

Annual Report

& financials for year ending January 31st, 2018



Ontario
Tender Fruit
Growers

Vision

Ontario Tender Fruit- Your orchard of choice, your partners in quality.

Mission

To succeed as the Tender Fruit supplier of choice through innovation and competitiveness by applying the best marketing, technology, and management.



Chair's Report ONTARIO TENDER FRUIT GROWERS 2017 In Review

February 2018

In complete contrast to 2016, 2017 will be remembered as the year of ample rain. Most tender fruit crops recovered well from the drought of 2016 and despite hail in a few areas, there was abundant supply of fruit for consumers across Canada.

Sales data by commodity are included in the following pages. The overall gross value of our crops increased this year which resulted in solid net returns to growers.

Government funding through Growing Forward 2 and partnerships with Vineland Research and Innovation, Universities of Guelph and Brock, as well as extension support through our OMAFRA specialists continue to make research initiatives possible. Summaries of research projects are enclosed.

We extend thanks to The Greenbelt Foundation again this year for their support with a tender fruit revitalization program to offset costs of trees to growers.

Promotion funding support was provided through Growing Forward 2 to develop and distribute bilingual promotional material. This allowed us to increase consumer's awareness of the versatility of tender fruit in the Quebec marketplace. Additionally, support from Foodland Ontario including instore display bins, promotional material and sampling programs helped raise awareness of local across Ontario. Details of the promotion initiatives are included in the report.

Crop insurance continues to be a crucial risk management tool for our growers and we look forward to working with Agricorp on the implementation of separate plans for European and Japanese plums.

With increases to minimum wage in Ontario, marketing in the future will be challenging until other competing jurisdictions are on a level playing field.

In order to ensure long term sustainability of the sector, there will need to be concerted effort and support from retail partners, government, marketers and growers.

Extreme weather fluctuations and market pressures will necessitate implementation of mitigation strategies, the need for capital investment to increase efficiencies, and even more reliance on Business Risk Management Programs.

We look forward to the next Agricultural Framework and opportunities for the sector to grow.

I express my thanks to the staff for their continued support and dedication throughout this past year.

Respectfully submitted,

Phil Tregunno

THIRTY-NINTH ANNUAL REPORT OF THE ONTARIO TENDER FRUIT GROWERS

Table 1 provides detailed information on crop volumes through appointed shipper-dealers and licensed growers. Values are based on gross FOB.

TABLE I
Tonnage and Gross FOB Value of Ontario Tender Fruit
2015 – 2017

	2015	2016	2017		2015	2016*	2017	
	Volume	Volume	Volume	%Change	Value	Value	Value	%Change
	Tons	Tons	Tons	'17 vs '16	\$	\$	\$	'17 vs '16
Fresh Market								
Peaches	18,951	15,482	18,714	21%	31,838,011	31,215,251	40,178,347	29%
Pears	3,201	2,650	2,886	9%	4,639,863	4,572,269	4,973,744	9%
Plums & Prunes	1,928	1,402	2,500	78%	4,826,665	3,883,453	6,983,018	80%
Nectarines	2,736	3,328	3,933	18%	6,397,543	7,947,688	9,676,582	22%
Apricots		18	100	455%		92,893	420,663	353%
TOTAL	26,816	22,880	28,132	23%	47,702,082	47,711,555	62,232,354	30%
Processing								
Sweet Cherries	10	26	15	-42%	17,848	46,918	26,962	-43%
Sour Cherries	4,070	6,445	4,827	-25%	7,413,618	10,541,704	7,425,298	-30%
Peaches	982	946	837	-12%	688,460	643,851	589,474	-8%
Pears	193	239	345	44%	134,791	167,035	241,533	45%
TOTAL	5,255	7,656	6,024	-21%	8,254,717	11,399,508	8,283,267	-27%
COMBINED	32,071	30,536	34,156	12%	55,956,799	59,111,289	70,515,621	19%

*2016 fresh market values restated

PROCESSING SALES

Tart Cherries – There were 4,827 tons of tart cherries sold to processors in 2017 (6,445 - 2016). Growers received \$ 7.4 million for their 2017 crop (\$10.5 million – 2016). The negotiated price for 92 score cherries was \$0.78 per pound including a processing fee (\$0.82 - 2016). 18 growers delivered tart cherries to processors in 2017 (27 in 2016).

TABLE II
Reported Tart Cherries Sales Volumes for Processing
2013– 2017

MARKET SEGMENT	2013 Tons	2014 Tons	2015 Tons	2016 Tons	2017 Tons
Processed and Distilled	6,039	4,325	4,070	6,445	4,827

Sweet Cherries – In 2017, 5 growers delivered 15 tons of sweet cherries for processing (26 tons - 2016).

TABLE III
Reported Sweet Cherries Sales Volumes for Processing
2013 – 2017

MARKET SEGMENT	2013 Tons	2014 Tons	2015 Tons	2016 Tons	2017 Tons
Freezing	16	16	10	26	15

Processing Peaches – Processors purchased 837 tons of clingstone peaches in 2017 (946 – 2016). The minimum price for sales in Ontario was set at \$750 for 2 ¾", \$600 for 2 ½" per ton and splits for \$200.

Processing Pears – Processors purchased 345 tons of pears for processing in 2017 (239 – 2016). The minimum price was set in Ontario at \$0.35 cents per lb. including a processing fee.

