

**Ministry of Agriculture,
Food and Rural Affairs**

**Ministère de l'Agriculture,
de l'Alimentation et
des Affaires rurales**



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A Message from the Honourable Ted McMeekin, Minister

On behalf of the Government of Ontario, I am pleased to offer a few words of greeting as part of the Ontario Tender Fruit Producers' Marketing Board's 2011 Annual Report.

I would like to congratulate the board on its 65th anniversary. I thank the board and staff for their leadership in the farming community. Your efforts help our farmers succeed and have a positive impact on Ontario's tender fruit sector and our rural communities.

Over the past year, staff of my ministry had the pleasure of working with leaders from the fruit and vegetable sector to develop the Self-Directed Risk Management (SDRM) program. SDRM will help farmers make on-farm investment and mitigate risk, allowing them to focus on what they do best — growing good things in Ontario. I would like to thank the board for its input during the design of this program.

For 2012, I understand that you are also entering a time of transition with the retirements of Mr. Len Troup as Chair and Mr. Adrian Huisman as Manager. I am pleased to have this opportunity to thank both Len and Adrian for their many contributions and to wish them both all the best in their future endeavours.

I wish you all good things in 2012.

Kindest regards,

A handwritten signature in black ink, appearing to read "Ted McMeekin".

Ted McMeekin
Minister of Agriculture, Food and Rural Affairs



COMMENTS FROM LEN TROUP, CHAIR ONTARIO TENDER FRUIT PRODUCERS' MARKETING BOARD

Crop Review - The 2011 crop and market results can be found elsewhere in the Annual Report. Highlights show that the tart cherry crop was the smallest in recent history. The good news is that cherry inventories both here and in the U.S. have returned to more normal levels and there are signs of continued improvement for 2012. Clingstone peach prices recovered somewhat and markets seems to have leveled off.

Fresh Market – The peach crop was up in 2011 and will likely increase again in 2012 after which it is expected to level off. For most growers, the nectarine crop was up although the total volume actually declined due to recent tree removals. Nectarine production will increase steadily over the next several years as new plantings come on stream. Bartlett pear production has continued to decline due to tree losses as a result of fire blight. Planting of the new fire blight tolerant varieties are on the increase and will continue to do so as more trees become available. It will be increasingly important to monitor production trends in order to better plan marketing and promotion programs.

Packaging - Consumer packaging continues to evolve with more retailers switching to the plastic basket format. The new baskets have advantages for both the growers and retailers. The challenge is that there are now more units to sell. We also saw the introduction of a new Returnable Plastic Master Container (RPC) in 2011 and expect that their use will expand in the future.

PPV Eradication Program – The PPV Eradication Program ended on March 31, 2011 and a Management Strategy was implemented which includes testing along the periphery of the Quarantine Zone. This decision was made by the federal government after ten years of attempting to eradicate PPV. The cost of continuing the program seemed to be the determining factor. It remains to be seen whether the presence of PPV will have any major impact on production or profitability for our growers.

Business Risk Management – The Ontario government introduced the new Self-Directed Risk Management Program (SDRM) in 2011 for the edible horticultural sector. This program allows producers to invest a percentage of their annual net sales (ANS) into an account which is then matched by the Ontario government. The program is simple, bankable, predictable and responsive. On behalf of our grower members, I express our appreciation to the Ontario government for implementing this important program and also acknowledge the work of the Ontario Fruit & Vegetable Growers' Association for their role in the development of the program.

Acknowledgements – I express my thanks to the research and extension staff at Ontario Ministry of Agriculture, Food and Rural Affairs, Agriculture & Agri-Food Canada and the University of Guelph who continue to provide support and leadership to our industry. I acknowledge the Agricultural Adaptation Council which administers the various federal and provincial programs in which our industry participates as well as OMAFRA for their support through Foodland Ontario, the Ontario Market Investment Fund (OMIF) and the Food Safety & Traceability Initiative (FSTI).

February 1, 2012 marked the end of one era for the Marketing Board, and the beginning of another. Adrian has been part of our organization for forty-seven (47) years. His expertise has helped guide not only tender fruit growers but all of horticulture. Adrian will be available, on a consulting basis, to help and guide the new management team as required. On behalf of myself personally, and all tender fruit producers, I express my sincere thanks and appreciation to Adrian for his many years of service to our industry and wish him well in his retirement.

The new management team is now in place and we expect a seamless transition. Sarah Marshall is our new manager. She has had three years of experience working with Adrian. She brings new skills and lots of enthusiasm, and knows how to get things done. The other part of the team is Larissa Osborne who has ten years of experience as the Office Manager and Treasurer for the combined boards. Sarah and Larissa work well together, and with Adrian available as needed, our organization is in good hands.

I express my thanks to Sarah Marshall, Larissa Osborne, Sylvana Lagrotteria and Wayne Roberts and the staff of Grape & Tender Fruit for their continued support and dedication throughout this past year.

Finally, I take this opportunity to announce that I will not be seeking re-election to the Tender Fruit Board. After thirty-one years as a director, fifteen of which as your Chair, I am stepping down. It has been a privilege to work with many dedicated directors and grower committee members over the years. I have complete confidence in those who will follow. It has been an honour to serve this dynamic industry.

I am pleased that the Board has implemented a succession strategy and look forward to many years of solid leadership from the new team. There will be many challenges, there always are, but I am convinced that by working together our industry will be able to successfully face these challenges as they move forward.

A handwritten signature in cursive script, reading "Len Troup". The signature is fluid and stylized, with a large initial "L" and "T".

Len Troup
Chair

THIRTY-THIRD ANNUAL REPORT OF THE ONTARIO TENDER FRUIT PRODUCERS' MARKETING BOARD

Cool wet conditions during bloom led to sharp crop losses for most crops that rely on bees for pollination. Peaches were the exception. While the overall crop volume was down due to recent tree removals, nectarines produced a very good crop. Record high temperatures and below normal precipitation were recorded during July and early August which led to reduced fruit size. Temperatures and precipitation levels returned to normal in late August and throughout September. Table 1 provides detailed information on crop volumes and values for the period 2009 to 2011.

