ONTARIO

Food Terminal Board

2022-23 Annual Report

Ontario

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Introduction

The Ontario Food Terminal Board (OFTB) was established in 1954 and is a Board Governed Provincial Agency created under the *Ontario Food Terminal Act, R.S.O. 1990*. The OFTB's mandate is set out in section 4 of the Act which provides that the Agency's mandate is to acquire, construct, equip and operate a wholesale market primarily for agricultural products in the City of Toronto or The Regional Municipality of York, known in English as the Ontario Food Terminal and in French as Marché des produits alimentaires de l'Ontario, and to acquire and operate such facilities for the transportation and handling of agricultural products as may be necessary for the purposes of the Terminal; promote local food within the meaning of the *Local Food Act, 2013*; and to do such other acts as may be necessary or expedient for the carrying out of its operations and undertakings.

The OFTB's staff and Board of Directors combine a wealth of expertise in the marketing and distribution of fruits, vegetables and agricultural products in the province of Ontario and Canada. The Board had a net income of $1,404,039 in the 2022/23 fiscal year compared to a net income of $823,357 in the 2021/22 fiscal year.

Delivering on its mandate to operate a wholesale market

The Ontario Food Terminal (Terminal) is a self-funded, competitive wholesale market which allows over 4,000 buyers to purchase high quality produce from 20 warehouse tenants and over 300 Ontario farmer tenants. The Terminal operates 24 hours a day, 7 days a week, 365 days a year. The volume of produce distributed annually through the Terminal is nearly 2 billion pounds and there are approximately 400 different varieties of produce sold at the Terminal. The Terminal continues to be the main source of agricultural products for the independent grocery trade in Ontario and contributes in no small way to the success of Ontario's agriculture and agri-food industry, which is a major economic driver in the province. In 2022, for example, Ontario's agriculture and agri-food industry generated $48.7 billion in gross domestic product.[1]

The Terminal is a crucial node in Ontario's food distribution system and is strategically located within the City of Toronto to deliver on its mandate. Importantly, the Terminal is situated close to its buyer base, which reduces travel time for the thousands of buyers who use the Terminal each week. In addition to being the main source of agricultural products for the independent grocery trade, the Terminal serves as an incubator for early-stage startups in fresh food retailing, enables agricultural products to be showcased to buyers, and provides an outlet for Ontario growers to market their products directly to buyers. The Terminal also helps ensure that locally grown foods reach Ontario consumers and are competitively priced.

[1] Government of Canada – Gross domestic product for agri-food sector, September 21, 2023.

Several features set the Ontario Food Terminal apart from other wholesale markets in North America. Of the major wholesale markets, the Ontario Food Terminal is the only one with a wholesale farmers' market. The farmers' market enables over 300 hundred farm businesses to conduct seasonal operations at the Terminal and market their products directly to buyers, giving farmers increased market access and improving margins, and making it possible for more Ontarians to enjoy food produced by Ontario farmers. Over the past several years, the Ontario Food Terminal has also invested in important infrastructure developments, such as a central cold storage space available to tenants, an enclosed docking system to facilitate year-round operations and reduce food safety risks, and an onsite waste handling facility to reduce food waste.

Operating Principles

Vision

To aspire to be a recognized global leader in facilitating wholesale distribution of agricultural products enabling Ontario consumers the benefit of competitive prices and safe, high-quality supply year-round while providing Ontario growers with an effective and efficient marketplace.

Mission

To facilitate the exchange of wholesale trade in perishable food and agricultural products in a manner that is efficient, safe, competitive and responsive to market needs.

Core Values

The OFTB is committed to delivering outstanding service to growers, dealers, wholesalers, and buyers so that their businesses can thrive and grow.

- Value the people we serve and employ, treating all with fairness and respect.
- Conduct our business in an open, transparent and accountable way.
- Hold sufficient reserves to provide for stability and confidence.
- Deliver services that are efficient and cost effective.
- Stay independent of any commercial or political interest and therefore act only in the public interest.
- Enable our customers, and therefore consumers, to access more agricultural products at lowers costs than would be available if the Ontario Food Terminal did not exist.
- Strive to anticipate future trends and needs for which we plan through consultation.
- Proactively take steps to enable the volume traded to grow.
- Be good neighbours in our community.