TABLE IV
Reported Peaches and Pears Sales Volumes for Processing
2013 – 2017

	2013 Tons	2014 Tons	2015 Tons	2016 Tons	2017 Tons
CLINGSTONE PEACHES	1,662	799	982	946	837
PEARS	496	273	193	239	345

TABLE V
Minimum Delivered Prices – Processing Crops
2013 – 2017

CROP	2013 \$/ton	2014 \$/ton	2015 \$/ton	2016 \$/ton	2017 \$/ton
Sweet Cherries					
Freezing (Chilled Pitted Market)	1,500	1,700	1,800	1,800	1,800
Distilling	600	1,700	1,800	1,800	1,800
Tart Cherries*					
97-100 Score	1,705	1,785	1,885	1,685	1,605
92 Score	1,660	1,740	1,840	1,640	1,560
69 & Under Score	1,590	1,670	1,770	1,570	1,490
Peaches (2 3/4")	600	700	750	750	750
Pears*	600	600	700	700	700

The cherry processing fee for 2017 was set at \$0.53/lb. The processing fee for pears was set at \$0.22/lb.

FRESH MARKET SALES THROUGH APPOINTED DEALERS

2017 sales of fresh market crops (including grapes) through appointed dealers were +26% to 28,698 tons.

Average net returns to producers selling through appointed dealers are shown after deducting shipper commissions, board fees and container costs. Packing or production costs have not been deducted.

TABLE VI
Average Net Returns for Sales through Ontario Appointed Dealers
2013 - 2017

Crop	2013 \$/ton	2014 \$/ton	2015 \$/ton	2016* \$/ton	2017 \$/ton
Peaches	1,120	1,220	1,241	1,450	1,554
Nectarines	1,320	1,640	1,755	1,820	1,828
Pears					
Bartlett	860	980	1,220	1,230	1,203
Bosc	1,360	1,360	1,571	1,432	1,423
Plums					
Japanese	1,860	1,920	1,870	2,669	2,023
European	1,640	1,960	2,160	1,908	2,631
Apricots				4,271	3,399
Grapes					
Coronation	1,463	1,560	1,542	1,730	1,770

*2016 fresh market values restated

TABLE VII
Reported Fresh Fruit Sales Volumes through Ontario Appointed Dealers
2013 - 2017

Crop	2013 Tons	2014 Tons	2015 Tons	2016 Tons	2017 Tons	% Change '17 vs. '16
Peaches	17,330	16,633	17,887	14,459	17,820	23%
Pears						
Bartlett	1,627	1,316	1,982	1,388	1,642	18%
Bosc	1,103	531	799	909	816	-10%
Other	120	69	156	151	187	24%
Pears Combined	2,850	1,916	2,937	2,448	2,645	8%
Plums						
Early Golden	1,712	1,275	1,215	346	1,857	437%
Shiro	36	62	54	31	58	87%
Total Yellow Plums	1,747	1,337	1,269	377	1,915	408%
Red	15	3	25	2	16	700%
Blues & Prunes	552	417	473	869	416	-52%
Plums Combined	2,314	1,757	1,767	1,248	2,347	88%
Apricots				16	82	413%
Nectarines	2,506	2,430	2,626	3,210	3,843	20%
Grapes	1,915	1,861	1,847	1,403	1,961	40%
TOTAL FRESH	26,916	24,597	27,064	22,784	28,698	26%

TOTAL REPORTED SALES VOLUMES

TABLE VIII
Reported Peach Sales Volumes for Fresh Market
2013 – 2017

Marketer	2013 Tons	2014 Tons	2015 Tons	2016 Tons	2017 Tons	% Change '17 vs. '16
Niagara Dealers	16,876	16,633	17,711	14,055	17,463	24%
Southwestern Ontario Dealers	454	-	176	404	357	-12%
Other*	1,058	789	1,064	1,023	894	-13%
TOTALS	18,388	17,422	18,951	15,482	18,714	21%

*Other includes reported sales other than through appointed dealers.

TABLE IX
Reported Pear Sales Volumes for Fresh Market
2013 – 2017

Marketer	2013 Tons	2014 Tons	2015 Tons	2016 Tons	2017 Tons	% Change '17 vs. '16
Niagara Dealers	2,847	1,916	2,930	2,445	2,641	8%
Southwestern Ontario Dealers	3	2	7	3	4	33%
Other*	204	156	264	202	241	19%
TOTALS	3,054	2,074	3,201	2,650	2,886	9%

*Other includes reported sales other than through appointed dealers.

TABLE X
Reported Plum & Prune Sales Volumes for Fresh Market
2013 – 2017

Marketer	2013 Tons	2014 Tons	2015 Tons	2016 Tons	2017 Tons	% Change '17 vs. '16
Niagara Dealers	2,309	1,757	1,765	1,247	2,343	88%
Southwestern Ontario Dealers	5	-	2	1	2	100%
Other*	192	156	161	154	155	1%
TOTALS	2,506	1,913	1,928	1,402	2,500	78%

*Other includes reported sales other than through appointed dealers.

TABLE XI
Reported Nectarine Sales Volumes for Fresh Market
2013 – 2017

Marketer	2013 Tons	2014 Tons	2015 Tons	2016 Tons	2017 Tons	% Change '17 vs. '16
Niagara Dealers	2,550	2,430	2,624	3,204	3,841	20%
Southwestern Ontario Dealers	1	-	2	6	2	-60%
Other*	68	107	110	118	90	-24%
TOTALS	2,619	2,537	2,736	3,328	3,933	18%

*Other includes reported sales other than through appointed dealers.

TABLE XII
Reported Apricot Sales Volumes for Fresh Market
2017

Marketer	2016 Tons	2017 Tons	% Change '17 vs. '16
Niagara Dealers	16	81	406%
Southwestern Ontario Dealers	-	1	-
Other*	2	18	800%
TOTALS	18	100	455%

*Other includes reported sales other than through appointed dealers.

