



Chair's Report ONTARIO TENDER FRUIT GROWERS 2016 In Review

February 2017

2016 will be remembered as the year of the drought. With no significant rainfall from April until August, most tender fruit crops suffered and even growers that had access to irrigation had difficulty keeping up with demand.

It brought to the forefront the need for increased access to irrigation infrastructure across the province. A letter was sent to provincial Ministers of Agriculture and Environment to ensure they knew the specific needs of the industry and a request for dedicated funding to the sector to enhance irrigation capacity and efficiency. It is anticipated that specific initiatives will move forward in the near future.

Sales data by commodity are included in the following pages. Although some commodities had decreased volumes, fantastic tasting fruit resulted in repeat sales from consumers and overall increased 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 who supported our growers this year with a tender fruit revitalization program which offset costs of trees to growers. Additionally, promotional support was provided through the Greenbelt Fund for a Food Literacy Program. This allowed us to increase consumer's awareness of the versatility of tender fruit once purchased. Details of the promotion initiatives are included in the report.

Crop insurance continues to be a crucial risk management tool for our growers. 2017 marks the launch of the tree mortality plan and work on separating out European and Japanese plum plans. The board will continue to work with Agricorp as they build a new IT platform to ensure future needs of the tender fruit industry are accommodated.

We look forward to the next Agricultural Policy Framework commencing in 2018 and will continue to ensure the needs of growers are communicated to all levels of government for risk management programs and funding opportunities.

2016 also marks the retirement of our good friend Ken Porteous who has served on the board since 1988. Ken has always represented the industry with the highest level of professionalism and dedication and we wish him well in his retirement. We know that even though he is retired from the board, he will continue to be there to support us and provide guidance.

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

Respectfully submitted,

Phil Tregunno

THIRTY-EIGHTH 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
2014 – 2016

	2014	2015	2016		2014	2015	2016	
	Volume	Volume	Volume	% Change	Value	Value	Value	% Change
	Tons	Tons	Tons	'16 vs. '15	\$	\$	\$	'16 vs. '15
Fresh Market								
Peaches	17,422	18,951	15,482	-18%	27,875,200	31,838,011	31,211,473	-2%
Pears	2,074	3,201	2,650	-17%	2,626,734	4,639,863	4,458,964	-4%
Plums & Prunes	1,913	1,928	1,402	-27%	4,628,791	4,826,665	5,915,498	23%
Nectarines	2,537	2,736	3,328	22%	5,331,800	6,397,543	8,005,936	25%
Apricots			18				92,893	
TOTAL	23,944	26,817	22,880	-15%	40,462,525	47,702,082	49,684,764	4%
Processing								
Sweet Cherries	16	10	26	162%	27,451	17,848	46,918	163%
Tart Cherries	4,325	4,070	6,445	58%	7,515,136	7,413,618	10,541,704	42%
Peaches	799	982	946	-4%	551,419	688,460	643,851	-6%
Pears	273	193	239	24%	163,880	134,791	167,035	24%
TOTAL	5,413	5,255	7,656	46%	8,257,886	8,254,857	11,399,508	38%
COMBINED	29,357	32,072	30,536	-5%	48,720,411	55,956,799	61,084,272	9%

PROCESSING SALES

Tart Cherries – There were 6,445 tons of tart cherries sold to processors in 2016 (4,070 - 2015). Growers received \$ 10.5 million for their 2016 crop (\$7.4 million – 2015). The negotiated price for 92 score cherries was \$0.82 per pound including a processing fee (\$0.92 - 2015). 27 growers delivered tart cherries to processors in 2016 (24 in 2015).

TABLE II
Reported Tart Cherries Sales Volumes for Processing
2012– 2016

MARKET SEGMENT	2012 Tons	2013 Tons	2014 Tons	2015 Tons	2016 Tons
Processed and Distilled	1,233	6,039	4,325	4,070	6,445

Sweet Cherries – In 2016, 5 growers delivered 26 tons of sweet cherries for processing (10 tons - 2015).