Mandate

The OFTB’s mandate continues to be relevant to government goals and priorities as it is vital to the success of the agri-food sector, supports and promotes Ontario grown and/or produced agricultural products and will work to improve the facility in its existing location. The OFTB remains the most appropriate organization to carry out all aspects of its mandate given the agency has the expertise needed to fulfill its mandated functions. The OFTB governed operational enterprise agency model offers an appropriate and suitable framework for public accountability and provides for oversight to ensure that the public interest is maintained in the operation of the Terminal.

Ontario's Minister of Agriculture, Food and Rural Affairs sent a letter of direction to the OFTB's Chair, which set out the Ontario Government's and the Minister's expectations for the OFTB. The results are reported on below.

Priorities from Ontario's Minister of Agriculture Food and Rural Affairs

Competitiveness, Sustainability and Expenditure Management

We continue to identify opportunities for efficiencies and savings through innovative practices. For example, one area we've identified for savings has been installing more energy efficient lighting. Over the last year we have continued our efforts to replace old light fixtures with LED lights and have also added in motion sensors to reduce power usage. In the last 10 years we have reduced power consumption by 2 million kilowatt hours.

We are a self-funded agency and have successfully managed our operating costs within our Board approved budget over 2022-23. In addition to working within the operation costs of the Terminal, we have managed to pay off an additional $1.25 million over 2022-23 over and above our $1.143 million required loan payments.

Transparency and Accountability

We continue to abide by government directives and policies while ensuring transparency and accountability in reporting. We continue to adhere to requirements in the Agencies and Appointments Directive, as evidenced, for example, by the submission of an Annual Report and three-year Business Plan each year. Through the Office of the Auditor General, we are also audited each year. We maintain a governance matrix to identify the appropriate skills, knowledge and experience needed to effectively support the Board's roles in agency governance and accountability.

As an Agency that works closely every day with our tenants and stakeholders, we have an additional layer of accountability and transparency. We have over 4,000 buyers and sellers at the Terminal and are routinely responding to questions about the operational costs of the Terminal, as tenant rents are tied directly to how efficiently we can operate. We are under constant scrutiny to manage the Terminal efficiently—both in terms of operations but also in terms of costs.

Risk Management

We have developed and implemented effective processes for risk identification, assessment and mitigation. One of the key risks we responded to effectively over 2022-23 (and prior to that) was COVID-19.

Workforce Management

The Terminal has 45 staff, which includes a General Manager and 2 operational Managers who look after the Terminal's operations. The Managers head 5 service departments, which include administration, cold storage, police, maintenance and sanitation. This structure has provided responsive service to stakeholders in an efficient manner. The police department is the first point of contact 24 hours a day, 7 days a week for when there is an issue. That call is then redirected to the appropriate department so that resources can be quickly deployed to priority areas.

The Terminal’s management team and staff require experience and expertise in operating a warehouse and wholesale facility. The General Manager ensures that staff have the necessary skills to manage the Terminal’s operations, such as policing, ticketing and maintenance. The General Manager is responsible for ensuring there are sufficient staff with the necessary skills to manage the day-to-day operational needs of the Terminal. This involves, for example, anticipating busy times in different departments (e.g., cold storage) and allocating the necessary number of people to manage the work flow.

Diversity and Inclusion

We have a Diversity and Inclusion governance protocol for the Board that speaks to the importance of having an inclusive workplace. We encourage a diverse and inclusive workplace both in terms of people working at the Terminal and working for the Terminal. At present we have over a dozen nationalities working for the Terminal and dozens more who work at and use the facility daily. A diverse workplace is part of the fabric of the Terminal.

Data Collection

We collect data in several areas that allows us to operate the Terminal efficiently and to charge appropriate rent to tenants. For example, we monitor the daily activity of the farmers’ market and cold storage to charge rents and fees accordingly. We also closely monitor our expenses (e.g., water consumption, natural gas, hydro) which helps with forecasting and also identifying areas for potential savings.