TABLE I
Tonnage and Value of Ontario Tender Fruit
2009 – 2011

| | 2009 | 2010 | 2011 | | 2009 | 2010 | 2011 | |
|---------------------|---------------|---------------|---------------|-------------|-----------------|-----------------|-----------------|-------------|
| | Volume | Volume | Volume | %Change | Value | Value | Value | %Change |
| | Tons | Tons | Tons | '11 vs '10 | \$000 | \$000 | \$000 | '11 vs '10 |
| Fresh Market | | | | | | | | |
| Peaches | 20,481 | 18,253 | 19,200 | + 5% | \$21,956 | \$18,301 | \$19,546 | + 7% |
| Pears | 3,250 | 3,255 | 2,710 | -17% | 3,013 | 3,131 | 2,786 | -11% |
| Plums & Prunes | 2,775 | 2,333 | 1,620 | -32% | 3,805 | 3,486 | 2,495 | -28% |
| Nectarines | 2,100 | 2,297 | 1,840 | -20% | 2,192 | 3,018 | 2,760 | - 9% |
| TOTAL | 28,606 | 26,138 | 25,370 | - 4% | \$30,961 | \$27,936 | \$27,587 | - 1% |
| Processing | | | | | | | | |
| Sweet Cherries | 60 | 40 | 35 | -12% | \$ 82 | \$ 64 | \$ 63 | -2% |
| Sour Cherries | 6,989 | 6,280 | 2,190 | -65% | 3,140 | 2,417 | 1,052 | -56% |
| Peaches | 2,621 | 1,715 | 1,471 | -14% | 736 | 572 | 688 | +20% |
| TOTAL | 9,670 | 8,035 | 3,696 | -54% | \$ 3,958 | \$ 3,053 | \$ 1,803 | -41% |
| COMBINED | 38,276 | 34,173 | 29,066 | -16% | \$34,919 | \$30,989 | \$29,390 | - 5% |

SALES TO PROCESSORS

Sour Cherries - There were 2190 tons of tart cherries sold to processors in 2011 (6280 - 2010). This represented a 65% decrease from 2010. Growers received \$1.05 million for their 2011 crop (\$2.4 - 2010). The average price paid by processors was 24¢ per pound (19.6¢ - 2009). The negotiated price for 92 score cherries was 23¢ per pound (20¢ - 2010). 33 growers delivered tart cherries to processors in 2010 (36 - 2010).

TABLE II
Sour Cherries Purchased for Processing
2007– 2011

| MARKET SEGMENT | 2007 Tons | 2008 Tons | 2009 Tons | 2010 Tons | 2011 Tons |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| Processed and Distilled | 7,864 | 6,140 | 6,989 | 6,280 | 2,190 |

Sweet Cherries - There were 35 tons of sweet cherries sold to processors in 2011 (40 tons - 2010). All cherries received for processing went to the chilled pitted cherry market again this year. The price for freezing for the chilled-pitted market increased to 90¢ per lb. (80¢ - 2010).

TABLE III
Tonnage and Value of Sweet Cherries Sold for Processing
2007 – 2011

| MARKET SEGMENT | 2007 Tons | 2008 Tons | 2009 Tons | 2010 Tons | 2011 Tons |
|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Freezing | 50 | 80 | 60 | 40 | 35 |
| TOTAL | 50 | 80 | 60 | 40 | 35 |

Processing Peaches – Processors purchased 1,471 tons of clingstone peaches in 2011 (1,715 – 2010). All clings were either sold to Cherry Lane Frozen Fruit or exported to a peach freezer in Michigan. The frozen clingstone peach market has shown improvement and grower prices moved upwards. The minimum price for sales in Ontario was set at \$470 for 2 ¾” and \$380 for 2 ½” per ton (\$300 – 2010). The minimum price in Michigan was 18¢ (US\$) per lb. for 2 ½” – 2 ¾” (15¢ - 2009) and 22¢ (US\$) per lb. for 2 ¾” and up (18¢ - 2009). In both cases, the prices are delivered to the plant.

TABLE IV
Processing Peaches
2007 – 2011

| CLINGSTONES | 2007 Tons | 2008 Tons | 2009 Tons | 2010 Tons | 2011 Tons |
|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Base (Includes Exports) | 1,408 | 2,756 | 2,621 | 1,715 | 1,471 |
| Oversize | 3,556 | - | - | - | - |
| Super Early | 649 | - | - | - | - |
| TOTAL | 5,613 | 2,756 | 2,621 | 1,715 | 1,471 |

Processing Pears – With the closing of the CanGro Fruit Canning Plant, there were no sales to processors in 2008 - 2011.

TABLE V
Processing Pears Purchased for Processing
2007 – 2011

| Size Range | 2007 Tons | 2008 Tons | 2009 Tons | 2010 Tons | 2011 Tons |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Bartlett – Over Base | 216 | - | - | - | - |
| Bartlett – Base | 633 | - | - | - | - |
| Low Pressure | 38 | - | - | - | - |
| Weight Graded – Category 5 – Base | 151 | - | - | - | - |
| Weight Graded – Category 6 | 315 | - | - | - | - |
| Weight Graded – Category 7 | 93 | - | - | - | - |
| Weight Graded – Category 9 | 19 | - | - | - | - |
| Weight Graded – Category 10 | 42 | - | - | - | - |
| TOTALS | 1,529 | - | - | - | - |

TABLE VI
MINIMUM DELIVERED PRICES – PROCESSING CROPS
2007 - 2011

| CROP | 2007 \$/ton | 2008 \$/ton | 2009 \$/ton | 2010 \$/ton | 2011 \$/ton |
|----------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Sweet Cherries | | | | | |
| Freezing (Chilled Pitted Market) | 1,360 | 1,500 | 1,360 | 1,600 | 1,800 |
| Distilling | 600 | 600 | 600 | 600 | 600 |
| Sour Cherries | | | | | |
| 97-100 Score | 545 | 605 | 505 | 445 | 505 |
| 92 Score | 500 | 560 | 460 | 400 | 460 |
| 69 & Under Score | 430 | 490 | 390 | 330 | 390 |
| Damson Plums | | | | | |
| | 600 | 600 | 600 | 600 | 600 |
| Processing Pears | | | | | |
| Over Base (2 1/2") | 640 | - | - | - | - |
| Base (2 1/4"-2 1/2") | 480 | - | - | - | - |
| Under Base (2-2 1/8") | - | - | - | - | - |
| Peaches – Clingstone | | | | | |
| Ontario – Oversize | 535 | - | - | 300 | 470 |
| Ontario – Base | 500 | 535 | 300 | 300 | 380 |
| Export – 2 1/2" – 2 3/4" | - | - | 300 US\$ | 360 US\$ | 360 US\$ |
| Export – Over 2 3/4" | - | - | 360 US\$ | 440 US\$ | 440 US\$ |
| Peaches – Freestone | | | | | |
| | 600 | 600 | 600 | 600 | 600 |

FRESH MARKET SALES

TABLE VII - Fresh market crops were down 3% to 25,370 tons (26,138 – 2010). The farm gate value was down 1% to \$27.6 million (\$27.9 – 2010). Fresh peaches were up 5%, pears down 17%, plums and prunes down 28% and nectarines down 20%.