TABLE III
Reported Sweet Cherries Sales Volumes for Processing
2012 – 2016

MARKET SEGMENT	2012 Tons	2013 Tons	2014 Tons	2015 Tons	2016 Tons
Freezing	-	16	16	10	26

Processing Peaches – Processors purchased 946 tons of clingstone peaches in 2016 (982 – 2015). 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 239 tons of pears for processing in 2016 (193 – 2015). 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
2012 – 2016

	2012 Tons	2013 Tons	2014 Tons	2015 Tons	2016 Tons
CLINGSTONE PEACHES	801	1,662	799	982	946
PEARS	-	496	273	193	239

TABLE V
Minimum Delivered Prices – Processing Crops
2012 – 2016

CROP	2012 \$/ton	2013 \$/ton	2014 \$/ton	2015 \$/ton	2016 \$/ton
Sweet Cherries					
Freezing (Chilled Pitted Market)	n/a	1,500	1,700	1,800	1,800
Distilling	n/a	600	1,700	1,800	1,800
Tart Cherries*					
97-100 Score	3,745	1,705	1,785	1,885	1,685
92 Score	3,700	1,660	1,740	1,840	1,640
69 & Under Score	3,630	1,590	1,670	1,770	1,570
Peaches (2 3/4")	600	600	700	750	750
Pears*	-	600	600	700	700

The cherry processing fee for 2016 was set at \$0.53/lb. The processing fee for pears was set at \$0.22/lb.

FRESH MARKET SALES THROUGH APPOINTED DEALERS

2016 sales of fresh market crops (including grapes) through appointed dealers were down 16% to 22,784 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
2012 - 2016

Crop	2012 \$/ton	2013 \$/ton	2014 \$/ton	2015 \$/ton	2016 \$/ton
Peaches	1,340	1,120	1,220	1,241	1,460
Nectarines	1,720	1,320	1,640	1,755	1,820
Pears					
Bartlett	1,200	860	980	1,220	1,240
Bosc	1,520	1,360	1,360	1,571	1,432
Plums					
Japanese	2,760	1,860	1,920	1,870	2,670
European	2,740	1,640	1,960	2,160	1,900
Apricots					4,271
Grapes					
Coronation	1,440	1,463	1,560	1,542	1,730

TABLE VII
Reported Fresh Fruit Sales Volumes through Ontario Appointed Dealers
2012 - 2016

Crop	2012 Tons	2013 Tons	2014 Tons	2015 Tons	2016 Tons	% Change '16 vs. '15
Peaches	15,188	17,330	16,633	17,887	14,459	-19%
Pears						
Bartlett	746	1,627	1,316	1,982	1,388	-30%
Bosc	243	1,103	531	799	909	14%
Other	44	120	69	156	151	-3%
Pears Combined	1,033	2,850	1,916	2,937	2,448	-17%
Plums						
Early Golden	609	1,712	1,275	1,215	346	-72%
Shiro	92	36	62	54	31	-43%
Total Yellow Plums	701	1,747	1,337	1,269	377	-70%
Red	3	15	3	25	2	-92%
Blues & Prunes	284	552	417	473	869	84%
Plums Combined	988	2,314	1,757	1,767	1,248	-29%
Apricots					16	
Nectarines	1,552	2,506	2,430	2,626	3,210	22%
Grapes	1,483	1,915	1,861	1,847	1,403	-24%
TOTAL FRESH	20,244	26,916	24,597	27,064	22,784	-16%

TOTAL REPORTED SALES VOLUMES

TABLE VIII
Reported Peach Sales Volumes for Fresh Market
2012 – 2016

Marketer	2012 Tons	2013 Tons	2014 Tons	2015 Tons	2016 Tons	% Change '16 vs. '15
Niagara Dealers	15,057	16,876	16,633	17,711	14,055	-21%
Southwestern Ontario Dealers	131	454	-	176	404	130%
Other*	388	1,058	789	1,064	1,023	-4%
TOTALS	15,576	18,388	17,422	18,951	15,482	-18%

*Other includes reported sales other than through appointed dealers.

TABLE IX
Reported Pear Sales Volumes for Fresh Market
2012 – 2016

Marketer	2012 Tons	2013 Tons	2014 Tons	2015 Tons	2016 Tons	% Change '16 vs. '15
Niagara Dealers	1,003	2,847	1,916	2,930	2,445	-16%
Southwestern Ontario Dealers	-	3	2	7	3	-57%
Other*	141	204	156	264	202	-24%
TOTALS	1,174	3,054	2,074	3,201	2,650	-17%

*Other includes reported sales other than through appointed dealers.

