

COMMENTS FROM THE CHAIR



Fresh market sales increased to 2,037 tons up 6% from 1,926 in 2010. Unfortunately, about 125 tons were not received by shippers due to the lack of sales. Virtually no Fredonias or Concorde were sold this season and fresh grape production in south western Ontario has all but disappeared.

Sales of Ontario blue grapes was sluggish throughout most of the season as retailers seemed to be less aggressive with their retail pricing which ranged from \$3.99 to \$4.99 early in the season and finally dropped to \$2.99 to \$3.49 after the Board prices were reduced. High retails for Ontario grapes coupled with very aggressive retail prices, ranging from 89¢ to 99¢ per lb., for California table grapes definitely affected our sales. The shippers continued to market grapes well into September and early October in an attempt to clean up the crop.

Harvest started about one week later than 2010 and continued until early October. Most shippers regulated their receipts in order to keep inventories manageable. Quality was very good throughout most of the season but fell off towards the end of September.

Coronation acreage has decreased modestly in each of the past two years and is expected to do so again this year as growers and shippers attempt to balance production with sales opportunities. Several growers have now exited the industry, both in Niagara as well as South Western Ontario.

The 2011 promotion activities included participation in a joint project with the Tender Fruit Board which included (a) Retail Display Bins, and (b) Grower Recipe Contest. Both of these were well received by the retailers and the media. Retail Display Bins will again be provided to the retailers in 2012. Our thanks go to the growers who contributed their recipes. Congratulations to Agnes Wiens who submitted the winning "Grape Buckle" recipe.

This was the second year of the two-year leaf removal research project designed to determine the affects of leaf removal on maturity and quality. The results showed that leaf removal had very little affect on either. Dave Lambert headed up this project, Ken Slingerland was the project lead and VRIC conducted consumer surveys. Our appreciation is extended to Agriculture and Agri-Food Canada for funding this project under the Farm Innovation Program (FIP) and to the Agricultural Adaptation Council.

I extend my thanks to the directors and to the Growers' Committee members for their support and dedication throughout the past year. I also thank the staff of Grape & Tender Fruit (Ontario) Ltd. for conducting the affairs of the Board in an effective and efficient manner again this year.

As you are aware Adrian Huisman has retired. I extend my personal thanks and those of the Board to Adrian for his many years of service to our industry. I am pleased to report that Sarah Marshall has been appointed as Manager of both the Fresh Grape and Tender Fruit Boards.

A handwritten signature in black ink, appearing to read "Larry Hipple". The signature is written in a cursive, flowing style.

Larry Hipple
Chair

FORTY-SIXTH ANNUAL REPORT ONTARIO FRESH GRAPE GROWERS' MARKETING BOARD

**TABLE 1
ONTARIO GRAPE PRODUCTION
2007 - 2011**

	2007	2008	2009	2010	2011	% Change
Market	Tons	Tons	Tons	Tons	Tons	'11 vs '10
Processed	61,826	62,625	52,317	59,080	71,054	20%
Fresh Sales	2,262	2,190	2,331	1,926	2,037	6%
Direct Grower Sales	5,000	5,500	4,500	5,000	5,000	0%
TOTAL	69,088	70,315	59,148	66,006	78,091	18%

The 2011 crop was up 18% from 2010 and 17% from the previous five-year average (66,011 tons - 2006 – 2010). Sales of grapes for processing were up 20% to 71,054 tons. Fresh market sales were up 6%. Direct grower sales are a best estimate of the volume of grapes sold by growers direct to consumers for fresh eating and/or wine making.