TABLE VII
Tonnage and Value of Tender Fruit Sold for Fresh Market
2008– 2011

| Crop | 2008 Tons | 2008 Value (\$,000) | 2009 Tons | 2009 Value (\$,000) | 2010 Tons | 2010 Value (\$,000) | 2011 Tons | 2011 Value (\$,000) |
|--------------|----------------------|------------------------------------|----------------------|------------------------------------|----------------------|------------------------------------|----------------------|------------------------------------|
| Peaches | 18,725 | \$20,073 | 20,481 | \$21,956 | 18,253 | \$18,301 | 19,200 | \$19,546 |
| Pears | 4,087 | 3,736 | 3,250 | 3,013 | 3,255 | 3,131 | 2,710 | 2,786 |
| Plums | 2,832 | 4,056 | 2,775 | 3,805 | 2,333 | 3,486 | 1,620 | 2,495 |
| Nectarines | 2,600 | 3,047 | 2,100 | 2,192 | 2,297 | 3,018 | 1,840 | 2,760 |
| TOTAL | 28,244 | \$31,047 | 28,606 | \$31,291 | 26,138 | \$27,936 | 25,370 | \$27,587 |

Note 1- Volumes include sales through appointed Dealer-Shippers and Licensed Growers. They do not include direct producer to consumer sales.

Note 2 - Values are net of board fees, dealer commissions and container costs.

Note 3 - Nectarine volumes & values are based on shipper estimates for 2008 – 2009.

TABLE VIII - Average net returns to producers selling through appointed Dealer-Shippers. Returns presented are after deducting shipper commissions, board fees and container costs. Packing costs have NOT been deducted.

TABLE VIII
Average Net Returns for Sales through Ontario Dealer-Shippers
2007 - 2011

| Crop | 2007 \$/ton | 2008 \$/ton | 2009 \$/ton | 2010 \$/ton | 2011 \$/ton |
|---------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Peaches | \$1,152 | \$1,072 | \$1,044 | \$1,008 | \$1,018 |
| Nectarines | - | - | - | 1,314 | 1,500 |
| Pears | | | | | |
| Clapp | 1,064 | 972 | 960 | 1,130 | 1,146 |
| Bartlett | 1,068 | 884 | 888 | 902 | 1,046 |
| Bosc | 946 | 948 | 978 | 1,050 | 1,196 |
| Plums | | | | | |
| Early Golden | 2,323 | 1,396 | 1,382 | 1,482 | 1,530 |
| Shiro | 2,024 | 1,399 | 1,298 | 1,460 | 1,514 |
| Red Plums | 2,006 | 1,382 | 1,310 | 1,460 | 1,476 |
| Blue Plums & Prunes | 1,640 | 1,392 | 1,288 | 1,486 | 1,600 |
| Grapes | | | | | |
| Coronation | 1,640 | 1,226 | 1,180 | 1,274 | 1,310 |
| Other Blue | 1,214 | 1,060 | - | - | - |
| Combined | 1,358 | 1,219 | 1,180 | 1,274 | 1,314 |

TABLE IX - The volume (tons) of fresh fruit marketed by Appointed Dealer-Shippers.

TABLE IX
Fresh Fruit Sales through Ontario Dealer-Shippers
2006 - 2010

| Crop | 2007 Tons | 2008 Tons | 2009 Tons | 2010 Tons | 2011 Tons | Change % +/- |
|---------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-------------------------|
| Peaches | 14,737 | 17,850 | 19,400 | 17,600 | 18,150 | 5% |
| Pears | | | | | | |
| Clapp | 84 | 77 | 60 | 52 | 30 | -42% |
| Bartlett | 1,362 | 2,400 | 1,650 | 1,732 | 1,350 | +5% |
| Bosc | 1,159 | 1,330 | 1,256 | 1,067 | 1,020 | -4% |
| Other (Flemish & HW) | 44 | 44 | 44 | 69 | 40 | -42% |
| Pears Combined | 2,649 | 3,851 | 3,010 | 2,920 | 2,440 | -16% |
| Plums | | | | | | |
| Early Golden | 65 | 1,501 | 1,420 | 1,140 | 800 | -30% |
| Shiro | 362 | 499 | 600 | 502 | 300 | -40% |
| Total Yellow Plums | 427 | 2,000 | 2,020 | 1,642 | 1,100 | -33% |
| Red | 16 | 30 | 30 | 11 | 25 | 127% |
| Blues & Prunes | 494 | 564 | 525 | 518 | 375 | -28% |
| Plums Combined | 937 | 2,594 | 2,575 | 2,171 | 1,500 | -31% |
| Nectarines* | 3,010 | 2,600 | 2,100 | 2,256 | 1,800 | -20% |
| Grapes | 2,200 | 2,165 | 2,248 | 1,851 | 2,000 | +8% |
| Sweet Cherries* | 750 | 420 | 380 | 193 | 150 | -22% |
| TOTAL FRESH | 24,283 | 29,480 | 29,713 | 26,991 | 26,040 | -4% |

* Estimates only based on dealer surveys.

PEACHES - The fresh peach crop was up 5% from 2010. These figures do not include direct grower to consumer sales.

**TABLE X
Fresh Peach Volumes Reported to the Board
2007 – 2011**

| Marketer | 2007 Tons | 2008 Tons | 2009 Tons | 2010 Tons | 2011 Tons | % Change '11 vs '10 |
|------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--------------------------------|
| Niagara Dealers | 14,238 | 17,275 | 18,762 | 16,874 | 17,620 | 4% |
| Southwestern Ontario Dealers | 500 | 575 | 638 | 425 | 530 | 25% |
| Licenced Producers | 831 | 875 | 1,081 | 954 | 1,050 | 10% |
| TOTALS | 15,569 | 18,725 | 20,481 | 18,253 | 19,200 | 5% |

PEARS - TABLE XI Provides a breakdown for fresh pear sales for the years 2007 – 2011.

**TABLE XI
Fresh Pear Volumes Reported to the Board
2007 – 2011**

| Marketer | 2007 Tons | 2008 Tons | 2009 Tons | 2010 Tons | 2011 Tons | % Change '11 vs '10 |
|------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--------------------------------|
| Niagara Dealers | 2,587 | 3,782 | 3,017 | 2,911 | 2,440 | -16% |
| Southwestern Ontario Dealers | 18 | 25 | 11 | 9 | 0 | 0% |
| Licenced Producers | 67 | 280 | 222 | 335 | 270 | -20% |
| TOTALS | 2,672 | 4,087 | 3,250 | 3,255 | 2,710 | -17% |

PLUMS AND PRUNES - TABLE XII Provides a breakdown for fresh plum and prune sales for the years 2007 – 2011.

**TABLE XII
Fresh Plum & Prune Volumes Reported to the Board
2007 – 2011**

| Marketer | 2007 Tons | 2008 Tons | 2009 Tons | 2010 Tons | 2011 Tons | % Change '11 vs '10 |
|------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--------------------------------|
| Niagara Dealers | 915 | 2,569 | 2,552 | 2,161 | 1500 | -30% |
| Southwestern Ontario Dealers | 22 | 25 | 13 | 10 | 10 | 0% |
| Licenced Producers | 182 | 238 | 200 | 162 | 110 | -32% |
| TOTALS | 1,119 | 2,832 | 2,775 | 2,333 | 1620 | -30% |

NECTARINES – TABLE XIII Provides a breakdown for nectarine sales for 2011 and 2010 and estimated total sales for 2006 – 2009.