TABLE XIII
Members of the Local Board
2013 – 2017

	2013	2014	2015	2016	2017
Producers Selling to Processors					
Sweet Cherries	6	7	3	5	5
Sour Cherries	28	28	24	27	18
Pears	37	20	16	14	8
Peaches	20	7	10	13	13
Total Number of Producers Fresh and Processing Combined	274	277	257	253	206

TABLE XIV
Licence Fees– Processing Crops – 2013 - 2017

Crop	2013 \$/ton	2014 \$/ton	2015 \$/ton	2016 \$/ton	2017 \$/ton
Peaches	10.00	10.00	10.00	10.00	10.00
Sweet Cherries	10.00	10.00	10.00	10.00	10.00
Sour Cherries**	15.00	20.00	22.50	20.00	20.00
Pears	-	10.00	10.00	10.00	10.00

**Rates do not include the 25¢ per ton chilled pitted cherry promotion check-off grower and processor. For 2017, the \$20.00/ton licence fee for sour cherries includes fees for participation in the North American Tart Cherry Promotion Initiative of \$10.00/ton.

TABLE XV
Licence Fees– Fresh Market Crops – 2017

Crop	Adminis- tration \$/ton	Research & Food Safety \$/ton	Promotion \$/ton	Incentives \$/ton	Total 2017 \$/ton	Total 2016 \$/ton
Peaches	15.00	3.00	5.00	51.00	74.00	80.00
Nectarines	15.00	3.00	5.00	57.00	80.00	68.00
Yellow Plums	15.00	3.00	5.00	28.00	51.00	25.00
Blue Plums	15.00	3.00	5.00	32.00	55.00	38.00
Red Plums	15.00	3.00	5.00	0.00	23.00	25.00
Pears - Bartlett	15.00	3.00	5.00	34.00	57.00	60.00
Pears - Bosc	15.00	3.00	5.00	34.00	57.00	70.00
Pears - Other	15.00	3.00	5.00	0.00	23.00	25.00
Pears - Cold Snap	15.00	3.00	40.00*	0.00	58.00	58.00

*2017 promotion fee for Cold Snap was used for a specific market development initiative

PRODUCTION INSURANCE

TABLE XVI
Ontario Production Insurance Results
2017

Commodity	Number of Accounts	Total Premium (\$)	Grower Premium (\$)	Total Approved Claims (\$)
Peach & Nectarine	70	781,677	320,506	703,038
Pear	31	128,611	51,726	348,526
Sweet Cherry	18	67,676	27,070	58,755
Sour Cherry	21	356,911	142,764	218,959
Plum & Prune	27	361,423	144,569	133,358

Data as of January 16, 2018 and is subject to change

2017 PROMOTIONAL ACTIVITIES

The following 2017 promotion initiatives were made possible through Agricultural Adaptation Council and Growing Forward 2:

1. Distribution of 3,000 display bins for the Eastern and Quebec markets
2. Accompanying retail sales kits which included care & handling posters and recipe cards with QR code linking consumer to recipe video
3. French recipe videos added to YouTube channel with link on website

Additional promotion activities included:

1. Sampling events at major retailers
2. New tart cherry pails, recipes, and posters created to alert consumers of instore availability
3. Horizon Travel Magazine cover feature as well as advertorial insert
4. Horizon video billboards in Toronto advertising fresh, local tender fruit availability
5. Social media contests held to boost followers and engagement in content – Facebook (3715 followers), Twitter (963 followers), YouTube (1279 video views), Pinterest (122 monthly views)
6. Micro-video recipe demos added to corresponding recipes on our website
7. Participation in Foodland Ontario retail display contest – 403 entries
8. Foodland instore sampling events offered a Peach Lassi



MEMBERSHIPS AND SPONSORSHIPS

The Board is a contributing member and/or sponsor of a number of agricultural and trade organizations.

Memberships

	\$
Agricultural Adaptation Council	150
Ontario Agricultural Commodity Council	1,000
Ontario Federation of Agriculture	500
President's Council	300
*Canadian Horticultural Council	
Canadian Produce Marketers Association	1,270
Ontario Produce Marketers Association	400
Quebec Produce Marketers Association	715

* The OFVGA pay CHC fees on behalf of their member organizations through container tolls.

Sponsorships

	\$
OF&VC Sponsorship	1,250
*OPMA Sponsorship	1,500
*CPMA Sponsorship	2,500
*QPMA Sponsorship	1,500
Niagara on the Lake Peach Celebration	2,500
CiderFest	1,000
Niagara Regional Science and Engineering Fair	500
West Niagara Agricultural Society Sponsorship	63
**OPMA 5 to 10 a Day Program	50,937

* Cost-shared with the Ontario Fresh Grape Board and appointed dealer-shippers in Niagara

** Cost-shared with Metro, Loblaw, Sobeys and Walmart – Ontario Divisions

RESEARCH PRIORITIES AND ACTIVITIES

The following are the current tender fruit research priorities:

1) Increase labour and operational efficiencies:

- Improved processes and systems that reduce impacts of and/or costs for:
 - Pruning, thinning, harvesting and packing;
 - Pest and disease management;
 - Adverse weather management.

Top 3 Diseases:

Fire blight
Black Knot
Bacterial Spot

2) New variety acquisition, development, and best management and commercialization processes that result in:

- Higher value varieties suited to Ontario growing conditions and marketplace needs;
- An increase in organic production;
- Fast tracking of virus free commercial production of promising varieties; and
- Disease resistance - especially to Fire blight, Black Knot and Bacterial Spot.

3) Increase post-harvest quality:

- Optimal harvest timing, packing, and cold chain management systems and practices to increase quality and shelf life.

- 4) Irrigation, Water and Nutrient Use:
 - Processes and systems to maximize efficiencies.
- 5) Invasive Species Management:
 - Strategies to combat new invasive species such as BMSB and SWD.

Crop Protection Report 2017

In 2017, the industry obtained registration of several pesticides through the efforts of Jim Chaput, Minor Use Coordinator, OMAFRA, and Pest Management Regulatory Agency (PMRA). Dr. Wendy McFadden-Smith, OMAFRA, assisted with various pest management issues including those related to minor use registrations and represented tender fruit at the Minor Use Priority Setting Workshop in Gatineau to highlight priorities. Wendy also represented the industry at the Fruit Technical Working Group which is responsible for the inclusion of products in Publication 360 "Guide to Fruit Production".