**TABLE 2
GRAPE PRODUCTION PROJECTIONS BY VARIETY
SALES TO APPOINTED DEALER-SHIPPER**

YEAR	ANNUAL PLANTING	TOTAL ACRES	ACRES IN PRODUCTION VINES+3 YRS.	SOV.COR. TONS/ ACRE	SOV.COR. VOLUME TONS	FREDONIA TONS	OTHER TONS	TOTAL TONS
					A	B	C	(A+B+C)
Pre-96	27,500	30						
1996	18,000	50			60	1,555	312	1,927
1997	12,500	64			74	1,617	301	1,992
1998	20,000	86	30	4.4	132	1,302	326	1,760
1999	50,000	141	50	6.7	333	1,397	220	1,950
2000	38,000	183	64	7.6	486	1,223	202	1,911
2001	36,000	223	86	8.5	732	747	185	1,664
2002	10,000	234	141	4.5	641	720	150	1,511
2003	75,000	317	183	7.1	1,300	750	80	2,130
2004	45,000	367	223	7.2	1,610	550	100	2,260
2005	25,000	395	234	5.7	1,340	500	250	2,090
2006	30,000	428	317	6.1	2,020	400	0	2,420
2007	20,000	450	367	5.5	2,000	170	30	2,200
2008	10,000	460	395	5.4	2,080	110	0	2,190
2009	0	460	428	5.3	2,271	0	60	2,331
2010	(5,000)	455	450	4.0	1,841	40	45	1,926
2011	(5,000)	450	450	4.5	2,025	0	12	2,037
Average Yield (2007-2011)					4.9			

1. 900 Vines per acre
2. Tons per acre = Actual Yields Div. By Acres of Vines 4 Years and Older
3. Vine sales obtained from area nurseries

FRESH MARKET VOLUMES

**TABLE 3
FRESH GRAPES REPORTED TO THE BOARD
2007 - 2011**

	2007	2008	2009	2010	2011	% Change
MARKETED BY:	tons	tons	tons	tons	Tons	'11 vs ' 10
Niagara Dealers	2,084	2,025	2,192	1,824	1,951	7%
S.W. Ontario Dealers	116	110	56	22	1	N/A
Licensed Growers	62	45	83	80	85	6%
TOTAL	2,262	2,190	2,331	1,926	2,037	6%
NET RETURNS/TON	\$1,358	\$1,214	\$1,180	\$1,280	\$1,314	3%

NET FARM GATE VALUE

**TABLE 4
NET FARM GATE VALUE OF FRESH GRAPES
2007 - 2011**

YEAR	NET FARM GATE VALUE	AVERAGE RETURN* PER TON	VOLUME TONS
2011	\$2,676,618	\$1,314	2,037
2010	\$2,465,280	\$1,280	1,926
2009	\$2,750,580	\$1,180	2,331
2008	\$2,658,660	\$1,214	2,190
2007	\$3,071,796	\$1,358	2,262

*Returns are net after deducting all shipper commissions, board fees, and container costs

NET RETURNS BY VARIETY

**TABLE 5
NET RETURNS* PER TON BY VARIETY
2007 – 2011**

YEAR	CORONATION	FREDONIA	CONCORD	COMBINED
2011	\$1,314	-	-	\$1,314
2010	\$1,282	\$1,258	\$1,258	\$1,280
2009	\$1,180	-	-	\$1,180
2008	\$1,226	\$1,060	-	\$1,214
2007	\$1,368	\$1,214	\$1,214	\$1,358

*Returns are net of dealer commissions, Board fees and container costs.

PROMOTION AND MARKET DEVELOPMENT PROGRAMS

**TABLE 11
PROMOTION & MARKET DEVELOPMENT PROGRAMS
2007 – 2011**

YEAR	DOLLARS SPENT	% OF FEES COLLECTED	CROP VOLUME (TONS)	DOLLARS PER TON
2011	\$15,000	10%	2,037	\$ 7.36
2010	\$71,001	56%	1,926	\$36.86
2009	\$80,780	38%	2,331	\$34.65
2008	\$58,563	26%	2,190	\$26.74
2007	\$44,463	26%	2,262	\$19.66

The Board coordinated their 2011 promotion efforts with those of the Tender Fruit Board. This included: (a) Grower Recipe Contest; and (b) Retail Display Bins. The recipe contest winner was Agnes Wiens for her Coronation Grape Buckle Recipe. The recipe was distributed to the media and to all the major retailers for use in their weekly flyers. The Board very much appreciated the support received from the Ontario Market Investment Fund (OMIF) which provided 50% funding towards the cost of the 2011 program. The Board also appreciated the funding received from the Ontario Fruit & Vegetable Growers' Association.

Respectfully submitted.