**TABLE XIII
Fresh Nectarine Volumes Reported to the Board
2007 – 2011**

| Marketer | 2007 Tons | 2008 Tons | 2009 Tons | 2010 Tons | 2011 Tons | % Change '11 vs '10 |
|------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--------------------------------|
| Niagara Dealers | - | - | - | 2,256 | 1800 | -20% |
| Southwestern Ontario Dealers | - | - | - | - | - | 0% |
| Licenced Producers | - | - | - | 41 | 40 | -3% |
| TOTALS | 3,000 | 2,600 | 2,100 | 2,297 | 1840 | -20% |

**TABLE XIV
PRODUCER-MEMBERS OF THE LOCAL BOARD
2007 - 2011**

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|------------|------------|------------|------------|------------|
| Producers Selling to Processors | | | | | |
| Sweet Cherries | 8 | 4 | 7 | 9 | 9 |
| Sour Cherries | 60 | 52 | 47 | 36 | 33 |
| Plums & Prunes | 1 | - | - | - | - |
| Pears | 57 | - | - | - | - |
| Peaches | 75 | 31 | 25 | 16 | 20 |
| Total Number of Producers Fresh and Processing Combined | 550 | 426 | 361 | 362 | 357 |

**TABLE XV
LICENCE FEES AND SERVICE CHARGES
PROCESSING CROPS**

License Fees – established by the Board on fruit for processing – 2007 – 2011.

| Crop | *2007 \$/ton | *2008 \$/ton | *2009 \$/ton | 2010 \$/ton | 2011 \$/ton |
|-----------------|-------------------------|-------------------------|-------------------------|------------------------|------------------------|
| Peaches | \$ 8.00 | \$ 8.00 | \$10.00 | \$10.00 | \$10.00 |
| Sweet Cherries | \$ 8.00 | \$ 8.00 | \$10.00 | \$10.00 | \$10.00 |
| Sour Cherries** | \$28.00 | \$28.00 | \$20.00 | \$10.00 | \$10.00 *** |

* Rates include \$1 per ton to support research and the (VRIC) University of Guelph Breeding Programs.

** Rates do not include the 25¢ per ton chilled pitted cherry promotion check-off grower and processor. They do include the check-off for the International Tart Cherry Initiative (\$20/ton for 2007 & 2008, \$10/ ton for 2009 and \$0 for 2010 and 2011).

*** For 2011, the \$10/ton licence fee for sour cherries was deducted from the International Tart Cherry Fund.

**TABLE XVI
LICENCE FEES & SERVICE CHARGES
FRESH MARKET CROPS**

| Crop | Adminis- tration \$/ton | Research & Food Safety \$/ton | Promotion \$/ton | Incentives \$/ton | Total 2011 \$/ton | Total 2010 \$/ton |
|----------------|--|--|-----------------------------|------------------------------|----------------------------------|----------------------------------|
| Peaches | \$13.00 | \$.00 | \$4.00 | \$34.00 | \$51.00 | \$47.00 |
| Nectarines | \$13.00 | \$.00 | \$4.00 | \$ 9.00 | \$26.00 | \$39.00 |
| Yellow Plums | \$13.00 | \$.00 | \$4.00 | \$25.00 | \$42.00 | \$49.00 |
| Blue Plums | \$13.00 | \$.00 | \$4.00 | \$ 8.00 | \$25.00 | \$27.00 |
| Red Plums | \$13.00 | \$.00 | \$.00 | - | \$13.00 | \$13.00 |
| Pears-Bartlett | \$13.00 | \$.00 | \$4.00 | \$ 8.00 | \$25.00 | \$27.00 |
| Pears-Bosc | \$13.00 | \$.00 | \$4.00 | \$ 8.00 | \$25.00 | \$39.00 |
| Pears-Other | \$13.00 | \$.00 | \$4.00 | - | \$17.00 | \$17.00 |

The combined administration, research and promotion component was unchanged from 2010 at \$17/ton. The Incentive Fee components are adjusted annually based on crop size and market conditions. Incentive fees are accounted for in special reserve funds. Any unused balances or shortfalls are carried forward to subsequent years and fees adjusted accordingly.

PRODUCTION INSURANCE

TABLE XVII
ONTARIO PRODUCTION INSURANCE RESULTS
2011

| Commodity | Number of Accounts | Total Premiums | Grower Premiums | Total Approved Claims |
|-------------------|--------------------|----------------|-----------------|-----------------------|
| Peach & Nectarine | 74 | \$528,636 | \$211,454 | \$201,514 |
| Pear | 31 | \$116,332 | \$ 46,533 | \$ 63,345 |
| Sweet Cherry | 18 | \$ 51,359 | \$ 20,544 | \$ 38,529 |
| Plum & Prune | 19 | \$369,639 | \$147,855 | \$492,155 |
| Sour Cherry | 23 | \$215,651 | \$ 86,260 | \$746,396 |

Note: Data is as of January 21, 2012 and subject to change.

2011 PROMOTION ACTIVITIES

CHILLED PITTED RED TART AND BLACK SWEET CHERRIES

The Board, in partnership with the cherry processors, conducted a “Chilled Pitted Cherry Promotion” delivered by Faye Clack Communications Inc. Retailers were provided with POS material designed to alert consumers of the availability of chilled pitted cherries. Growers and processors each contributed 25¢ per ton. The participating processors also paid a per pail check-off. Sales remained relatively unchanged from 2010 at 24,000 11 lb. tarts (27,500 – 2010) and 6,000 10 lb. black sweets (6,000 - 2010).

NORTH AMERICAN CHERRY INITIATIVE

The Board discontinued their participation in the North American Tart Cherry Initiative for 2011. The U.S. component continued and again targeted the health benefits and usage of tart cherries. Weber, Shandwick were again retained to conduct the U.S program. The cherry industry both in Canada and the U.S. received a boost in sales of both dried cherries and concentrate from the following:

1. Top lifestyle/food magazine “Everyday with Rachael Ray” named cherry juice a top food trend for 2011. The article says “the cherry based super fruit drinks will surge in the marketplace past Coconut water to help with sore muscles, sleepless nights and wrinkles”.
2. Dr Oz – mentioned cherry juice noting that it promotes sleep and contained powerful antioxidants.
3. Rachel Ray – mentioned the nutritional value of dried cherries.

Although many of the products being promoted are not produced in Ontario, i.e. dried cherries, cherry juice, and concentrate, Ontario processors have enjoyed export opportunities for their block frozen products in the U.S. which in turn are further processed and exported back to Canada.

