic growth. He embarked on a plan for post-war reconstruction that called for unprecedented government involvement into the economy. Ontario farmers were able to effectively organize and use its political clout to influence provincial policy. At that time, there were gains in farming productivity, thus increasing produce supply but this was not matched by increasing demand. Therefore, farming incomes were declining and the farmers felt that they were not participating on the post-war economic boom. In addition, farmers faced increased competition from American farmers who, with their superior growing conditions, less expensive labour, improvements in the US national highway system and technological advancements in refrigeration were able to penetrate the Ontario market.

The existing distribution facilities were in poor repair, cramped, congested, did not have proper loading areas and had no refrigeration. There was no space for Ontario farmers and excluded newcomers from the wholesale marketplace. These inefficient wholesale facilities and limited competition resulted in higher prices for lower quality fruits and produce.

As a result, the Ontario Government passed the Ontario Food Terminal Act, in which it created the Ontario Food Terminal Board (an independent corporation) to construct, equip and operate a wholesale fruit and produce market as a public utility. The OFT Board borrowed \$5 Million from a chartered bank and purchased the land and built a state of the art fruit and vegetable distribution facility in Etobicoke. Shortly thereafter, the Board converted the loan into a bond issue in which Ontario Hydro picked up the bond for their pension fund and within 30 years the Board repaid the bond and interest through the annual operation of the Terminal with rents and fees paid by the tenants and users of the facility. The Board has been able to self-sustain the operation of the Terminal since inception and continued to do so without any taxpayer funds.

The Terminal was envisioned as an institution that would address the excess supply problem. It was felt the Terminal would provide space for Ontario farmers so that they could sell directly to the wholesale market, as well as to centralize all wholesalers and farmers in one location, in a modern and well-designed distribution facility thus improving the efficiency of the urban distribution network and it was hoped that these gains in efficiency would be ultimately passed onto the farmers in the form of higher prices. The Terminal was also to be a facility where Buyers can obtain all their fruit and produce requirements in one location.

In June 1954 the warehouse tenants left their downtown premises in the core of the city and together with the farmers, moved to the Ontario Food Terminal located at the time in the western outskirts of the City. The warehouse tenants were housed in warehouse buildings and the farmers' occupied outside stalls adjacent to the warehouse units.

Produce Volume and Value:

The Ontario Food Terminal (OFT) distributes over 2 billion pounds of fresh fruits, vegetables and horticultural products from its facilities. These volumes are achieved because the Ontario Food Terminal network has 20 warehouse tenants and 400 farmers' market tenants selling to over 5,000 registered buyers. At an estimated average value of \$0.75 per pound that represents \$1.5 billion dollars of economic impact to Ontario. This number does not take into account shipments made by our warehouse tenants and Farmer tenants directly from their offsite facilities and Ontario farms which could easily add another 2 billion pounds of produce bringing the total amount to over \$3.0 billion dollars impact into the economy.

These numbers are achieved because the Ontario Food Terminal has over 5,000 registered buyers that come from all over Ontario, New Brunswick, P.E.I., Newfoundland, Nova Scotia, Quebec, Manitoba as well as northeastern United States, who use this terminal as their source for fresh fruits, vegetables and horticultural products. The terminal supports local fruit and vegetable stores, independent and chain supermarkets, retailers, restaurateurs, foodservice, caterers, farmers' markets, farm gate markets, florists, garden centres, landscapers, convenience stores, institutions and charitable organizations such as FoodShare and Ontario food banks. These buyers come to the Ontario Food Terminal to look at the produce first hand, to feel and taste the produce to ensure that the produce meets their expectations for the price paid. Their customers expect that level of dedication so that when they purchase from them they are assured they are receiving quality produce for the price paid. Buyers need to deal directly with the seller, because they need to rely on that seller to supply them with the best produce for the money.

Buyers recognize the OFT as the source for high quality fresh fruits, vegetables and horticultural products which is acknowledged by the fact that Maritime and Quebec buyers prefer purchasing from the Ontario Food Terminal versus markets that are geographically located closer to their business locations. In particular, food businesses located in southwestern Ontario, choose Toronto versus Detroit, and eastern Ontario, choose Toronto versus Montreal.

The existence of the OFT, with its 5,000 registered buyers selling fresh produce to the people of Ontario and Canada, has a direct impact on the price consumers pay for their fresh produce and horticultural products. In effect, the OFT is the 'stock exchange of fruits and vegetables' in Canada. The price at the OFT is a key factor in many purchasing decisions made for the acquisition of fresh fruits, vegetables and horticultural products.