Adrian Huisman
Manager

ONTARIO FRESH GRAPE GROWERS' MARKETING BOARD

2010 - 2011 DIRECTORS

District 1 - City of Niagara Falls, Welland and the Town of Pelham

Director elected at large
Robin Reimer 3788 Quarry Road, Beamsville L0R 1B2 905-563-8370

District 2 - Town of Niagara-on-the-Lake

Dave Lambert R.R. 2, Niagara-on-the-Lake L0S 1J0 905-984-3182
Adolf Reddecopp 233 Line 2, Niagara-on-the-Lake L0S 1J0 905-651-5633

District 3 - City of St. Catharines

Bart Huisman R.R. 1, St. Catharines L2R 6P7 905-682-7078

District 4 - Town of Lincoln - East of Vineland Townline Road

Director Elected at Large
Torrie Warner 4045 John Street, Beamsville L0R 1B1 905-562-5637

District 5 - Town of Lincoln - West of Vineland Townline Road

Larry Hipple 4275 Maplegrove, Beamsville L0R 1B0 905-562-4861

District 6 - Grimsby, West Lincoln & Wentworth

Orest Gulka R.R. 1, Grassie L0R 1M0 905-643-9496

Officers:

Chair	Larry Hipple
Vice-Chair	Dave Lambert
Secretary (Retired)	Adrian Huisman
ySecretary Manager	Sarah Marshall

INDEPENDENT AUDITORS' REPORT

To the Members of
Ontario Fresh Grape Growers' Marketing Board

We have audited the accompanying financial statements of the Ontario Fresh Grape Growers' Marketing Board, which comprise the statement of financial position as at December 31, 2011 and the statements of revenues, expenses and unrestricted net assets; marketing incentive program statement of revenues, expenses and fund balance; and 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.

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 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 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 Fresh Grape Growers' Marketing Board as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

St. Catharines, Canada
January 26, 2012

MacGillivray (St. Catharines)
CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

ONTARIO FRESH GRAPE GROWERS' MARKETING BOARD

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STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2011

	2011	2010
ASSETS		
Current		
Cash	\$ 72,552	\$ 9,203
Guaranteed investment certificates	80,239	100,358
Accounts receivable	9,541	13,158
Grants receivable	8,048	32,985
Prepaid expenses	<u>1,917</u>	<u>1,412</u>
	\$ <u>172,297</u>	\$ <u>157,116</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ <u>2,897</u>	\$ <u>1,500</u>
NET ASSETS		
Unrestricted	134,100	128,692
Marketing Incentive Program (note 3)	<u>35,300</u>	<u>26,924</u>
	\$ <u>172,297</u>	\$ <u>157,116</u>

Approved on behalf of the Board



 Director



 Director



ONTARIO FRESH GRAPE GROWERS' MARKETING BOARD

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STATEMENT OF REVENUES, EXPENSES AND UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
Revenues		
Service charges	\$ 145,261	\$ 122,156
Producer licence fees	<u>5,997</u>	<u>5,056</u>
	151,258	127,212
Appropriated to marketing incentive program (note 3)	<u>(93,668)</u>	<u>(58,782)</u>
	57,590	68,430
Interest	1,289	933
Research and promotion grants (note 4)	<u>27,280</u>	<u>63,956</u>
	<u>86,159</u>	<u>133,319</u>
Expenses		
Audit	2,000	1,900
Directors' and committee fees	6,090	7,630
Food safety initiative	-	2,300
Legal	747	502
Liability insurance	1,772	1,773
Memberships	900	650
Office	253	707
Promotion	13,975	71,001
Research	24,130	20,240
Shared costs (note 5)	23,700	19,140
Travel	<u>7,184</u>	<u>7,375</u>
	<u>80,751</u>	<u>133,218</u>
Excess of Revenues over Expenses for the Year	5,408	101
Fund Balance - Beginning of the year	<u>128,692</u>	<u>128,591</u>
Fund Balance - End of the year	<u>\$ 134,100</u>	<u>\$ 128,692</u>



ONTARIO FRESH GRAPE GROWERS' MARKETING BOARD

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**MARKETING INCENTIVE PROGRAM STATEMENT OF REVENUES, EXPENSES AND FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<i>2011</i>	<i>2010</i>
Revenues		
Appropriated service charges	\$ 89,956	\$ 56,659
Appropriated producer licence fees	<u>3,712</u>	<u>2,123</u>
	<u>93,668</u>	<u>58,782</u>
Expenses		
Incentive program expense	<u>85,292</u>	<u>52,287</u>
Excess of Revenues over Expenses for the Year	8,376	6,495
Fund Balance - Beginning of the year	<u>26,924</u>	<u>20,429</u>
Fund Balance - End of the year	\$ <u>35,300</u>	\$ <u>26,924</u>



