

The Ontario Food Terminal:

A Priceless Hub in Ontario's Food Value Chain

Prepared by the Canadian Urban Institute for the Golden Horseshoe Food and Farming Alliance, with additional financial support from the City of Toronto.



**GOLDEN HORSESHOE
FOOD AND FARMING
ALLIANCE**



Working in partnership for a vibrant food and farming cluster

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September 2019



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EXECUTIVE SUMMARY

This report provides an overview of the Ontario Food Terminal, its role in providing Ontario-grown and other fresh produce and horticultural products to the GGH market, as well as an analysis of its locational importance.

In January 2019, the Ontario government commissioned the accounting firm MNP LLP to carry out a comprehensive review of the operations of the Ontario Food Terminal (OFT). The Minister of Ontario Ministry of Agriculture, Food and Rural Affairs (OMFRA) also made a number of statements that led stakeholders to believe that the Terminal might be closed, relocated or re-created in some form, elsewhere in the region.

The government's comments and decision to review the Terminal's operations cast doubt on the future of the Terminal, which prompted strong statements of concern from organizations such as the Toronto Wholesale Producers, the Canadian Association of Independent Grocers, the City of Toronto and a wide variety of other stakeholders.

In early June, one of those stakeholders, the Golden Horseshoe Food and Farming Alliance (GHFFA), commissioned the Canadian Urban Institute (CUI) to update a 2004 CUI report that had identified the OFT as a 'unique asset in the central Ontario economy,' with the goal of adding a qualitative dimension to the debate about the role of the OFT. The City of Toronto, as the host municipality for the Terminal with specific economic development and land use concerns, also provided funds for the update.

In July, in response to strong, broad-based support from organizations and individuals committed to the future of the OFT, the government announced that the Terminal will stay in its current location. Shortly after that announcement, the Minister tweeted that the government is also proposing to identify the OFT site as a 'provincially significant employment zone,' a step intended to provide an additional layer of 'protection' for the viability of the facility.

After these announcements had seemingly provided certainty over the future of the OFT, a key rationale to continue updating the 2004 study is to document the many positive improvements that have taken place over the past 15 years. The current study also represents an opportunity to examine how the Terminal has responded to influential trends in the market place, as well as evolving directions in public policy affecting the Terminal.