TABLE X
Reported Plum & Prune Sales Volumes for Fresh Market
2012 – 2016

Marketer	2012 Tons	2013 Tons	2014 Tons	2015 Tons	2016 Tons	% Change '16 vs. '15
Niagara Dealers	989	2,309	1,757	1,765	1,247	-29%
Southwestern Ontario Dealers	-	5	-	2	1	-50%
Other*	89	192	156	161	154	-4%
TOTALS	1,078	2,506	1,913	1,928	1,402	-27%

*Other includes reported sales other than through appointed dealers.

TABLE XI
Reported Nectarine Sales Volumes for Fresh Market
2012 – 2016

Marketer	2012 Tons	2013 Tons	2014 Tons	2015 Tons	2016 Tons	% Change '16 vs. '15
Niagara Dealers	1,552	2,550	2,430	2,624	3,204	22%
Southwestern Ontario Dealers	-	1	-	2	6	200%
Other*	28	68	107	110	118	8%
TOTALS	1,580	2,619	2,537	2,736	3,328	22%

*Other includes reported sales other than through appointed dealers.

TABLE XII
Reported Apricot Sales Volumes for Fresh Market
2016

Marketer	2016 Tons
Niagara Dealers	16
Southwestern Ontario Dealers	-
Other*	2
TOTALS	18

*Other includes reported sales other than through appointed dealers.

TABLE XIII
Members of the Local Board
2012 – 2016

	2012	2013	2014	2015	2016
Producers Selling to Processors					
Sweet Cherries	-	6	7	3	5
Sour Cherries	19	28	28	24	27
Pears	-	37	20	16	14
Peaches	9	20	7	10	13
Total Number of Producers Fresh and Processing Combined	296	274	277	257	253

TABLE XIV
Licence Fees– Processing Crops – 2012 - 2016

Crop	2012 \$/ton	2013 \$/ton	2014 \$/ton	2015 \$/ton	2016 \$/ton
Peaches	21.00	10.00	10.00	10.00	10.00
Sweet Cherries	21.00	10.00	10.00	10.00	10.00
Sour Cherries**	21.00	15.00	20.00	22.50	20.00
Pears	-	-	10.00	10.00	10.00

**Rates do not include the 25¢ per ton chilled pitted cherry promotion check-off grower and processor. For 2016, 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 – 2016

Crop	Adminis- tration \$/ton	Research & Food Safety \$/ton	Promotion \$/ton	Incentives \$/ton	Total 2016 \$/ton	Total 2015 \$/ton
Peaches	15.00	3.00	7.00	55.00	80.00	83.00
Nectarines	15.00	3.00	7.00	43.00	68.00	83.00
Yellow Plums	15.00	3.00	7.00	-	25.00	48.00
Blue Plums	15.00	3.00	7.00	13.00	38.00	28.00
Red Plums	15.00	3.00	7.00	-	25.00	27.00
Pears - Bartlett	15.00	3.00	7.00	35.00	60.00	38.00
Pears - Bosc	15.00	3.00	7.00	45.00	70.00	36.00
Pears - Other	15.00	3.00	7.00	-	25.00	27.00
Pears - Cold Snap	15.00	3.00	40.00*	-	58.00	57.00

*2016 promotion fee for Cold Snap was used for a specific market development initiative

PRODUCTION INSURANCE

TABLE XVI
Ontario Production Insurance Results
2016

Commodity	Number of Accounts	Total Premium (\$)	Grower Premium (\$)	Total Approved Claims (\$)
Peach & Nectarine	73	810,609	333,371	553,065
Pear	31	98,115	39,246	0
Sweet Cherry	17	42,417	16,967	12,062
Sour Cherry	21	421,875	168,750	17,471
Plum & Prune	29	352,273	140,909	430,930

Note: Data is as of January 17, 2017 and is subject to change.

2016 PROMOTIONAL ACTIVITIES



The following 2016 promotion initiatives were made possible through the Greenbelt Fund;

1. Season Launch Event June 23– launch of the season with stakeholders to bring together growers, shippers, and retailers to hear about promotional programs and status of crop;
2. Display bins and retail sales kits that included care and handling posters and recipe cards;
3. In store sampling at major retailers;
4. Launched YouTube channel and 10 Micro recipe videos which are also available on our website

Additional promotion activities included:

1. Local Food Week– e-Magazine article and recipe (Grilled Nectarines with Whipped Coconut Cream)
2. Ontario Summer Games sponsorship supplying peaches to athletes over 3-day event
3. Social media – Facebook (3500 followers), Twitter (766 followers)
4. Participation in the Foodland Ontario retail display contest – 300 entries

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	1,250
Ontario Produce Marketers Association	400
The Food Institute	340

* 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 Regional Science and Engineering Fair	500
West Niagara Agricultural Society Sponsorship	63
**OPMA 5 to 10 a Day Peach Program	26,336
**OPMA 5 to 10 a Day Nectarine Program	5,931
**OPMA 5 to 10 a Day Pear Program	7,055

* 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:
 - o Pruning, thinning, harvesting and packing;
 - o Pest and disease management;
 - o 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 2016

In 2016, the industry obtained registration of a number 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".