ONTARIO FRESH GRAPE GROWERS' MARKETING BOARD

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
Cash Flows from Operating Activities		
Excess of revenues over expenses for the year - unrestricted	\$ 5,408	\$ 101
Excess of revenues over expenses for the year - marketing incentive program	8,376	6,495
Changes in non-cash working capital		
Accounts receivable	3,617	74
Grants receivable	24,937	25,412
Prepaid expenses	(505)	(1,049)
Accounts payable and accrued liabilities	1,397	(661)
	<u>43,230</u>	<u>30,372</u>
Cash Flows from Investing Activities		
Redemption of guaranteed investment certificate	301,786	60,193
Purchase of guaranteed investment certificate	<u>(281,667)</u>	<u>(100,358)</u>
	<u>20,119</u>	<u>(40,165)</u>
Increase (Decrease) in Cash	63,349	(9,793)
Cash - Beginning of year	<u>9,203</u>	<u>18,996</u>
Cash - End of year	<u>\$ 72,552</u>	<u>\$ 9,203</u>



NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

1. NATURE OF OPERATIONS

The Board was established to regulate prices of grapes sold in the fresh grape market, as well as for the purposes of marketing and promoting fresh grapes in Ontario. It is incorporated by Letters Patent as a corporation without share capital under the laws of Ontario, and is exempt from income taxes under section 149(1)(e) of 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 Program are reported in the Marketing Incentive Program Fund. All other revenues and expenses are reported in the unrestricted fund.

(b) Revenue Recognition

The Board has authority to collect service charges and licence fees under the provisions of the Farm Products Marketing Act. The Board operates a system of required reporting of crop sales by appointed dealer shippers and licensed producers and monitors the results of this reporting. Any additional revenues determined by the Board through this monitoring system are recorded when determined to be collectible.

(c) 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.



NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

(d) Capital expenditures

Capital expenditures are charged to operations in the year they are incurred.

(e) Financial Instruments

The Board continues to disclose and present financial instruments in accordance with Section 3861 "Financial Instruments - Disclosure and Presentation".

Financial instruments are valued at fair value or amortized cost depending on the classification selected for the financial instrument. Financial assets are classified as either "held-for-trading", "held-to-maturity", "available-for-sale" or "loans and receivables" and financial liabilities are classified as "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 recorded in the statement of operations. Financial assets classified as held-to-maturity or loans and receivables and financial liabilities classified as other liabilities 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
- Accounts receivable are classified as loans and receivables
- Accounts payable and accrued liabilities are classified as other liabilities

3. MARKETING INCENTIVE PROGRAM

The funds raised for this program in 2011 in the amount of \$93,668 (2010 - \$58,782) were generated by a levy on producers included in service charges and licence fees. The \$85,292 (2010 - \$52,287) marketing incentive expense was paid out to qualifying retailers to encourage sales through additional features on fresh grapes.

4. RESEARCH AND PROMOTION GRANTS

	<i>2011</i>	<i>2010</i>
Fresh Grape Market Development	\$ -	\$ 39,576
Canopy Management, Coronation	24,130	20,240
OF & VGA Promotion Grant	<u>3,150</u>	<u>4,140</u>
	<u>\$ 27,280</u>	<u>\$ 63,956</u>

5. SHARED COST COMMITMENT

The Ontario Fresh Grape Growers' Marketing Board shares office space and staff with Grape and Tender Fruit (Ontario) Limited at a cost of \$2,000 per month.



NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011

6. FINANCIAL INSTRUMENTS

Fair Value

The Board's financial instruments consist of cash, guaranteed investment certificates, accounts receivable, accounts payable and accrued liabilities. The carrying value of these instruments approximates their fair value.

Risks

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

7. 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.

Marketing Incentive Program Fund:

The Board's objective in managing the Marketing Incentive Program fund is to disburse all funds raised for marketing in the current year. Any excess funds raised will be directed to fund marketing costs in the subsequent crop year.