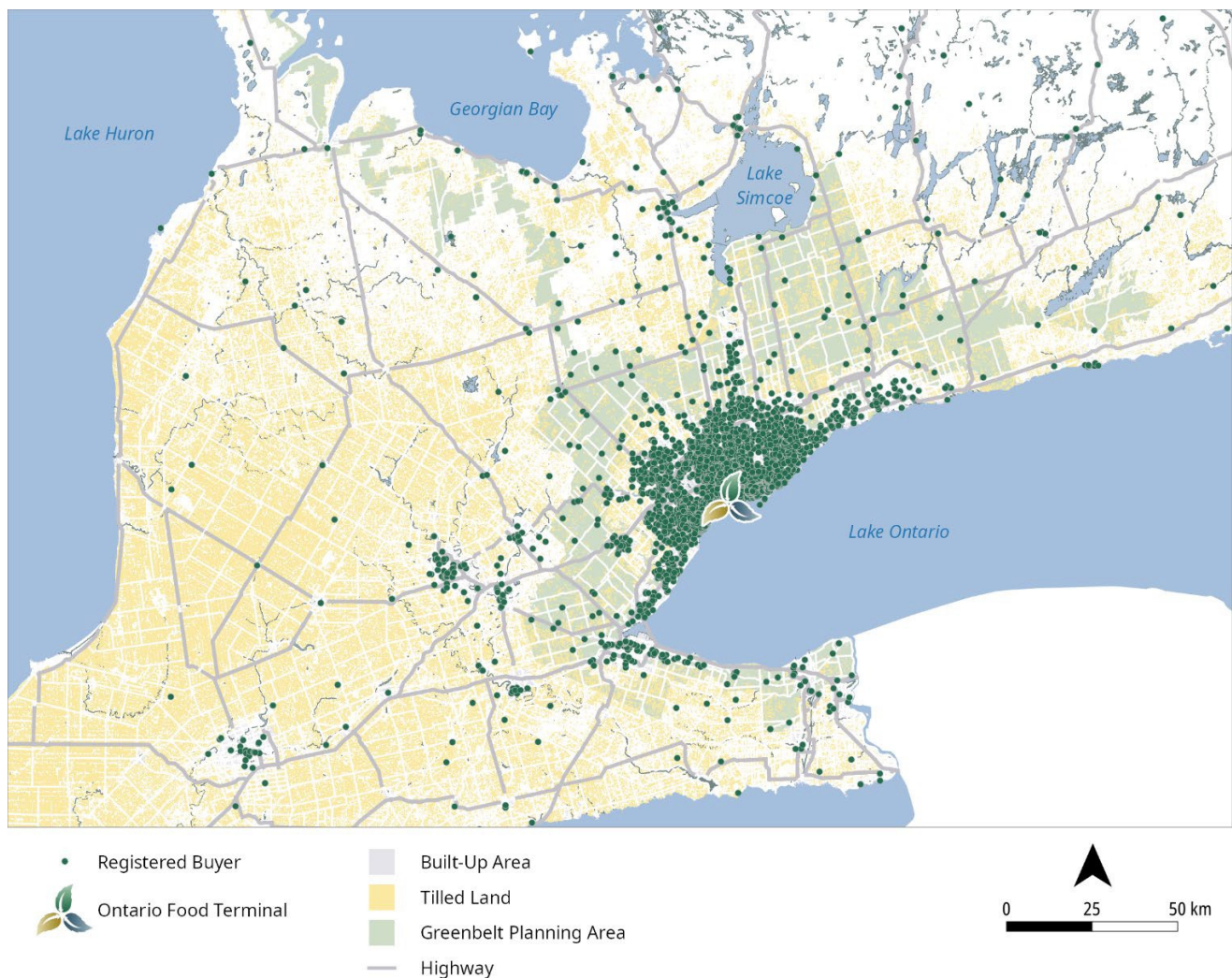
Following a review of internal OFT documents, interviews with the Terminal's principal users and analysis of government and industry reports, we believe that the OFT Board has successfully established and sustained the role of the Terminal as an important contributor to Ontario's food value chain.

The Ontario Food Terminal as a Competitive Force

As the only wholesale produce market of its kind in Canada, and one of the four largest in North America, the OFT Board has grown the annual throughput of fruits, vegetables and horticultural products to more than 2 billion pounds, 35%-40% of which represents produce grown in Ontario.

In the face of constant buffeting from competitive forces such as the continued expansion of the major grocery store chains and negative economic trends such as rising land costs and redevelopment pressures affecting the viability of Ontario farmers, the OFT provides an essential outlet for more than 1,500 Ontario growers. True to the aims set out in the 1946 Ontario Food Terminal Act, the OFT is a central, well-located facility where farmers and wholesalers interact with more than 5,000 registered buyers.

Figure 1 - Locations of registered buyers situated around the Ontario Food Terminal.



Individual jobbers and buyers employed by businesses represent the food processing sector, restaurants, food service companies and, significantly, 1,600 small and medium-sized grocery stores located on the shopping streets of Toronto neighbourhoods, as well as suburban and rural communities in the Golden Horseshoe and beyond. Produce distributed through the Terminal reaches Northern Ontario, Western and Atlantic Canada and even some of adjacent U.S. states.

The Ontario Food Terminal is unique among North American wholesale produce markets in that it provides dedicated facilities for local growers (the Farmers' Market) as well as the more traditional focus on wholesalers who maintain a vast network of both business contacts across the region and suppliers from around the globe. The basic outline of the physical plant is much the same as it was when the Terminal opened in 1954, but over the past 15 years in particular, following the inclusion of industry experts to the OFT Board, a continuous improvement program has been in place, resulting in capital investments of more than \$47M. Most of these capital investments (with one minor exception) have been paid for from user fees.