FRESH FRUIT MARKET DEVELOPMENT PROGRAM

The 2011 Fresh Market Promotion Program received support from Ontario Market Investment Program (OMIF) as well as the OF&VGA's Research & Marketing Initiative. The major initiatives were:

1. **Grower Recipe Contest** - The media did an excellent job in covering the recipes from our Grower Recipe Contest. All the recipes were carried in various on-line and hard copy publications - most recently with Carol Puddicombe's creamy pear pie recipe coverage in 8 cities across Canada through Metro News on-line. We extend our sincere appreciation to the all the growers who submitted their favourite recipes and to the contest winners: Carol Puddicombe (pear pie), Debbie Hipple (nectarine/plum crisp), Agnes Wiens (grape buckle) and Jackie Troup (peach coffee scone) and for their participation in the photo shoot and interview sessions.

2. **Display Bins** - Hopefully everyone saw the new Tender Fruit Display Bins at their retail stores throughout the 2011 fruit season. Our retail partners considered this a successful initiative and are very interested in cooperating again in 2012. They felt that this was a great way to increase our exposure and draw attention to Ontario fruit and grapes at retail. Many stores had multiple units and created some wonderful looking displays.

Foodland Ontario Partnership:

- **In-Store Services** – Foodland’s in-store service representatives visited 1,200 retail food outlets and distributed fresh fruit POS material to produce managers and monitored the use of the new Display Bins.
- **Retail Display Contest** – Foodland continued their Retail Display Contest promotion this year. Many participating retailers utilized Ontario fresh fruit and the new Display Bins to build their displays. The Board provided contest prizes and also co-sponsored the Awards Ceremony.

Ontario Produce Marketing Association:

The Board continued its partnership with major Ontario retailers and collectively raised over \$37,000 for the Canadian Cancer Society, the Heart and Stroke Foundation, and the OPMA “5 – 10 a Day for Better Health” Campaign. The program included peaches and nectarines for the entire season and Bosc and Bartlett pears for the month of October. The Ontario trade participants included: Metro, Loblaws, Sobeys and Walmart.

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 |
| Canadian Horticultural Council | Paid by OFVGA * |
| Canadian Produce Marketing Association | 1,070 |
| Ontario Agricultural Commodity Council | 750 |
| Ontario Federation of Agriculture | 500 |
| Ontario Produce Marketing Association | 350 |
| Presidents’ Council | 250 |

* The OFVGA paid the CHC fees on behalf of their member organizations that pay container tolls.

Sponsorships

| | |
|--|------------|
| Canadian Produce Marketing Association | \$ 2,500 * |
| Foodland Ontario - 2011 Retail Display Contest | 5,000 |
| Niagara-on-the-Lake – Peach Celebration | 2,500 |
| Ontario Fruit & Vegetable Conference | 1,000 |
| Ontario Produce Marketing Association | 1,500 * |
| OPMA – 5 to 10 a Day - Peach Program | 30,548 ** |
| OPMA – 5 to 10 a Day - Nectarine Program | 4,606 ** |
| OPMA – 5 to 10 a Day - Bosc Pear Program | 2,529 ** |
| Quebec Produce Marketing Association | 1,500 * |

* Cost-shared with the Ontario Fresh Grape Board and their appointed Dealer-Shippers in Niagara

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

RESEARCH ACTIVITIES

A) CANADA/ONTARIO PPV ERADICATION PROGRAM

AAFC discontinued the PPV Eradication Program and initiated a Management Program which included testing along the periphery of the Quarantine Zones. No new positives were detected in 2011.

B) DOMESTIC PRUNUS CERTIFICATION PROGRAM

This program is an important component of the PPV Management Program. Only by replacing the affected trees with clean PPV tested trees can growers reasonably expect to mitigate the spread of PPV in their orchards.

C) PLATINUM PEACH & NECTARINE PROJECT

The Tender Fruit Board partnered with Vineland Growers' Cooperative, Loblaw's Companies Ltd, the Value Chain Management Centre of the George Morris Centre and the Vineland Research & Innovation Centre in a project to develop a market for premium Ontario peaches and nectarines similar in size and quality to those available from California. The project included developing best management practices in the field as well as along the value chain to meet these objectives. The project received support and funding from the AAFC (CAAP) Program which is delivered by the Agricultural Adaptation Council.

D) NEW VARIETY EVALUATIONS

This two-year project, managed by Ken Slingerland, is designed to evaluate the potential of new and novel fruit cultivars such as plumcots, pluots, donut peaches as well as several U.S. varieties of peaches, nectarines and plums. Singer Farms of Appleton, N.Y. is the U.S. grower cooperator. Local cooperators include: Torrie Warner, Leo DeVries, Doug Whitty and Lakelee Orchards who have provided access to several varieties of peaches, nectarines, apricots and pears for evaluation. Data is being collected on production, ripening dates, fruit quality, etc. Mori Nursery has also obtained access to several new cultivars through an agreement with Zaiger Nurseries. Small quantities of trees will be available in spring 2012 for production trials and evaluation.

E) HIGH DENSITY PEAR TRIALS

This two-year project, managed by Ken Slingerland, commenced in the spring of 2011. The objective is to provide data on the compatibility of the newer fire blight tolerant pear varieties, including Sundown and Harrow Crisp, in a high density orchard (1,000 trees /acre). Data will also be collected on the cost of establishment, years to production (compared to standard spacing), fruit size and yield. Thwaites Farms is the grower cooperator.

F) IPM ON-LINE

OMAFRA specialists, Margaret Appleby, Leslie Huffman and Wendy MacFadden-Smith, will add peaches and nectarines to the current version of "Ontario Crop IPM". This is a web-based platform that allows growers to source information on insects, diseases, herbicide injury etc. To see the current version which includes apples and grapes, visit <http://www.omafra.gov.on.ca/IPM/english/index.html>. Once complete, tender fruit growers will be provided with a CD version of the software as well as grower training sessions tentatively scheduled for March 2012. An information session will also be held during the OFVC convention in February and during the District Annual Meetings.

G) TREE CENSUS

Ken Slingerland has been contracted to update the tree fruit census which was last updated in 2010. The results will provide the Board, their grower members and the appointed dealers with up-to-date information on the production base which in turn will assist them in making better planting, marketing and promotion decisions. All tender fruit growers are encouraged to cooperate with Ken on this important project.

H) PEAR STORAGE TRIALS

Dr. Jennifer DeEil, OMAFRA, Post-Harvest Specialist – Storage trials on Harrow Crisp, Sundown, HW 620 and Bosc utilizing SmartFresh technology. This is partially funded by the manufacturer of SmartFresh.