Digital Delivery and Customer Service

In terms of digital delivery, as a wholesale market, we are not oriented towards e-commerce. In effect, we operate the Terminal as landlords who are managing the physical assets of the wholesale market, and who manage both revenues and expenses to keep rents as low as possible for tenants. We are not involved in the actual sales or transactions. The Terminal is also most conducive to in-person transactions as buyers are there to assess, for example, the quality of the produce and to build and maintain business relationships.

Customer service remains highly important to our model, and we try to accommodate buyers and sellers to the best of our ability. For example, if a buyer is unable to attend during operating hours, we will make accommodations as we are able to register buyers through email.

Development of a long-term asset management and capital improvement and growth plan

We continue to review our operations for where capital improvements are required. For example, we have been exploring building a farmers' market building. Over 2022-23, we held consultations with farmers' market stakeholders to help determine how and whether to proceed. In terms of expansion opportunities, we are land locked, which limits our opportunities for expansion beyond our current footprint. However, over the years several tenants and buyers have built warehouses, processing facilities in close proximity to the Terminal to support the market being where it is.

Within the last 5 years we have made several investments in our infrastructure to ensure the Terminal continues to meet and exceed stakeholder needs. For example, we have 1) built a second cold storage shipping and receiving building to accommodate the increased demands from tenants, 2) built an enclosed loading dock building that enables buyers to load their purchases indoors, accommodates tractor trailers, and maintains cold chains that reduce food safety risks 3) created a waste handling facility, 4) constructed a second entrance roadway to accommodate tractor trailers coming in the market, 5) utilized the east end of the property to accommodate additional traffic and parking, 6) expanded the original shipping and receiving area, and 7) created a quality control room for tenants to assess the quality of produce received.

Increased collaboration and communication between the Board, Government, and Industry

We have meetings with stakeholders on an ongoing basis to address stakeholder needs, such as operational requirements and proposed physical improvements, and have established warehouse and farmers' market advisory committees.

Over the last year, we have also hosted the Premier's Office, Minister Thompson, the Deputy Minister's office, as well as various MPPs on tours. We also worked closely with the Ministry of Health during COVID-19 to host a vaccination clinic, where we vaccinated 10,800 people.

Conduct a review to determine how to minimize the carbon footprint of the Ontario Food Terminal

We continue to identify opportunities for minimizing our carbon footprint. For example, one area we've identified for savings has been installing more efficient lighting. In the last year we have continued to replace old light fixtures with LED lights and have also added in motion sensors to reduce power usage. In the last 10 years we have reduced power consumption by 2 million kilowatt hours. Our police department has also changed from using motorized vehicles to golf carts, which reduced the amount of gasoline used.

Message from the Chair

I am pleased to present the Annual Report of the Ontario Food Terminal Board for the fiscal year ending March 31, 2023. The report focuses on the Board's achievements for the year. The Ontario Food Terminal continues to provide a competitive marketplace for Ontario buyers and sellers that provides a reliable, safe and consistent food supply for Ontarians.

The Board ensures that the Terminal operates efficiently to provide the best value possible to Ontario growers, produce distributors, retailers and institutions as they continue to use the Terminal as a major source of supply of fresh fruits, vegetables and agricultural products.

As a third-generation independent grocer, I understand the importance and value of the Ontario Food Terminal. Having a facility where buyers can go on a daily basis and hand pick product and negotiate prices creates a competitive atmosphere that is good for all of Ontario. It allows farmers access to bigger markets and also provides opportunities to restaurants and other smaller stores to source the best quality and unique products.

I would like to thank the Minister of Agriculture, Food and Rural Affairs for her support of the Ontario Food Terminal in maintaining its vital contribution to Ontario's important agricultural industry, economy and to the people of Ontario.

I would like to thank both my fellow directors on the Board, the Terminal tenants, the Terminal employees, the thousands of loyal buyers that participated in the Board to achieve another successful fiscal year.