The changes with the most obvious impacts are dramatic improvements to internal traffic circulation through construction of a 'ring road' and new points of access and egress, and upgrades to the quality and capacity of cold storage and weather-protected docks in the Buyers' Court that have improved climate control and energy performance. Also, with financial support in 2001 from OMAFRA, the Terminal introduced the first programs linked to food safety.

The OFT Board comprises a chair appointed by OMAFRA and five other experienced industry experts. Under the direction of three senior staff, the Terminal has more than 40 full and part-time employees.

Counting workers employed by tenants and other users, about 2,000-2,500 people work at the Terminal. The extended ecosystem of companies directly and indirectly engaged with the Terminal likely employs more than 100,000-150,000 workers, many of whom are new Canadians and participants in the Seasonal Agricultural Workers Program and the Temporary Foreign Workers Program, who benefit from the opportunity for well-paid, predictable employment.

The OFT has responded to the impact of high-level trends and evolving public policy

Two key trends influencing the trajectory of the Terminal are a radical change in consumer eating habits that have simultaneously led to increased reliance on imported fruits and vegetables year-round and a commitment to supporting locally grown food through programs such as 'Buy Local.'

The former trend began with major chain stores that initially brought in large quantities of U.S. produce; the latter trend has been influenced by an aging demographic and Millennials interested in, and willing to pay for, access to the nutritional value associated with fresh fruit and vegetables. Immigration from around the world has also influenced Ontarian's fruit and vegetable preferences, with demand for more ethnocultural produce available year-round.

In response to this trend and an on-going commitment to support Ontario growers, the OFT has developed ambitious plans to construct a new facility to supplement the activities of the Farmers' Market. As a result of fruit and vegetable farms growing larger (through acquisition of adjacent farms), the OFT Board believes there is demand for accommodating growers wishing to bring in higher volumes and a greater range of varieties of produce. There is a cost to providing the level of facility that this requires, but at the same time the OFT Board, which is entirely dependent on user fees to cover capital and operating costs, must continue to meet the needs of Ontario growers who prefer to achieve their sales goals without increasing costs.

Over the past few decades, the OFT has had to respond to several shifts in public policy, the most significant of which is the increasing focus on food safety. This has required the need to develop and implement complex tracking systems that allow government (and private industry) to more easily identify sources of food contamination in the event of an outbreak of foodborne disease. The Terminal was one of the first wholesale produce markets in North America to embrace tracking systems, but there are major challenges ahead. The continuing trend has implications for the internal systems of the Terminal as well as the external linkages that extend throughout the Golden Horseshoe and beyond.

One of the key challenges facing the OFT Board is how to collaborate with their principal users to afford the move from an analog world to a more digital environment. This will require keeping up with industry trends led by the major chains (concerned with the importance of protecting their brands in the face of fierce competition) while at the same time paying attention to the practical limitations of introducing new technologies. All these actions must also remain consistent with the Board's commitment to addressing climate change, including, but not limited to, operational upgrades to reduce the Terminal's carbon footprint.

Key Findings.

Although concerns related to government pronouncements concerning the future of the Ontario Food Terminal (OFT) have been allayed to some extent, some of the points raised by Minister Hardeman¹ in his criticisms of the Terminal are beyond the scope of this report and cannot be answered unequivocally. From the perspective of affected stakeholders and supporters of the Terminal, the Minister's announcement that the OFT will remain in its current location is clearly good news. The stakeholder list is extensive.

In addition to the businesses located at the Terminal, the list of interested parties ranges from hundreds of Ontario growers who depend on the Terminal as a trusted outlet for selling their locally-grown fruit, vegetables and horticultural products to the many independent grocery stores in the Golden Horseshoe, particularly more than 1,600 green grocers serving Torontonians on shopping streets throughout the City.

Other stakeholders and supporters relieved by the government's decision to allow the Terminal to stay where it is include the principal client for this report, the Golden Horseshoe Food and Farming Alliance as well as the Ontario Produce Marketing Association, Ontario Fruit and Vegetable Growers Association and others producer associations. Other supporters include City of Toronto staff and politicians who understand the importance of the Terminal's role as a major employer and economic generator, and, less directly, an entity that contributes to the health and well-being of the population, including less fortunate Torontonians who rely on surplus produce from the Terminal through the City's food banks.