Brown Marmorated Stink Bug is established and overwinters in Ontario. It has been found in pear trees and suspected injury has been detected. Typically the injury occurs on fruit in the upper part of trees neighbouring bush areas.

Spotted Wing Drosophila (SWD) populations started to increase earlier than usual and reached high levels during the period of ripening of cherries and early peaches. This resulted in significant losses in the cherry crop (both tart and sweet). Losses in peaches have not been confirmed. The insecticides typically used during ripening for cherry fruit fly (neonicotinoids) are not very effective against SWD so the preharvest spray program for cherry will have to be re-evaluated. In early peaches, SWD showed up just before the 2nd generation OFM spray. If SWD is shown to cause injury to peach, the timing and product choice will have to be altered.

European cherry fruit fly was identified by CFIA in wild hosts in Niagara in 2016. As a result APHIS restricted the movement of cherries into the US unless they were documented to be frozen. Several cherry orchards were monitored for cherry fruit fly and European cherry fruit fly. No adults of either species were found on baited sticky cards, neither were they reared from cherries sampled from these orchards on a weekly basis. It is assumed that if European cherry fruit fly is present in commercial cherry orchards, the sprays that are routinely applied for cherry fruit fly are providing control.

Polyram (metiram) is currently proposed for phase-out. There is a proposal to extend the re-entry periods and limit the number of applications of captan (Maestro and Supra Captan) in stone and pome fruit. Publication of the results of this review is targeted for March 2018. The cancellation of all uses of Quintec is also being proposed.

Pest Management Regulatory Agency (PMRA) is currently re-evaluating many pesticides and most of the synthetic pyrethroids (group 3). These products are at different stages of review with target dates of publication of final decisions ranging from spring of 2018 to fall 2020. The decisions could range from something as innocuous as ensuring proper personal protective equipment to cancellation of uses.

Several neonicotinoid insecticides are also under review for their potential impact on pollinators and aquatic organisms. PMRA is proposing a 3-5 year phase-out of insecticides containing imidacloprid (Admire and Alias) and the active ingredients of Clutch and Actara are under special review. The OTFG has provided input to the PMRA to try to ensure that we retain these fungicides and insecticides as crucial tools for pest management.

The following table lists new product registrations, label expansions, emergency registrations and products no longer registered after December 2017.

Product	Active Ingredient (Pesticide Group)	Pest	Crop
Disease management			
Aprovia Top	benzovindiflupyr + difenoconazole	Pear scab	Pear
Copper spray	copper oxychloride	Peach leaf curl	Nectarine
Fitness	propiconazole	Brown rot, cherry leaf spot, suppression of black knot	Stone fruit
Maestro	captan	Brown rot	Nectarine
Microthiol disperss	sulphur	Powdery mildew	Nectarine
MilStop, Sirocco	potassium bicarbonate	Powdery mildew	Stone fruit
Quash	metconazole	Brown rot, powdery mildew, cherry leaf spot	Stone fruit
Regalia Max	Extract of <i>Reynoutria sachalinensis</i>	Suppression powdery mildew, brown rot, cherry leaf spot	Cherry, Peach, Plum and Apricot
Rovral	iprodione	Brown rot	Nectarine
Insecticides/Miticides			
Decis 5EC	deltamethrin	Oriental fruit moth	Nectarine
Delegate	spinetoram	Peach tree borer, lesser peach tree borer	Stone fruit
Dipel WP	<i>Bacillus thuringiensis</i>	Leafroller	Apricot, Cherry, Peach, Plum
Superior 70 Oil	mineral oil	Mites, scales	Nectarine
Up-Cyde	cypermethrin	Plum curculio	Plum
Vegol Crop oil	Canola oil	Scales, mites, aphids, pear psylla, powdery mildew	Stone fruit, pears
Herbicides			
Roundup Transorb® HC Roundup WeatherMAX®	glyphosate	Labelled weeds	Nectarine

Products no longer Registered on or available for Tender Fruit	
Diazinon	All tender fruit uses
Sevin XLR	All tender fruit uses
Vanguard	No longer available
Semios OFM	No longer marketed

PPV MONITORING PROGRAM

Results for the 2017 CFIA PPV Sampling Program:

- Total number of samples: 4,826
- Detection of PPV: None of the samples tested were found to have detective results for PPV
- 21,426 residences (mix of homes and orchards) were visited to confirm compliance with the propagation ban.

The movement restrictions and propagation ban within the Niagara quarantine area remain in effect and will continue to be monitored by the CFIA. A "Notice of Prohibition" or "Restriction of an Activity Notice" is issued when evidence of propagation is found on a property. Individuals who have been issued such notices will be visited at an increased frequency to ensure they are in compliance with the propagation ban. If there is evidence to indicate they have violated the notice, enforcement action will be taken.

Penalties for violating notices range from \$1,000 - \$10,000.

2017 TENDER FRUIT RESEARCH PROJECT UPDATES



These projects were funded in part through *Growing Forward 2 (GF2)*, a federal-provincial-territorial initiative. The Agricultural Adaptation Council assists in the delivery of *GF2* in Ontario.

Tender Fruit Alert - Ker Crop Management/Brock University/Weather Innovation Network (2014-2017)

- Utilizing existing WIN network and additional towers added with inversion kits to monitor wind speed;
- Tenderfruitalert.ca provided industry with current weather, adverse weather alerts, historical and ongoing bud hardiness, and survival information;
- Growers signed on to receive alerts specific to their own location and crops; and
- Sampling information was provided from October until mid-April on peach, nectarine, plum, apricot, and sour cherry at locations across Niagara, Simcoe and SW Ontario.