Your truly,

Christy McMullen

Chair, Ontario Food Terminal Board

Governance

The OFTB is governed by legislation and directives that guide Ontario agencies in the delivery of services to the public. The *Ontario Food Terminal Act* outlines our objects, duties, powers and structure. As an agency of the provincial government, we deliver services to maintain a competitive, efficient, safe and reliable wholesale marketplace for our stakeholders, which includes Ontario farmers. We are accountable to the Ontario Minister of Agriculture, Food and Rural Affairs to deliver services while maintaining high standards of in operations and customer service.

Organizational Structure

The Board members are accountable to the Minister, through the Chair, for setting goals and direction for the Board. The Board may consist of a minimum of 5 members up to a maximum of 13 members appointed by the Lieutenant Governor in Council. Members of the Board are recognized as leaders, with many years of experience, in the produce industry. Currently, there are 6 members appointed to the Board. All positions are posted on Ontario's Public Appointments Secretariat website.

The Board must comply with provincial government directives that guide the Board in its delivery of services. The Agencies and Appointments Directive (AAD) is a Management Board of Cabinet Directive and sets out the requirements of the Board as a board governed provincial agency.

The Board is responsible for appointing, upon the approval of the Minister, the General Manager for the Terminal. The General Manager, in turn, appoints two operational Managers to look after the Terminal's operations. The Managers head 5 service departments. They are: (1) administration, (2) cold storage, (3) police, (4) maintenance and (5) sanitation. This structure has proved to provide a responsive service to our stakeholders in a very efficient manner.

Staff Resources

The Board employs a total of 45 non-union employees, which includes 2 student staff. Staff resources are used across all core businesses and their time is allocated to 9 cost centres. Costing for staff requirements is closely controlled by the annual operating budget and maximum efficiencies are achieve through the existing hierarchy structure.

Memorandum of Understanding

A Memorandum of Understanding (MOU) is in place between the Minister of Agriculture, Food and Rural Affairs and the Chair of the Board and sets out the accountability relationships between the Minister, Chair, Board, Deputy Minister and General Manager. The MOU clarifies expectations and reporting requirements, and outlines the roles and responsibilities of the Minister, Chair of the Board, Board, and Deputy Minister.

Board Members

The members of the OFTB for the 2022/23 fiscal year were:

Christy McMullen – Chair
Term: August 31, 2020 – October 13, 2024
Christy McMullen is the Vice President of Summerhill Market. Her community involvement includes being the former Chair for the Canadian Federation of Independent Grocers.

Len Turkevics – Director
Term: January 31, 2019 – January 30, 2025
Len Turkevics is currently principal at Turkevics & Associates. Former employment includes roles as serving as a Senior Policy Advisor with the Ministry of Agriculture, Food & Rural Affairs as a Researcher for the PC Caucus at the Legislative Assembly. Mr. Turkevics holds a Bachelor of Arts from the University of Toronto.

Larry Kieswetter – Director
Term: November 30, 2016 – November 27, 2025
Larry Kieswetter retired from Burnac Produce where he served as a Senior Director. His long career in produce also included 48 years with Zehrs and Loblaw Companies where he worked in every phase of produce operation including retail, warehousing, distribution and procurement. During his career he also served on the Boards of the Canadian Produce Marketing Association (CPMA) and the Dispute Resolution Corporation (DRC). Over the years he has also been a guest speaker at various produce conferences. Outside work Larry has been actively involved in his church and various charitable organizations.

John Den Boer – Director
Term: August 31, 2020 – August 20, 2023
John Den Boer of Den Boer Family Farm Inc., President of the Toronto Farmers Association and a former Store Manager for Albert-Heijn.

Steve Bamford – Director
Term: October 4, 2020 – October 3, 2023
Steve Bamford is a Chief Executive Officer for Fresh Advancements, and President of Bay Growers, and is a former President of Freshline Foods Inc

Fred Koornneef – Director
Term: April 7, 2022 – April 6, 2025
Fred Koornneef is the President of Koornneef Produce Ltd. and is the President of the Toronto Wholesale Produce Association.

Ian MacKenzie – Director
Term: March 8, 2017 – March 7, 2023
Ian MacKenzie received his B.Sc. (Agr.) degree at the University of Guelph majoring in horticultural science, and shortly after, started his career with Agriculture Canada. Throughout his career, Mr. MacKenzie worked with such groups as the Ontario Produce Marketing Association and the Fresh Produce Alliance (Toronto).