While Brown Marmorated Stink Bug and Spotted Wing Drosophila have been found in Niagara, neither pest has caused confirmed economic losses.

PMRA is currently re-evaluating many pesticides. Neonicotinoid insecticides are also under review for their potential impact on pollinators and water. PMRA is proposing a 3 - 5 year phase-out of insecticides containing imidacloprid (Admire and Alias) and the active ingredient of Clutch is also under special review. The re-evaluation list also contains most of the synthetic pyrethroids (group 3), Ferbam and Rovral. The Tender Fruit Board has provided input to the Pest Management Centre to try to ensure that we retain both 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 2016.

Product	Active Ingredient (Pesticide Group)	Pest	Crop
Disease management			
Copper spray		Fire blight	pear
Cosavet DF	sulphur	Pear scab, brown rot, peach scab, leaf spot, powdery mildew	pear, peach, plum, sweet and tart cherry
Kasumin		Bacterial canker	cherry
Luna Tranquility	fluopyram+pyrimethanil	Pear scab	pear
Insecticides/Miticides			
Cosavet	sulphur	Pear rust mite	pear
Delegate		Peach tree borers, SWD	stone fruit crop group
Mako (emergency use only)		SWD	stone fruit crop group
Semios CMPlus	mating disruption	Codling moth	pear
Sivanto Prime	flupyradifurone	San Jose Scale Oystershell Scale Pear psylla (suppression)	pear
Success/Entrust		SWD	stone fruit crop group
Growth regulators			
Promalin		Growth regulator	pear, tart cherry
Products no longer registered after Dec 31, 2016			
Diazinon	All tender fruit uses		
Thionex	All tender fruit uses		

PPV MONITORING PROGRAM

In 2016, the CFIA continued sampling orchards and residential areas within a 10km radius outside the perimeter of the Niagara quarantine area. A total of 5,745 samples were collected and tested with zero detections of Plum Pox Virus (PPV).

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.

2016 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 provides industry with current weather, adverse weather alerts, historical and ongoing bud hardiness, and survival information;
- Growers sign on to receive alerts specific to their own location and crops; and
- Sampling information is 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; and
- Samples 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)

- Establish 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)

- Establish an industry controlled elite mother block of virus clean nursery stock, including new varieties as well as existing; and
- Monitor, evaluate, and test 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

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

In partnership with Ontario Apple Growers this project aims 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, NPFVGA, Ontario Orchard Supply, Vanden Bussche Irrigation

Expanding the Fresh Market Potential of Ontario Pears- Dr. John Cline and Amanda Green

- The objective of this three-year project (2014-2016) is to investigate the benefits of chemical fruitlet thinners on pears and their effect on increased quality and fresh-market returns
- A series of foliar chemical thinning sprays were applied annually post-bloom during the fruitlet stage to 'Bosc' and 'Cold Snap™'
- General field observations indicate that many of the thinning treatments were effective on 'Bosc' but less effective on 'Cold Snap™'. Final project results are to be concluded in early 2017



AgrilInnovation Program- New Variety Development - Tender Fruit Evaluation Committee, University of Guelph, Vineland Research and Innovation) (2014-2018)

- 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
- In the spring of 2017 additional plantings will occur



FruitTracker - Dragonfly IT/Grower Focus Groups (ongoing)

- Expansion projects continue from initial traceability project which included GPS mapping, Canada Gap record keeping, harvest packing and shipping modules
- Current expansion projects include:
 - o Cost of production (in partnership with Ontario Apple Growers) – labour and production practices tracking, survey, and COP reporting;
 - o Ontario Stone Fruit Harvest & Cold Chain BMP - Design, pilot, and launch quality and cold storage tracking modules.