Chilling Injury Evaluations – Dr. Jennifer DeEll (2014-2017)

- Evaluation of 8-10 varieties to classify by susceptibility to chilling injury;
- Samples were held at 0 and 5 degrees, removed and allowed to ripen to 2-4 lbs pressure and then evaluated for mealiness, internal breakdown, discoloration, etc.

Cold Chain Management - Dr. Jennifer DeEll, Vineland Research and Innovation (2015-2017)

- Investigate current commercial harvest maturity standards for peach and nectarine varieties, and investigate pack line treatments (wax [2 types] vs. no wax treatments);
- Evaluate harvest process and develop harvest process cost benefit model - current orchard picking /packing systems and processes vs. using vented plastic totes;
- Evaluate usage of gentle dumping systems;
- Conduct forced air cooling trials on commercially ripe vs. tree ripe product and corresponding consumer sensory panel on results;
- Design, pilot, and launch quality and cold storage modules in FruitTracker; and
- Investigate transport and handling of Ontario stone fruit to retail.

Additional support for the Cold Chain project has been received through Niagara Peninsula Fruit and Vegetable Growers' Association and N.M. Bartlett Inc.

Plant Health and Biosecurity (2015-2017)

- Established an industry controlled elite mother block of virus clean nursery stock, including new varieties as well as existing; and
- Monitored, evaluated, and tested new block plantings.

Water and Energy Efficiency in Packing Facilities– Enviro-Stewards, OMAFRA -Rebecca Shortt, Kathryn Carter, (2016-2017)

Objectives of this project include;

- Increase water use efficiency in Tender fruit packing;
- Increase energy efficiency in Tender fruit packing;
- Benchmark number of operations packing and practices in these packing facilities (i.e. washing, cooling (water vs air), grading);
- Benchmark spent wash water management;
- Characterize spent wash water volumes and quality;
- Identify potential treatment options for spent wash water.

FruitTracker- 2017 Warehouse Management System

Enhancements to the system included:

- An RFID tracking system for shippers to improve efficiencies in warehousing logistics;
- Product/packaging inventory accuracy and a packing order system to electronically track shipping orders and order fulfillment;
- An integrated grower communications portal to facilitate instant information sharing.

Fire blight – Dr. Wendy McFadden-Smith, Kristy Grigg-McGuffin, Amanda Green, Dr. Antonet Svircev (2016-2017).

In partnership with Ontario Apple Growers this project aimed to:

- Determine the prevalence and distribution of resistance to streptomycin in the fire blight pathogen, *Erwinia amylovora*, in commercial apple and pear orchards across Ontario;
- Evaluate the impact of cultural practices for management of fire blight in high density plantings of pear;
- Develop a strategy for integrating biologicals, antibiotics and copper for management of fire blight in apple and pear.

Additional support for the fire blight project was received by;

NuFarm Agriculture Inc., Bayer CropScience, Bio-Ferm GmbH, Certis USA, Engage Agro Corp., Arysta LifeScience, NPF&VGA, Ontario Orchard Supply, Vanden Bussche Irrigation



AgrilInnovation Program- New Variety Development - Tender Fruit Evaluation Committee, University of Guelph, Vineland Research and Innovation) (2014-2017)

- To develop / bring in new varieties of tender fruit and fresh grape and to continue evaluation of University of Guelph material, including new interspecific crosses for plums with concentration on black knot resistance;
- 6 varieties of fresh grape from Arkansas planted in 2014 (seedless green and blue varieties) and evaluated for first season of fruiting in 2016;
- 5 fresh grape varieties from Spain currently in virus clean-up and targeted for trials in 2019;
- To date 1,800 test trees (peach, nectarine and pear) have been planted in Ontario at 12 grower sites.

Tender Fruit Tree Grant Program - Friends of the Greenbelt Foundation (2015-2017)

- Pilot program to revitalize the tender fruit industry by providing cost-share funding to growers for tree plantings.



Rapid Virus Indexing – Vineland Research and Innovation, CFIA (2017-2019)

In partnership with NPF&VGA and CHC Apple Working Group this project aims to affect policy change within CFIA to use the technology to:

- Allow the rapid introduction of new fruit tree varieties into Canada by reducing time in quarantine at Sidney and;
- Give industry a definitive single-test for their own Gen 1/1A and 2 material

Independent Auditor's Report

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To the Members of
Ontario Tender Fruit Growers

We have audited the accompanying financial statements of Ontario Tender Fruit Growers, which comprise the statement of financial position as at January 31, 2018, and the statements of restricted net assets and operations and unrestricted net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Tender Fruit Growers as at January 31, 2018, and the results of its operations for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

St. Catharines, Canada
February 28, 2018



Chartered Professional Accountants
Licensed Public Accountants

Ontario Tender Fruit Growers

Statement of Operations and Unrestricted Net Assets

Year ended January 31

2018

2017

Revenues

Licence fees, fresh market (Note 3)	\$ 1,960,718	\$ 1,644,096
Appropriated to marketing incentive program (Note 4)	<u>(1,327,205)</u>	<u>(1,088,066)</u>
	633,513	556,030
Licence fees, processing (Note 3)	60,231	76,410
Government and industry funding		
Research activities	830,329	702,955
Promotion activities	120,821	168,429
Interest and other income	<u>36,210</u>	<u>29,089</u>
	<u>1,681,104</u>	<u>1,532,913</u>