As of March 8, 2023, Mr. MacKenzie no longer serves on the Board.

Services

The Terminal continues to be the main source of fresh fruits, vegetables and agricultural products for the independent grocery trade in Ontario. The Terminal is a competitive wholesale market which allows over 4,000 buyers to purchase high quality produce from 20 warehouse and over 300 Ontario farmer tenants. There are approximately 400 different varieties of produce sold at the Terminal.

Cold Storage

The OFTB provides a 108,000 square foot central cold storage facility for the warehouse and grower tenants. The cold storage facility contains 18 rooms with varying temperatures to accommodate the wide variety of produce available and to ensure the best quality produce for buyers. The Terminal also provides the facilities to store food for donation.

Farmers' Market

The farmers' market consists of 506,000 square feet of space and 400 stalls. It is outdoors and is open all year. The farmers' market provides a wholesale market for Ontario growers to market their fruit, vegetables and horticultural products directly to over 4,000 buyers. The farmers' market gives Ontario buyers an advantage by giving them access to buyers that come to the market. Without the farmers' market, farmers would have to sell through a distributor or other seller at the Terminal.

Warehouse

The warehouse consists of 231,000 square feet of space and is dedicated to the buying and selling of fresh produce. There are 20 warehouse tenants that operate within the warehouse building. The warehouse is connected by loading docks which also connect to the central cold storage building. The value of the warehousing is that it allows tenants access to warehousing onsite that would otherwise have to be located offsite. The warehouse space gives tenants the ability to expand and contract their inventory throughout the season. It is also a variable cost for tenants that they have access to when they need it, which reduces their overall operating costs. Unlike other markets, the warehouse also enables tenants to have a smaller sales space on the sales floor. The benefit of this is that buyers can easily walk the whole market, view product from multiple sellers, make purchases, then later load their purchases that are stored in the warehouse. The warehouse is also connected to an enclosed dock system which allows sellers/buyers to move product all year (i.e., in winter) and maintain an unbroken cold chain, which reduces food safety risks.

Office Space

There is over 24,000 square feet of office space at the Terminal located primarily on the second floor of the warehouse building. Office space that is supplemental to the needs of the Terminal's tenants is 100% rented out and is utilized by tenants to conduct accounting, client meetings, storage, and other administrative duties.

Waste Handling Facility

There is an onsite waste handling facility that enables the Terminal to separate organic product, wood, plastics, and cardboard from the regular waste streams. Organic products are shipped to a hog farm for feed. Cardboard is compressed and recycled. Plastics that can be recycled are diverted from the waste stream. Broken pallets are picked up and converted into wood chips. During the last fiscal year, over one million pounds of waste was diverted from the land fill.

Operational Performance

Highlights of Implementation Plan Activities

Improved Allocation of Leased Space:

- In July we issued newly updated and modernized farmers' market leases to, for example, clearly state that product sold in the farmers' market cannot be foreign product.
- We continue to implement the Stall Point System and we are continually working with tenants to re-evaluate their stall size needs.

Improved Worker Safety Policies:

- We are working on implementing a new traffic plan within the Terminal in collaboration with the Ministry of Labour.

Food Safety Policies:

- The warehouse tenants and the Board have achieved and completed HACCP Food Safety certification and comply with the *Safe Food for Canadians Act*. A food safety audit of the facility is conducted annually and a passing grade is required to maintain our certification.

Maintain a Profitable Cold Storage Facility

- The cold storage facility is one of our core business areas. It generates a surplus that is used to improve and upgrade the overall facility.

Increased Communications

- The Board has a Farmers' Market Tenant Advisory Committee and a Warehouse Tenant Advisory Committee. One of the Board members chairs each meeting. The Advisory Committees give the OFTB an opportunity to listen to tenant issues and bring those issues back to the Board and management.
- We continue to work with key industry association such as the Ontario Produce Marketing Association and Ontario Fruit and Vegetable Growers Association. The OFTB is a member of the Canadian Produce Marketing Association and Ontario Produce Marketing Association.
- We use our social media accounts to promote awareness of the Terminal and to support the industry more broadly.