CROP PROTECTION PRODUCTS REPORT

EFFICACY TESTING OF PESTICIDES

Cooperators include the Grape Growers of Ontario, the Tender Fruit Board, the Ontario Apple Growers, the pesticide manufacturers and AAFC. The goal is to assess the efficacy of pesticides for control of pest insects and mites on tree fruit and grapes. Both insecticides and miticides are being evaluated.

2011 was the final year of the Pesticides Consortium. In the future, manufacturers will be required to work directly with AAFC for pesticides products evaluation.

Wayne Roberts continued to work with employees of the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA), Agriculture and Agri-Food Canada (AAFC), the Pest Management Regulatory Agency (PMRA) and the chemical manufacturers to promote the registration of new and/or more effective crop protection materials.

ON-FARM FOOD SAFETY INITIATIVES

FOOD SAFETY & TRACEABILITY EDUCATION PROGRAM (FSTE)

Cost-shared funding was provided through the Food Safety & Traceability Program (FSTE) administered by the Agricultural Adaptation Council (AAC). The purpose of the program is to reach out to and train growers who had not participated in the previous Partners-in-Quality (PIQ) Program. *Safefoods* were retained to deliver the program for 2010 and 2011. This report was prepared and provided by *Safefoods*.

In the 2010 season *safefood* completed:

- 80 on-site visits
- 4 program information workshops for members
- 3 employee training workshops for members
- 65 pre-audits for shippers, producers and packers
- 113 water samples from 46 growers
- Phone assistance on 20 occasions
- Distributed version 4.1 of the CanadaGAP manual to all tender fruit & fresh grape producers
- Developed and distributed new bilingual hand washing signs

Conclusions and Next Steps

Pressure from the retailers is starting to filter further down to the smaller growers and we reached mostly smaller growers and fresh grape growers who had never been contacted before. We also had requests for pre-audits from growers who had been visited in the past but wanted their records and/or facilities checked.

Documentation support remains the biggest value received by growers in preparing from their audits. For 2011, it will be important to reach some growers who have still been missed, however, this may be a fairly small number. More value can be added by providing greater employee training support and actually deliver formal employee training sessions for more producers and packers. This will require more time spent with each site but will provide training not only to the employees but also to the producer who will be able to take over the training in subsequent years.

Finally, CHC has released a new version of the CanadaGAP manual for Tree and Vine Fruit Producers. The changes are not extensive and will not have a significant effect on producers who are not exporting. Time should be taken at the beginning of 2012 to summarize the changes that will apply to Ontario tender fruit and fresh grape growers, packers and shippers.

**ONTARIO TENDER FRUIT PRODUCERS'
MARKETING BOARD**

FINANCIAL STATEMENTS

JANUARY 31, 2012



INDEPENDENT AUDITORS' REPORT

To the Members of
Ontario Tender Fruit Producers' Marketing Board

We have audited the accompanying financial statements of the Ontario Tender Fruit Producers' Marketing Board, which comprise the statement of financial position as at January 31, 2012 and the statement of revenues, expenses and unrestricted net assets; internally restricted net assets statement of revenues, expenses and fund balance; and statement of cash flows 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 generally accepted accounting principles, 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.

Auditors' 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 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 auditors' 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Tender Fruit Producers' Marketing Board as at January 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

St. Catharines, Canada
February 27, 2012



CHARTERED ACCOUNTANTS
Licensed Public Accountants

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ONTARIO TENDER FRUIT PRODUCERS' MARKETING BOARD

1

STATEMENT OF FINANCIAL POSITION

AS AT JANUARY 31, 2012

| | 2012 | 2011 |
|--|---------------------|---------------------|
| ASSETS | | |
| Current | | |
| Cash and equivalents | \$ 1,512,044 | \$ 1,429,120 |
| Accounts receivable (note 3) | 22,900 | 210,280 |
| Research, food safety and promotion contributions receivable (note 14) | 58,667 | 152,721 |
| Due from related parties (note 4) | 121,671 | 75,960 |
| Prepaid expenses | <u>51,714</u> | <u>3,594</u> |
| | <u>1,766,996</u> | <u>1,871,675</u> |
| Investments (note 5) | <u>286,408</u> | <u>286,408</u> |
| | <u>\$ 2,053,404</u> | <u>\$ 2,158,083</u> |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 156,579 | \$ 222,982 |
| Deposits, licence fees | 2,800 | 1,600 |
| Deferred research, food safety and promotion grant revenue (note 14) | <u>78,729</u> | <u>124,825</u> |
| | <u>238,108</u> | <u>349,407</u> |
| NET ASSETS | | |
| Unrestricted net assets | 1,323,582 | 1,392,359 |
| Marketing Incentive Program | 358,088 | 250,960 |
| Sour Cherry Chilled Pitted Promotion Program | - | 9,287 |
| Red Tart Sour Cherry Market Development | <u>133,626</u> | <u>156,070</u> |
| | <u>1,815,296</u> | <u>1,808,676</u> |
| | <u>\$ 2,053,404</u> | <u>\$ 2,158,083</u> |

Approved on behalf of the Board


Director


Director

See Accompanying Notes to the Financial Statements



ONTARIO TENDER FRUIT PRODUCERS' MARKETING BOARD

2

STATEMENT OF REVENUES, EXPENSES AND UNRESTRICTED NET ASSETS

FOR THE YEAR ENDED JANUARY 31, 2012

| | 2012 | 2011 |
|---|----------------------------|----------------------------|
| Revenues | | |
| Service charges and licence fees, fresh market (note 7) | \$ 1,255,103 | \$ 1,222,038 |
| Appropriated to marketing incentive program (note 6) | <u>(808,758)</u> | <u>(783,207)</u> |
| | 446,345 | 438,831 |
| Licence fees, processing (note 7) | 36,946 | 79,051 |
| Government and industry funding | | |
| Promotion activities | 127,810 | 160,044 |
| Research and food safety activities | 213,964 | 264,025 |
| Interest and other income | <u>22,982</u> | <u>19,613</u> |
| | <u>848,047</u> | <u>961,564</u> |
| Expenses | | |
| Directors' fees, honoraria and benefits | 53,163 | 58,348 |
| Salaries and benefits (note 8) | 296,941 | 214,547 |
| Travel | 50,062 | 49,466 |
| Meetings and conventions | 13,897 | 11,501 |
| Office supplies and expenses | 39,074 | 40,551 |
| Postage | 2,407 | 5,519 |
| Telephone | 11,111 | 10,669 |
| Dues and subscriptions | 4,163 | 4,255 |
| Labour Issues Coordinating Committee | 4,200 | 2,100 |
| Promotion (note 14) | | |
| OTFPMB portion | 52,242 | 63,690 |
| Government and industry funded portion | 114,499 | 120,654 |
| Professional fees (note 9) | 14,014 | 9,376 |
| Miscellaneous | 1,713 | 2,165 |
| Utilities and maintenance | 21,660 | 23,159 |
| Insurance and taxes | 14,906 | 14,904 |
| Amortization | 14,602 | 11,213 |
| Bad debts | 3,710 | 463 |
| Research and food safety activities (note 14) | | |
| OTFPMB portion | 19,007 | 16,040 |
| Government and industry funded portion | 215,573 | 264,026 |
| Expense recoveries from other associations | <u>(30,120)</u> | <u>(27,618)</u> |
| | <u>916,824</u> | <u>895,028</u> |
| (Deficiency) Excess of Revenues over Expenses | (68,777) | 66,536 |
| Net Assets - Beginning of the year | <u>1,392,359</u> | <u>1,325,823</u> |
| Net Assets- End of the year | <u>\$ 1,323,582</u> | <u>\$ 1,392,359</u> |