Expenses

Directors' fees, honoraria and benefits	48,590	54,248
Salaries and benefits (Note 5)	279,739	280,528
Travel	29,962	27,749
Meetings and conventions	8,788	6,563
Office supplies and expenses	42,483	41,524
Postage	5,724	4,151
Dues and subscriptions	5,482	5,114
Labour Issues Coordinating Committee	4,200	4,200
Research (Note 6)		
Ontario Tender Fruit Growers funded portion	131,116	81,830
Government and industry funded portion	830,329	702,955
Promotion (Note 6)		
Ontario Tender Fruit Growers funded portion	113,459	181,227
Government and industry funded portion	120,821	168,429
Professional fees (Note 7)	12,209	10,826
Utilities and maintenance	23,317	20,253
Telephone	9,312	8,756
Insurance and taxes	12,837	12,636
Amortization	9,740	13,003
Expense recoveries from other associations	<u>(32,424)</u>	<u>(32,098)</u>
	<u>1,655,684</u>	<u>1,591,894</u>

Excess (deficiency) of revenues over expenses	25,420	(58,981)
Fund balance, beginning of the year	<u>1,665,718</u>	<u>1,724,699</u>
Fund balance, end of the year	<u>\$ 1,691,138</u>	<u>\$ 1,665,718</u>

Ontario Tender Fruit Growers

Statement of Restricted Net Assets

Year ended January 31

2018

2017

Marketing incentive program (Note 4)

Revenues		
Licence fees, fresh market	\$ 1,327,205	\$ 1,088,066
Expenses		
Incentive program	<u>1,370,046</u>	<u>1,074,122</u>
(Deficiency) excess of revenues over expenses	(42,841)	13,944
Fund balance, beginning of the year	<u>133,112</u>	<u>119,168</u>
Fund balance, end of the year	<u>\$ 90,271</u>	<u>\$ 133,112</u>

Sour cherry chilled pitted promotion program

Revenues		
Sour cherry promotion fees	\$ 9,682	\$ 7,689
Expenses		
Cherry promotion program	<u>11,578</u>	<u>800</u>
(Deficiency) excess of revenues over expenses	(1,896)	6,889
Fund balance, beginning of the year	<u>7,939</u>	<u>1,050</u>
Fund balance, end of year	<u>\$ 6,043</u>	<u>\$ 7,939</u>

Red tart sour cherry market development

Revenues		
Grower fees	\$ 48,266	\$ 64,447
Expenses		
North American cherry initiative	<u>50,000</u>	<u>74,265</u>
Deficiency of revenues over expenses	(1,734)	(9,818)
Fund balance, beginning of the year	<u>1,927</u>	<u>11,745</u>
Fund balance, end of the year	<u>\$ 193</u>	<u>\$ 1,927</u>

Fruit testing research program

Revenues	\$ -	\$ -
Expenses		
Fruit testing research	<u>4,555</u>	<u>7,925</u>
Deficiency of revenues over expenses	(4,555)	(7,925)
Fund balance, beginning of the year	<u>33,452</u>	<u>41,377</u>
Fund balance, end of year	<u>\$ 28,897</u>	<u>\$ 33,452</u>

Ontario Tender Fruit Growers

Statement of Financial Position

January 31

2018

2017

Assets

Current

Cash	\$ 509,363	\$ 531,415
Guaranteed investment certificates (Note 8)	948,751	928,443
Accounts receivable (Note 9)	47,076	26,016
Research and promotion contributions receivable (Note 6)	111,541	121,070
Prepaid expenses	10,084	7,842
	<u>1,626,815</u>	<u>1,614,786</u>

Long-term

Due from related parties (Note 10)	104,207	113,508
Investments (Note 11)	286,353	286,353
	<u>390,560</u>	<u>399,861</u>
	<u>\$ 2,017,375</u>	<u>\$ 2,014,647</u>

Liabilities

Current

Accounts payable and accrued liabilities	\$ 44,576	\$ 30,548
Government remittances payable	26,815	13,803
Deposits, licence fees	1,431	1,579
Deferred research and promotion contributions (Note 6)	128,011	126,569
	<u>200,833</u>	<u>172,499</u>

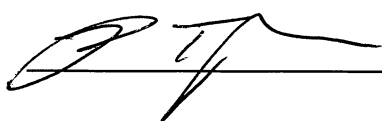
Net assets

Unrestricted	1,691,138	1,665,718
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Restricted

Marketing incentive program (Page 4)	90,271	133,112
Sour cherry chilled pitted promotion program (Page 4)	6,043	7,939
Red tart sour cherry market development (Page 4)	193	1,927
Fruit testing research program (Page 4)	28,897	33,452
	<u>125,404</u>	<u>176,430</u>
	<u>1,816,542</u>	<u>1,842,148</u>
	<u>\$ 2,017,375</u>	<u>\$ 2,014,647</u>

On behalf of the board



Director



Director

Ontario Tender Fruit Growers

Statement of Cash Flows

Year ended January 31

2018

2017

Increase (decrease) in cash

Operating

(Deficiency) excess of revenues over expenses for the year:

Unrestricted net assets	\$ 25,420	\$ (58,981)
Marketing incentive program	(42,841)	13,944
Sour cherry chilled pitted promotion program	(1,896)	6,889
Red tart sour cherry market development	(1,734)	(9,818)
Fruit testing research program	(4,555)	(7,925)
Changes in non-cash working capital		
Accounts receivable	(21,060)	19,810
Research and promotion contributions receivable	10,971	18,279
Interest receivable	10,059	(5,639)
Prepaid expenses	(2,242)	11,845
Accounts payable and accrued liabilities	14,027	(5,490)
Government remittances payable	13,012	(610)
Deposits, licence fees	(148)	(121)
	<u>(987)</u>	<u>(17,817)</u>

Investing

Advances from related parties	9,301	474
Dissolution of investment	-	55
Purchase of guaranteed investment certificates	(383,675)	(662,328)
Proceeds of guaranteed investment certificates	<u>353,309</u>	<u>749,000</u>
	<u>(21,065)</u>	<u>87,201</u>

(Decrease) increase in cash

	(22,052)	69,384
Beginning of year	<u>531,415</u>	<u>462,031</u>
End of year	<u>\$ 509,363</u>	<u>\$ 531,415</u>

Ontario Tender Fruit Growers

Notes to the Financial Statements

January 31, 2018

1. Nature of operations

The board was established to regulate prices and conditions of sale for tender fruit, as well as for the purposes of marketing and promoting tender fruit. It is incorporated by Letters Patent as a corporation without share capital under the laws of Ontario, and is exempt from income taxes under the Income Tax Act.