This report makes several references to the unique "stock exchange" role of the Terminal, which results in the distribution of an estimated additional 1B pounds of produce over and above the produce shipped through the OFT via off-site facilities owned by the Terminal's Warehouse Tenants. It isn't possible to know how far this model can be expanded into the future, but Terminal users interviewed appear confident that government concerns about the Terminal's ability to service the needs of the growing population of the Golden Horseshoe are unfounded. The MNP study commissioned by the government may well have more to say on this matter, including the viability of establishing OFT "sub-terminals" in places like Guelph/Wellington County, which was recently awarded \$10M from the federal government through the Smart Cities Challenge fund². The Guelph/Wellington County submission addresses many of the same issues already identified by the OFT Board as key challenges related to technological innovation and environmental sustainability to be faced in the years ahead.

This report also identifies trends beyond the direct control of the OFT that merit careful tracking such as local and regional traffic congestion, pressures from incompatible development and the future viability of Ontario growers in the Golden Horseshoe. Other key issues such as keeping the Terminal's operating expenses in check, collaborating with industry and Terminal users to accelerate the pace of technological innovation are addressed in the recommendations that follow. Key among these is the challenge of how to achieve the stated goal of the OFT Board to expand and enhance facilities serving the Farmers' Market while balancing the interests of all parties engaged in the enterprise.

¹ <https://www.thestar.com/business/2019/04/23/the-ford-government-is-reviewing-canadas-3-billion-food-terminal-and-independent-grocers-are-worried.html>

² <https://guelph.ca/2019/05/guelph-wellington-awarded-smart-cities-challenge-prize/>

The Ontario Food Terminal enjoys broad support and well-deserved international recognition as a leader in the field. As suggested below, however, a potentially important source of inspiration is to explore in more detail lessons to be learned (positive and negative) from other wholesale produce markets. This report has only scratched the surface in this regard.

Finally, this report has noted a great many important capital investment and operational improvements made since our first report in 2004. This a credit to the OFT Board and staff, which bodes well for the future, but there is clearly more to be done as the Terminal strives to retain its place in the food value chain.



The Ontario Food Terminal in 2018

The recommendations are focused on our analysis of the OFT Board's needs but will require support from a variety of stakeholders.

This report describes in some detail the critical role played by the Terminal in supporting Ontario's complex economic ecosystem focused on the food value chain. A key element of this value chain is the growing importance of food safety and the burgeoning level of interest in developing both the capacity of businesses to implement new processes and the potential for introducing innovations such as advanced logistics solutions into the system. Ontario's approach may be unique in that the government vision for food combines food safety, nutrition/public health and the many business linkages between these factors to economic development and the environment, including the need to protect the viability of growers responsible for producing fruit, vegetables and horticultural products.

The purpose of this recommendation is to provide additional impetus to this approach and to complement the working relationship between the OFT Board and OMAFRA.

- **We recommend that the government consider assigning representatives from the Ontario Ministry of Economic Development and Growth, and the Ontario Ministry of the Environment, Conservation and Parks, to provide advice and support to the Terminal with respect to documenting and enhancing business linkages emanating from the OFT as and when requested by the Board.**
- **We further recommend that officials from OMAFRA and Economic Development & Growth provide direct support to the OFT Board to advance their stated commitment to enhance the digital quality and effectiveness of their food safety and logistics tracking.**

This action would be informed by the work of Hunts Point, Philadelphia, Chicago and San Francisco wholesale markets, and would entail working with affected stakeholders such as the Ontario Fruit and Vegetable Growers Association, the Canadian Produce Marketing Association and others engaged in the industry-led Produce Traceability Initiative (PTI). As noted in 4.0, other major wholesale markets in North America are embracing digital innovation, motivated by a desire to achieve cost efficiencies but also to reduce their carbon footprint through web-based load optimization and other actions to reduce kilometres travelled.