See Accompanying Notes to the Financial Statements



ONTARIO TENDER FRUIT PRODUCERS' MARKETING BOARD

3

INTERNALLY RESTRICTED NET ASSETS STATEMENT OF REVENUES, EXPENSES AND FUND BALANCE
FOR THE YEAR ENDED JANUARY 31, 2012

| | 2012 | 2011 |
|---|-------------------|-------------------|
| Marketing Incentive Program (note 6) | | |
| Revenues | | |
| Service charges and licence fees, fresh market | \$ 808,758 | \$ 783,207 |
| Expenses | | |
| Incentive program | <u>701,630</u> | <u>727,901</u> |
| Excess of Revenues over Expenses for the year | 107,128 | 55,306 |
| Fund Balance - Beginning of the year | <u>250,960</u> | <u>195,654</u> |
| Fund Balance - End of the year | <u>\$ 358,088</u> | <u>\$ 250,960</u> |
| Sour Cherry Chilled Pitted Promotion Program | | |
| Revenues | | |
| Sour cherry promotion fees | \$ 18,796 | \$ 12,517 |
| Expenses | | |
| Cherry promotion program | <u>28,083</u> | <u>25,000</u> |
| Deficiency of Revenues over Expenses for the year | (9,287) | (12,483) |
| Fund Balance - Beginning of the year | <u>9,287</u> | <u>21,770</u> |
| Fund Balance - End of year | <u>\$ -</u> | <u>\$ 9,287</u> |
| Red Tart Sour Cherry Market Development | | |
| Revenues | | |
| Red tart market development grant | \$ - | \$ 132,812 |
| Expenses | | |
| Sour cherry fees | <u>22,444</u> | <u>112,299</u> |
| (Deficiency) Excess of Revenues over Expenses for the year | (22,444) | 20,513 |
| Fund Balance - Beginning of the year | <u>156,070</u> | <u>135,557</u> |
| Fund Balance - End of the year | <u>\$ 133,626</u> | <u>\$ 156,070</u> |

See Accompanying Notes to the Financial Statements



ONTARIO TENDER FRUIT PRODUCERS' MARKETING BOARD

4

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JANUARY 31, 2012

| | 2012 | 2011 |
|--|----------------------------|----------------------------|
| Cash Flows from Operating Activities | | |
| (Deficiency) Excess of revenues over expenses for the year, unrestricted net assets | \$ (68,777) | \$ 66,536 |
| Excess of revenues over expenses for the year, internally restricted net assets | 75,397 | 63,336 |
| Changes in non-cash working capital | | |
| Accounts receivable | 187,380 | (128,751) |
| Research, food safety and promotion contributions receivable | 47,958 | (107,176) |
| Due from related parties | (45,711) | (7,755) |
| Prepaid expenses | (48,120) | 1,446 |
| Accounts payable and accrued liabilities | (66,403) | 72,815 |
| Deposits, licence fees | <u>1,200</u> | <u>(800)</u> |
| Increase (Decrease) in Cash and Equivalents | 82,924 | (40,349) |
| Cash and Equivalents - Beginning of year | <u>1,429,120</u> | <u>1,469,469</u> |
| Cash and Equivalents - End of year | <u>\$ 1,512,044</u> | <u>\$ 1,429,120</u> |

See Accompanying Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JANUARY 31, 2012

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 Board follows accounting principles generally accepted in Canada in preparing its financial statements.

The significant accounting policies used are as follows:

(a) Fund Accounting

The Board follows the restricted fund method of accounting for contributions. Revenues and expenses related to the Marketing Incentive and Sour Cherry Market Development Programs are reported in these internally restricted funds. All other revenues and expenses are reported in the unrestricted fund.

(b) Financial Instruments

The Board continues to disclose and present financial instruments in accordance with Section 3861 "Financial Instruments - Disclosure and Presentation. Financial assets are classified as either "held-for-trading", "held-to-maturity", "available for sale" or "loans and receivables". Financial liabilities are classified as either "held for trading" or "other liabilities". Financial assets and liabilities classified as held-for-trading are measured at fair value with changes in fair value reported in the statement of operations. Financial assets classified as held-to-maturity or loans and receivables are subsequently measured at amortized cost using the effective interest rate method.

The Board has classified its financial instruments as follows:

Cash is classified as held-for-trading

Guaranteed investment certificates are classified as held-to-maturity

Investments are classified as available for sale

Accounts receivable are classified as loans and receivables

Accounts payable and accrued liabilities are classified as other liabilities.

(c) Property and Equipment

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.

(d) 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 internally 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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JANUARY 31, 2012

(e) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period in which they become known. Actual results could differ from those estimates.

3. ACCOUNTS RECEIVABLE

| | 2012 | 2011 |
|--|------------------|-------------------|
| Producer licence fees | \$ 21,359 | \$ 23,095 |
| Grape and Tender Fruit (Ontario) Limited | 1,541 | 1,371 |
| Research & Marketing Funding Program | - | 39,390 |
| HST receivable | - | 38,769 |
| Ontario Apple Growers- Research Fund | - | 23,333 |
| Marketing incentive program refund | - | 9,040 |
| Red tart market development grant | - | 75,282 |
| | <u>\$ 22,900</u> | <u>\$ 210,280</u> |

4. RELATED PARTY TRANSACTIONS

The Board has amounts receivable of \$121,671 (2011 - \$75,960) from Grape & Tender Fruit (Ontario) Limited, a related party. Expenses include a \$184,108 (2011 - \$180,425) charge for the Board's share (50% (2011 - 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.

Also, accounts receivable include amounts receivable for expenses paid on Grape & Tender Fruit (Ontario) Limited's behalf for \$1,541. The transactions and balances are measured at their exchange amount, being the amounts agreed upon by the parties.