2. Significant accounting policies

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook and include the following significant accounting policies:

Financial instruments

Measurement

The board initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

Financial assets or liabilities obtained in related party transactions with a person or entity whose sole relationship with the board is in the capacity of management are accounted for in accordance with financial instruments.

The board subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are not quoted in an active market which are measured at cost less any reduction for impairment.

Financial assets and liabilities measured at amortized cost include cash, guaranteed investment certificates, accounts receivable, contributions receivable, amounts due from related parties, accounts payable and accrued liabilities, government remittances payable, deposits and deferred contributions.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in excess of revenues over expenses for the year.

Fund accounting

The board follows the restricted fund method of accounting for contributions. Revenues and expenses related to the Marketing Incentive, Sour Cherry Chilled Pitted Promotion, Red Tart Sour Cherry Market Development, and Fruit Testing Research Programs are reported in these restricted funds. All other revenues and expenses are reported in the unrestricted fund.

Ontario Tender Fruit Growers

Notes to the Financial Statements

January 31, 2018

Revenue recognition

Restricted contributions related to marketing operations are recognized as revenue in unrestricted net assets in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue in restricted net assets.

Unrestricted contributions are recognized as revenue in unrestricted net assets in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investments

Investments in joint ventures and significantly influenced investees are accounted for using the equity method.

The equity method is a basis of accounting for investments whereby the investment is initially recorded at cost and the carrying value, adjusted thereafter to include the investor's pro-rata share of post-acquisition earnings of the investee, computed by the consolidation method. Profit distributions received or receivable from an investee reduce the carrying value of the investment.

Amortization

Property and equipment which are shared with other related marketing boards are capitalized by Grape and Tender Fruit (Ontario) Limited. The amortization charge for property and equipment is reported according to the cost sharing arrangement by each benefiting board.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to excess of revenue over expenses as appropriate in the year they become known.

Ontario Tender Fruit Growers

Notes to the Financial Statements

January 31, 2018

3. Licence fees

	<u>2018</u>	<u>2017</u>
Licence fees, fresh market		
peaches	\$1,347,390	\$1,206,684
pears	155,936	156,472
plums and prunes	130,470	48,842
nectarines	320,468	229,205
apricots	3,254	693
voluntary	<u>3,200</u>	<u>2,200</u>
	<u>\$1,960,718</u>	<u>\$1,644,096</u>
Licence fees, processing		
sour cherries	\$ 48,265	\$ 64,302
sweet cherries	150	260
peaches	8,365	9,462
pears	<u>3,451</u>	<u>2,386</u>
	<u>\$ 60,231</u>	<u>\$ 76,410</u>

Ontario Tender Fruit Growers

Notes to the Financial Statements

January 31, 2018

4. Marketing incentive program

The funds raised for this program in 2018 in the amount of \$1,327,205 (2017 - \$1,088,066) were generated by a levy on producers included in licence fees. The \$1,370,046 (2017 - \$1,074,122) marketing incentive expenditures were paid out to qualifying retailers in Ontario, Quebec and the Atlantic and Western Provinces to encourage sales through additional features.

A summary of the incentive program by crop as reported on the statement of unrestricted and restricted net assets is as follows:

	<u>Peaches</u>	<u>Nectarines</u>	<u>Pears</u>	<u>Plums</u>	<u>Total</u>
Balance, beginning of year	\$ 98,404	\$ 12,503	\$ 7,251	\$ 14,954	\$ 133,112
Transfer from licence fees, fresh market	944,065	223,214	88,138	71,788	1,327,205
Incentive program expense	<u>(1,000,040)</u>	<u>(204,474)</u>	<u>(83,368)</u>	<u>(82,164)</u>	<u>(1,370,046)</u>
Balance, end of year	\$ <u>42,429</u>	\$ <u>31,243</u>	\$ <u>12,021</u>	\$ <u>4,578</u>	\$ <u>90,271</u>

5. Salaries and benefits

	<u>2018</u>	<u>2017</u>
Total salaries and benefits	\$ 332,271	\$ 323,917
Recoveries:		
Ontario Apple Growers	(26,291)	(25,889)
Ontario Fresh Grape Growers Marketing Board	(12,000)	(12,000)
Advancing the tree fruit & fresh grape sectors	(5,500)	(5,500)
Niagara Peninsula Fruit & Vegetable Growers Association	(2,350)	-
Project management	<u>(6,391)</u>	<u>-</u>
	\$ <u>279,739</u>	\$ <u>280,528</u>