The OFT Board's commitment to continuous capital investments to improve the efficiency of the Terminal has accelerated since 2005, with inclusion of industry experts to the Board. With one minor exception, the cost of improvements undertaken at the Terminal has always been covered by revenues generated from the OFT's nine cost centres.

As provided for in its business plan and consistent with its long-term commitment to promote the interests of Ontario growers, the OFT Board has developed a proposal to create a new building at the westerly end of the Terminal to accommodate a revamped Farmers' Market. The building

would include provisions for growers wishing to expand their capacity to bring in larger quantities of locally grown produce and to conduct sales in a climate-controlled facility comparable in quality to the Buyers' Court. The OFT Board has also expressed its desire to add a number of 'value-added' systems and services. These could range from establishing a platform from which to implement state-of-the-art practices for post-harvest handling and innovations in logistics and food safety to the provision of education and training facilities related to community outreach.

Achieving this vision while effectively balancing the needs of larger growers with the continuing desire of others to maintain the status quo will require capital contributions in dollars and in-kind from a variety of external organizations.

- **Recognizing the economic constraints of the OFT Board in needing to recover the capital cost of expansion plans from user fees, we recommend that the OFT Board consider designing the architectural program for the proposed new building to meet City of Toronto criteria for the IMIT program (Imagination, Manufacturing, Innovation and Technology).**

The program provides incentives for companies located in the City of Toronto to reduce business costs. If successful, the OFT's new building would benefit from a grant of 60 per cent of the increase in the municipal taxes attributable to the eligible development over a 10-year period. In the event that the site is found to be contaminated, the Brownfield Remediation Tax Assistance (BRTA) incentive would increase the value of the grant to 77 per cent.

As a not-for-profit Board Governed Provincial Agency, the Terminal is exempt from paying income taxes. The Board is nevertheless responsible for paying property and business taxes, which in 2018 amounted to approximately \$800,000. Other notable expenses include hydro fees.

- **We recommend that the Board consider exploring opportunities with the City of Toronto and the Municipal Provincial Assessment Corporation to reduce the Board's annual property tax burden in order to reduce operating expenses, and with other provincial agencies as appropriate.**

The opportunity to extend the OFT's ability to embrace digital

technologies in all areas of the Terminal's operations, from enhancing produce traceability across supply chains to introducing cost-effective payment and logistics planning, the pace of change has never been as strong.

- **To ensure that the proposed new Farmers' Market building is equipped to include services and systems to help the OFT deliver on its mission, we recommend that consideration be given to exploring Ontario and Federal grants and interest-free loan programs in order to enhance the financial feasibility of proceeding with the proposed new building.**

These programs could include OMAFRA's Place to Grow Agri-Food innovation initiative, focused on supporting producer protection and assurance, economic development and environmental stewardship. This is a cost-share funding program for farmers, processors and other businesses designed to "encourage interest from outside the agri-food sector to participate on broad-impact projects that will benefit from different kinds of expertise" and "new partners engaged to further drive innovation in areas such as advanced manufacturing and the greater use of data available to the sector." This fund could help cover the cost of accommodating a post-secondary educational facility (such as an external campus of the School of Applied Technology and/or Food and Nutrition Management program at Humber College). Ontario also provides funding for projects that create broader opportunities for the agri-food sector through the Grassroots Growth Program. Another program worth exploring is the Canadian Agriculture Partnership, which is federal-provincial initiative dedicated to fostering economic growth in the sector. As well, Fed-Dev Ontario was created by the federal government to foster "innovation, technology adoption and digital connectivity." The new Farmers' Market facility could be positioned to take advantage of these and other funding programs to minimize the capital outlay necessary.

The Minister of OMAFRA recently indicated that the government intends to identify the site of the Ontario Food Terminal as a 'provincially significant employment zone (PSEZ).' The City of Toronto is on record noting that a drawback to the PSEZ concept is that this creates a two-tiered approach to the protection of employment areas. The City nevertheless requested that the province amend its proposed list of PSEZs to include the site of the Ontario Food Terminal.