The OFT is the only major 'food terminal' or distribution outlet on this continent that has a wholesale Farmers' Market that provides an outlet for Ontario Growers to sell their produce and horticultural products in competition with imported produce. Buyers can satisfy their customers demand for local produce and horticultural products in season in a competitive marketplace. Having a wholesale Ontario Farmers Market on site fulfilled the original demand from local growers back in the late 1940's to sell at a central location rather than be scattered throughout Ontario. The existence of the terminal allows buyers to be able to have a one stop shopping experience, which was a demand from buyers back in the '40's as well. Without a central marketplace, buyers would have to travel to various locations, which would be time consuming

and inefficient to fulfill their fresh produce needs. The OFT Board is proud of the fact it has been able to maintain this balance of imported fruits and vegetables in conjunction with locally grown produce being sold on this site to an ever-demanding buyer base who in turn are fulfilling the demands of the people of Ontario to have the freshest quality produce available to them at competitive pricing. All one has to do is to travel to other major cities and see what is available as to the range of produce and horticultural products available and the price of those items. Due to Toronto's unique market, we have received delegations from all over the world each year wanting to come and see the OFT. New York has made numerous visits to the terminal to see how a wholesale farmers market works in a 'terminal market' operation and how they have been trying for years without success to get the tenants at the largest wholesale fruit and produce distribution centre in the United States (the Hunts Point market) to have what we have here in Toronto. When the term 'Buy Local' became the anthem of governments throughout Canada, the United States, and the world, the OFT Board is proud to state that it has been promoting 'buy local' since the Terminal opened its doors in 1954. One of the misconceptions of some in the industry and possibly the public through the news media is that the warehouse tenants do not sell locally grown produce from our Ontario Farmers. In fact, all of our warehouse tenants handle produce from local Ontario growers including warehouse tenants who specialize in tropical fruits. We have at least three warehouse tenants whose sales of locally grown produce represent over 80 percent of their annual sales.

Employment:

In order for the OFT to produce this volume throughput of produce requires the efforts of a significant number of employees. We estimate that the warehouse tenants, office tenants and the Board total 1,500 employees. We estimate the number of farm operations selling at or shipping to the Terminal total 18,000 employees. The buyers of which we have over 5,000 registered, (we estimate the average number of employees per registered buyer is 30), which would represent over 150,000 employees. In addition, the terminal cannot operate without support services. These would be small and large business providing trucking services, equipment services such as fork lifts, power machines, cooling equipment, mechanics both refrigeration and vehicle mechanics, food safety and quality assurance businesses, computer equipment, IT services, legal services, insurance services, food and truck brokers, waste removal services, janitorial services among many other services. We estimate these service industry companies provide employment for over a 1,000 employees. When you add up all these employees, the number comes to 170,500 employees that are either directly or indirectly related to the operation of the Ontario Food Terminal. In addition, a large number of agri-food companies have set up business operations, large and small, in south Etobicoke, close to the OFT making it the hub of the second largest food cluster in North America.

Ideal Location:

With respect to the location of the OFT, in the late 1940's the OFT Board did an excellent job of locating the terminal close to the heart of the city. The OFT is easily accessible for Ontario Growers and buyers located north, south, east and west via the existing Ontario highway infrastructure, such as the QEW, 400, 401, 403, 404, 410, 427 and the Don Valley Parkway. Shipments to the Ontario Food Terminal from Mexico and the United States arrive by truck or

major rail yards in the GTA and shipments from beyond North America arrive either via ship or airplane and thereafter trucked into the terminal. The terminal's proximity to Pearson International airport completes our transportation linkage. More and more fruits and vegetables are coming from central and South America, Europe, Africa, the Middle East and the Far East. With the addition of the second Panama Canal linkage, larger ships are bringing more and more fruits and vegetables from South America to the market. All major food distribution centres in the United States are all located within the city core. New York, Philadelphia, Chicago, Los Angeles and San Francisco, are all located in the downtown core of their respective city which provides easy access for buyers to access their markets. With respect to volumes when compared to the American markets, Hunts Point is the largest, with Toronto being either second or third to Philadelphia in volume. For markets to be successful, they must have a large population base to support the industry and have to be in the city core. When the markets in Washington and Baltimore decided to move the markets out of the city core, the Maryland Food Centre located in Jessup Maryland was created and it is not a successful market like New York, Toronto or Philadelphia because buyers will not drive out of the city to buy produce and then drive back into the city with that produce to sell. The Commissioner of Agriculture for the State of Maryland and Chair of the market authority visited the OFT to see how we operate compared to their market and came to the conclusion that one of the reasons of a successful Terminal was its close proximity to the population's critical mass that is required to sustain a successful wholesale Terminal market.

The success of the Ontario Food Terminal is without question. Our reputation among terminal markets in the world is well known. The leadership of the OFT Board to maintain an organized marketplace that serves, farmers, warehouse tenants and buyers of all sizes proves that small businesses can operate at this Terminal, knowing that they will be treated equally and fairly in their businesses transactions with the Board. The facility is open for business to all the new entrepreneurs that wish to become part of the food distribution system of fresh fruits, vegetables and horticultural products in this Province.