Ontario Tender Fruit Growers

Notes to the Financial Statements

January 31, 2018

6. Deferred contributions, research and promotion activities

	Government/ Industry Contributions 2018	Expenses 2018	Board Funded Expenses 2018	(Deferred) Receivable Contributions January 31, 2018
<u>Grant funded research projects</u>				
Tender fruit tree grant program	\$ 165,501	\$ 165,776	\$ -	\$ -
AIP - Advancing the tree fruit & fresh grape sectors	131,330	142,085	25,000	33,014
GF2 - Automated weather alert system	89,653	101,342	11,689	-
GF2 - Expanding fresh market potential of Ontario pears	44,390	50,734	4,508	-
GF2 - Reducing the incidence of chilling injury	19,707	25,757	8,478	-
GF2 - Ontario stone fruit cold chain best management practices	96,836	144,320	13,838	78,527
GF2 - Ontario tender fruit new variety plant health initiative	13,314	12,242	(19,846)	-
Tender fruit clean plant initiatives	-	-	19,846	(19,846)
GF2 - Water and energy efficiency for Ontario tender fruit	51,694	39,854	5,420	-
GF2 - Packing and warehouse management system	214,263	221,946	7,683	-
OFIP - Tree fruit & fresh grape worker health & safety	-	-	-	(1,951)
Pesticide initiative	-	-	-	(19,692)
N Post-harvest initiatives	5,370	2,889	-	(86,522)
	<u>832,058</u>	<u>906,945</u>	<u>76,616</u>	<u>\$ (16,470)</u>
		<u>(76,616)</u>		
Less board funded expenses		<u>830,329</u>		
Government and industry funded portion			<u>54,500</u>	
Other research project contributions			<u>131,116</u>	
OTFG portion of research activities				
<u>Grant funded promotion projects</u>				
GF2 - Ontario tender fruit export market development	95,150	159,003	63,853	-
Greenbelt Local Food Fund	9,242	-	-	-
Cold snap pear promotion program	6,933	6,933	-	-
OFVGA Promotion	18,738	-	(18,738)	-
	<u>130,063</u>	<u>165,936</u>	<u>45,115</u>	-
		<u>(45,115)</u>		
Less board funded expenses		<u>120,821</u>		
Government and industry funded portion			<u>68,344</u>	
Other promotion expenditures			<u>113,459</u>	
OTFG portion of promotion activities				
				<u>\$ (16,470)</u>
<u>Reported as:</u>				
Research and food safety contributions receivable	\$ 121,070			\$ 111,541
Deferred research and food safety contributions	<u>(126,569)</u>			<u>(128,011)</u>
	<u>\$ (5,499)</u>			<u>\$ (16,470)</u>

Ontario Tender Fruit Growers

Notes to the Financial Statements

January 31, 2018

7. Professional fees

	<u>2018</u>	<u>2017</u>
Audit	\$ 10,750	\$ 10,450
Legal	1,202	-
Consulting	<u>257</u>	<u>376</u>
	<u>\$ 12,209</u>	<u>\$ 10,826</u>

8. Guaranteed investment certificates

The board has guaranteed investment certificates that mature between 2018 and 2019 and earn interest between 1.90% and 2.80% (2017 - 1.75% and 2.85%)

9. Accounts receivable

	<u>2018</u>	<u>2017</u>
Producer licence fees	\$ 23,686	\$ 15,941
Dealer shipper licence fees	13,303	-
Industry contributions	10,000	10,000
Other receivables	<u>87</u>	<u>75</u>
	<u>\$ 47,076</u>	<u>\$ 26,016</u>

Ontario Tender Fruit Growers

Notes to the Financial Statements

January 31, 2018

10. Related party transactions

The board is related to Grape & Tender Fruit (Ontario) Limited (GTFOL), a jointly controlled enterprise who operates the marketing boards' shared offices and who owns the shared land and building.

The boards proportionate share of GTFOL is as follows:

	<u>2018</u>	<u>2017</u>
Assets	\$ 416,016	\$ 430,136
Liabilities	<u>129,663</u>	<u>143,783</u>
Net Assets	\$ <u>286,353</u>	\$ <u>286,353</u>

Expenses include a \$121,801 (2017 - \$137,974) charge for the board's share (50% (2017 - 50%)) of management operation costs incurred during the year by Grape & Tender Fruit (Ontario) Limited. These costs have been allocated to the relevant individual expense accounts.

Amounts due from related parties:

	<u>2018</u>	<u>2017</u>
Grape & Tender Fruit (Ontario) Limited	\$ <u>104,207</u>	\$ <u>113,508</u>

11. Investments

	<u>2018</u>	<u>2017</u>
Grape & Tender Fruit (Ontario) Limited:		
106 common shares (53% interest)	53	53
2,863 special shares (60% interest)	<u>286,300</u>	<u>286,300</u>
	\$ <u>286,353</u>	\$ <u>286,353</u>

The investment in Grape & Tender Fruit (Ontario) Limited represents the board's share of the equity of Grape & Tender Fruit (Ontario) Limited whose primary purpose is to operate the marketing board's shared offices and whose major asset is the land and building shared by the marketing boards.

Ontario Tender Fruit Growers

Notes to the Financial Statements

January 31, 2018

12. Financial instruments

The board is exposed to various risks through its financial instruments. The following analysis provides a measure of the board's risk exposures and concentrations at January 31, 2018:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The board's main credit risk relates to its accounts receivable. The entity provides credit to its growers in the normal course of operations.

Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The board is mainly exposed to interest rate risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The board is exposed to interest rate risk with respect to its fixed rate guaranteed investment certificates. Given the composition of financial instruments, the board is subject to a fair value risk.

[illegible]

MEMBERS & STAFF OF ONTARIO TENDER FRUIT GROWERS

CHAIR: Phil Tregunno

VICE CHAIR: John Thwaites

DIRECTORS:

Brock Puddicombe

Dave Enns

David Hipple

Fred Meyers

Leo Devries

Rusty Smith

Ryan Schuyler

MANAGER: Sarah Marshall

PROJECT MANAGER: Larissa Osborne

TREASURER: Maureen Connell

MARKETING COORDINATOR: Kelle Neufeld

ACCOUNTS: Sylvana Lagrotteria

OFFICE:

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E: info@ontariotenderfruit.ca

www.ontariotenderfruit.ca

DELEGATES:

CHC - Phil Tregunno (John Thwaites, alt.)

FARMS - Phil Tregunno

LICC - Phil Tregunno

NPF & VGA - Sarah Marshall

OFVGA - John Thwaites (Dave Enns, alt.)

OFA - PAC - Ryan Schuyler

OACC - Phil Tregunno, Sarah Marshall (Dave Hipple, alt.)

OACC Technical Committee - Sarah Marshall, Phil Tregunno