- **Since the province has indicated its intention to identify the OFT site as a PSEZ, we recommend that the City undertake**

to create an official plan amendment in advance of the current process to develop a new official plan.

This would a) acknowledge the province's decision to identify the OFT site as a PSEZ and

b) specifically designate in policy language the role and functions of the Terminal to supplement the province's broad criteria for identifying PSEZs and to ensure that these broad criteria continue to be interpreted to the future benefit of the OFT.

Further, this official plan amendment should also identify terms and conditions consistent with the provincial criteria for PSEZs with respect to mitigating the impact or encroachment of land uses that have the potential to impede the ability of the OFT to continue to thrive.

In this regard it is worth noting that the City is expected to come forward with recommendations related to redevelopment of the former Mr Christie's site. These recommendations are expected to result in the re-designation of the Mr Christie's site as a "regeneration" area. This will necessitate the upgrading of the Mr Christie's site regarding exits and entrances along the length of Park Lawn from the Mr Christie's site north as far as and including the OFT. It is important that the opportunity be taken to identify conditions in the form of capital contributions resulting from this redevelopment which could assist the OFT to upgrade and/or transform the retaining wall supporting the parking deck to the Farmers' Market and access points on Park Lawn in expectation that a new building be created abutting this frontage.

Thanks to on-going efforts of consumer groups, municipal and public health departments, OMAFRA and others, interest in promoting the benefits of consuming locally grown produce continues to grow. Despite this, however, few members of the public question where fresh produce actually comes from. Even those who do make the connection with the role of local farmers often have no clue how fruit and vegetables labelled 'Ontario produce' gets to their main street grocery store.

Ironically, one of the first meaningful commitments to 'Buy Local' took place long before the catch phrase gained its recent popularity. This occurred when the Ontario Food Terminal's Farmers' Market was established in 1951. Although this and other facts about the Terminal may be appreciated within the network of businesses that comprise

the food value chain connected to the Ontario Food Terminal, the important work of the Terminal is still largely unknown. This is a problem.

When a key institution's story is muddled by myth and misconceptions, this undermines trust, and in practical terms, makes the job of the Ontario Food Terminal Board to protect the interests of the Terminal that much harder.

For example, few outside the Terminal's immediate network realize that many 'farmers' markets' around the province are actually re-selling produce purchased from the OFT. Another point poorly understood is that in addition to their role as importers of produce from the U.S. and many other locations around the world, the Terminal's Warehouse Tenants also distribute fruit and vegetables from more than 1,100 local growers. The critical role of the Terminal in supporting the viability of 1,600 small and medium-sized independent greengrocers – the fruit and vegetable shops that line Toronto's main streets – is also not widely known.

The final recommendation of this report, therefore, is that the Ontario Food Terminal Board should develop and implement a comprehensive communications strategy to publicize, inform and educate the general public about the activities of the OFT.

There are many different constituencies that the OFT might wish to influence but one of the most important is the school-age population – in addition to representing the next generation of consumers, children have a knack of influencing adult behaviour in important ways. At the other end of the spectrum, many thousands of drivers pass by the Terminal every day but have no idea what is going on in the facility at the edge of the QEW. There is therefore an opportunity to install a billboard on one of the rooftops of the OFT that could a) bring in much-needed revenue but b) on alternate screens deliver a constant stream of ever-changing messages about the role of the Terminal.

Another important element of an effective communications strategy these days must also include a commitment to social media. In addition to the OFT's existing presence on U-Tube, the Ontario Food Terminal Board should consider collaborating with post-secondary institutions to host interns who could make it their business to sustain a meaningful campaign on Twitter, Facebook and other appropriate media.

A key challenge regarding communications is that senior staff at the

OFT are already fully committed to running the Terminal day-to-day so it will be important for the OFT Board to collaborate and receive tangible support for ramping up communications from formal and many informal sources to leverage the impact and reach of communications. A good place to start is to connect with the many grassroots groups that sprang to the defence of the Terminal during the recent period of uncertainty about the future of the OFT.