5. INVESTMENTS, at cost

| | 2012 | 2011 |
|---|-------------------|-------------------|
| Ontario Fruit-For-Processing Co-Operative Limited: 12 common shares | \$ 55 | \$ 55 |
| Grape & Tender Fruit (Ontario) Limited: 106 common shares | 53 | 53 |
| Grape & Tender Fruit (Ontario) Limited: 2,863 special shares | <u>286,300</u> | <u>286,300</u> |
| | <u>\$ 286,408</u> | <u>\$ 286,408</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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JANUARY 31, 2012

6. MARKETING INCENTIVE PROGRAM

The funds raised for this program in 2012 in the amount of \$ 808,758 (2011 - \$783,207) were generated by a levy on producers included in service charges and licence fees. The \$ 701,630 (2011 - \$727,901) 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 internally 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 | \$ 81,946 | \$ 36,930 | \$ 91,852 | \$ 40,232 | \$ 250,960 |
| Transfer from service charges and licence fees, fresh market | 738,956 | 17,360 | 20,320 | 32,122 | 808,758 |
| Incentive program expense | <u>(633,864)</u> | <u>(17,205)</u> | <u>(21,160)</u> | <u>(29,401)</u> | <u>(701,630)</u> |
| Balance, end of year | <u>\$ 187,038</u> | <u>\$ 37,085</u> | <u>\$ 91,012</u> | <u>\$ 42,953</u> | <u>\$ 358,088</u> |

7. SERVICE CHARGES AND LICENCE FEES

| | <i>2012</i> | <i>2011</i> |
|--|----------------------------|----------------------------|
| Service charges and licence fees, fresh market | | |
| Service charges | | |
| peaches | \$ 1,004,830 | \$ 886,799 |
| pears | 57,694 | 81,553 |
| plums and prunes | 56,391 | 95,350 |
| nectarines | 49,009 | 92,144 |
| Licence fees | | |
| peaches | 73,705 | 50,509 |
| pears | 7,391 | 9,022 |
| plums and prunes | 4,155 | 4,833 |
| nectarines | <u>1,928</u> | <u>1,828</u> |
| | <u>\$ 1,255,103</u> | <u>\$ 1,222,038</u> |
| Licence fees, processing | | |
| sweet cherries | \$ 344 | \$ 383 |
| sour cherries | 21,897 | 62,673 |
| peaches | <u>14,705</u> | <u>15,995</u> |
| | <u>\$ 36,946</u> | <u>\$ 79,051</u> |

8. SALARIES AND BENEFITS

| | <i>2012</i> | <i>2011</i> |
|---|--------------------------|--------------------------|
| Total salaries and benefits | \$ 318,566 | \$ 243,997 |
| Recoveries: | | |
| Ontario Apple Growers | (9,625) | (19,250) |
| Ontario Fresh Grape Growers Marketing Board | <u>(12,000)</u> | <u>(10,200)</u> |
| | <u>\$ 296,941</u> | <u>\$ 214,547</u> |



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JANUARY 31, 2012

| 9. PROFESSIONAL FEES | 2012 | 2011 |
|----------------------|------------------|-----------------|
| Audit | \$ 9,038 | \$ 8,900 |
| Legal | 4,263 | 476 |
| Consulting | <u>713</u> | <u>-</u> |
| | <u>\$ 14,014</u> | <u>\$ 9,376</u> |

10. NON-MONETARY TRANSACTIONS

The Board receives benefits from a substantial amount of contributions in-kind for research and promotion activities. No amounts have been reflected in the statements for these items.

11. FINANCIAL INSTRUMENTS

Fair Value

The Board's financial instruments consist of cash and equivalents, accounts receivable, accounts payable and accrued liabilities. The carrying values of these instruments approximates their fair value. Financial instruments also consists of investments, for which fair market value cannot be determined.

Risks

Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest, currency or credit risk arising from these financial instruments .

12. CAPITAL MANAGEMENT

Unrestricted Fund:

The Board's objective in managing the unrestricted fund capital is to maintain a sufficient level to provide for normal operating requirements. Normal requirements also includes maintaining sufficient funds to provide for an unanticipated short crop.

Internally Restricted Fund

The Board's objective in managing the Marketing Incentive Program fund is to raise adequate funds to make payments to retailers and shipper dealers who meet the marketing criteria of the program. Any excess funds raised will be directed to fund marketing costs in the subsequent crop year.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2012 financial statements.



ONTARIO TENDER FRUIT PRODUCERS' MARKETING BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JANUARY 31, 2012

14. DEFERRED CONTRIBUTIONS, RESEARCH, FOOD SAFETY AND PROMOTION ACTIVITIES

| | <u>Deferred (Receivable) Contributions February 1, 2011</u> | <u>Government/ Industry Contributions 2012</u> | <u>Expenses 2012</u> | <u>Board Funded Expenses 2012</u> | <u>Deferred (Receivable) Contributions January 31, 2012</u> |
|--|---|--|--------------------------|---|---|
| Research | | | | | |
| <u>CanAdapt Projects:</u> | | | | | |
| CAAP - Increasing Competitiveness of Ontario Tender Fruit Industry | \$ (141,475) | \$ 159,499 | \$ 52,837 | - | \$ (34,813) |
| FSTE - Ontario Food Safety Project | (1,771) | 39,987 | 34,064 | (4,152) | - |
| Bacterial Spot of Stone Fruit | 1,625 | - | 68 | - | 1,557 |
| ABP - IPM Coordinator | - | - | 9,417 | 2,543 | (6,874) |
| Smartfresh Pear Initiatives | 124,825 | 15,000 | 68,870 | - | 70,955 |
| FIP - Evaluating High Density Pear Plantings | - | 14,746 | 22,868 | - | (8,122) |
| FIP - New Variety Evaluations | - | 10,728 | 19,586 | - | (8,858) |
| FIP - On-Farm Peach & Nectarine IPM | - | <u>12,471</u> | <u>6,254</u> | - | <u>6,217</u> |
| | <u>(16,796)</u> | <u>252,431</u> | <u>213,964</u> | <u>(1,609)</u> | <u>20,062</u> |
| Non-Funded Research | | | | | |
| OTFPMB Portion of Research Activities | | | | | |
| <u>Promotion</u> | | | | | |
| Increasing Sales of Ontario Bartlett Pears | (11,100) | 23,845 | 16,994 | 4,249 | - |
| Ontario Fresh Fruit Market Development - 2011 | - | <u>101,754</u> | <u>131,417</u> | <u>29,663</u> | - |
| | <u>(11,100)</u> | <u>125,599</u> | <u>148,411</u> | <u>33,912</u> | - |
| Non-Funded Promotion | | | | | |
| OTFPMB Portion of Promotion Activities | | | | | |
| | <u>\$ (27,896)</u> | | | <u>18,330</u> | <u>\$ 20,062</u> |
| | | | <u>52,242</u> | | |
| Reported as: | | | | | |
| Research and promotion contributions receivable | (152,721) | | | | (58,667) |
| Deferred research and promotion contributions | <u>124,825</u> | | | | <u>78,729</u> |
| | <u>\$ (27,896)</u> | | | | <u>\$ 20,062</u> |