Increased Technology

- We have continued to upgrade our systems to embrace information technologies that enable us to better fulfill out mandate. For example, we have a data access system that controls access to the Terminal through access cards. Our fire alarm system is wired to the front gate, which allows us to pinpoint exactly where an issue is occurring. Our refrigeration is an automated system and one that is controlled remotely. The system sends us updated information on temperature and pressure, and notifies us of any pressure or temperature issues. Over the past several years we have eliminated paper reporting.
- We continue to identify opportunities for minimizing our carbon footprint. For example, one area we've identified for savings has been installing more efficient lighting. In the last year we have continued to replace old light fixtures with LED lights and have also added in motion sensors to reduce power usage. In the last 10 years we have reduced power consumption by 2 million kilowatt hours. Our police department has also changed from using motorized vehicles to golf carts, which rely on electricity.

2022-23 Performance measures and results

The Ontario Food Terminal continues to provide excellent customer service by responding to stakeholder needs quickly and by replying to phone or email messages within one business day. The warehouse units and office spaces were 100% rented and the Board did not turn away any Ontario Growers that wanted to rent a stall to market their fruits, vegetables or agricultural products within the Farmers' Market area in the Terminal.

The volume of fruits and produce distributed through the Terminal for the 2022/23 fiscal year was 928,538 tons (1.86 billion pounds), which was an increase of 1.0% from the 2021/22 fiscal year.

The share of Ontario grown fruits, vegetables and agricultural products sold at the Terminal accounts for approximately 35% to 40% of the total 928,538 tons dis(of what total?). The Board is continually promoting the entire facility, including the sale of Ontario grown fruits, vegetables and agricultural products in the Farmers' Market, through tours, its website, and social media during the year.

Risk Analysis

In our 2023-26 Business Plan, we identified several low to medium risks that might impact operations and revenue at the Terminal. While workplace safety and health continue to be an area that we are proactive in and monitor, the risk of COVID-19 has been greatly reduced and concerns about disruption of services have decreased. As the risk of COVID-19 has decreased, we have seen demand for services increase since the last fiscal period. Another area of potential risk that was identified was the potential for lack of quorum for the Board. The addition of a new Board member has reduced that risk. We continue to reduce the risk of Board members having conflict of interest situations by, for example, providing training to new board members on conflict of interest.

Analysis of Financial Performance

We have operated within our Board approved budget over 2022-23. Over this period, we have lesser expenses and higher revenue compared to the previous fiscal year. The Board had a net income of $1,404,039 in the 2022/23 fiscal year compared to a net income of $823,357 in 2021/22 fiscal year. This represents a significant improvement from the previous year, which has been a result of increased activity at the Terminal. Rent revenue increased by 2%, cold storage revenue increased by 11%, toll fees increased by 1% and buyer tolls increased by 3% as demand from the food service industry increased.

The Board experienced an overall decrease of 1.9% in expenses. Decreases in electric power, realty taxes, legal fees and covid-19 expenses helped offset increases in interest expenses, repairs and maintenance, fuel and miscellaneous expenses in the year. During the year, the Board carefully managed its expenses, where possible, and continued making investments in energy efficiencies throughout the facility resulting in an electricity consumption reduction of 835,000 Kwh over the last 5 years.

Capital expenditures for the year totaled $845,438. The main capital expense for the year was for refurbishment costs related to the parking deck. In addition, the Board was required to adopt a new accounting standard as of April 1st, 2022 to recognize a liability for an asset retirement obligation. This is a legal obligation to record the retirement costs in relation to a tangible capital asset. The Board calculated its best estimate as to the cost of this expenditure and review this liability annually and make any necessary adjustments.

Independent Auditor's Report

The accompanying financial statements have been prepared by management. The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards.

Management is responsible for the accuracy, integrity and objectivity of the information contained in the financial statements.

The following items have been included as a separate document:

Independent Auditor’s Report

Statement of Financial Position

Statement of Operations and Fund Balances

Statement of Cash Flows