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, 2017, and the statements of restricted net assets, operations and unrestricted net assets, 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 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, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

St. Catharines, Canada
March 1, 2017



Chartered Professional Accountants
Licensed Public Accountants

Ontario Tender Fruit Growers

Statement of Operations and Unrestricted Net Assets

Year ended January 31

2017

2016

Revenues

Licence fees, fresh market (Note 3)	\$ 1,644,096	\$ 1,965,121
Appropriated to marketing incentive program (Note 4)	(1,088,066)	(1,254,815)
	556,030	710,306
Licence fees, processing (Note 3)	76,410	52,694
Government and industry funding		
Research activities	702,955	433,641
Promotion activities	168,429	194,652
Interest and other income	29,089	32,046
	<u>1,532,913</u>	<u>1,423,339</u>

Expenses

Directors' fees, honoraria and benefits	54,248	53,948
Salaries and benefits (Note 5)	280,528	270,909
Travel	27,749	28,036
Meetings and conventions	6,563	5,622
Office supplies and expenses	41,524	36,004
Postage	4,151	4,219
Dues and subscriptions	5,114	5,371
Labour Issues Coordinating Committee	4,200	4,200
Research (Note 6)		
Ontario Tender Fruit Growers funded portion	81,830	76,885
Government and industry funded portion	702,955	433,641
Promotion (Note 6)		
Ontario Tender Fruit Growers funded portion	181,227	148,524
Government and industry funded portion	168,429	194,652
Professional fees (Note 7)	10,826	15,513
Utilities and maintenance	20,253	23,088
Telephone	8,756	8,229
Insurance and taxes	12,636	12,252
Amortization	13,003	11,936
Expense recoveries from other associations	(32,098)	(31,920)
	<u>1,591,894</u>	<u>1,301,109</u>

(Deficiency) excess of revenues over expenses	(58,981)	122,230
Fund balance, beginning of the year	<u>1,724,699</u>	<u>1,602,469</u>
Fund balance, end of the year	<u>\$ 1,665,718</u>	<u>\$ 1,724,699</u>

Ontario Tender Fruit Growers

Statement of Restricted Net Assets

Year ended January 31

2017

2016

Marketing incentive program (Note 4)

Revenues		
Licence fees, fresh market	\$ 1,088,066	\$ 1,254,815
Expenses		
Incentive program	<u>1,074,122</u>	<u>1,329,099</u>
Excess (deficiency) of revenues over expenses	13,944	(74,284)
Fund balance, beginning of the year	<u>119,168</u>	<u>193,452</u>
Fund balance, end of the year	<u>\$ 133,112</u>	<u>\$ 119,168</u>

Sour cherry chilled pitted promotion program

Revenues		
Sour cherry promotion fees	\$ 7,689	\$ 2,035
Expenses		
Cherry promotion program	<u>800</u>	<u>1,472</u>
Excess of revenues over expenses	6,889	563
Fund balance, beginning of the year	<u>1,050</u>	<u>487</u>
Fund balance, end of year	<u>\$ 7,939</u>	<u>\$ 1,050</u>

Red tart sour cherry market development

Revenues		
Grower fees	\$ 64,447	\$ 50,877
Expenses		
North American cherry initiative	<u>74,265</u>	<u>50,000</u>
(Deficiency) excess of revenues over expenses	(9,818)	877
Fund balance, beginning of the year	<u>11,745</u>	<u>10,868</u>
Fund balance, end of the year	<u>\$ 1,927</u>	<u>\$ 11,745</u>

Fruit testing research program

Revenues	\$ -	\$ -
Expenses		
Fruit testing research	<u>7,925</u>	<u>7,670</u>
Deficiency of revenues over expenses	(7,925)	(7,670)
Fund balance, beginning of the year	<u>41,377</u>	<u>49,047</u>
Fund balance, end of year	<u>\$ 33,452</u>	<u>\$ 41,377</u>

Ontario Tender Fruit Growers

Statement of Financial Position

January 31

2017

2016

Assets

Current

Cash	\$ 531,415	\$ 462,031
Guaranteed investment certificates (Note 8)	928,443	1,009,475
Accounts receivable (Note 9)	26,016	45,826
Research and promotion contributions receivable (Note 6)	121,070	146,481
Prepaid expenses	7,842	19,687
	<u>1,614,786</u>	<u>1,683,500</u>

Long-term

Due from related parties (Note 10)	113,508	113,982
Investments (Note 11)	286,353	286,408
	<u>399,861</u>	<u>400,390</u>
	<u>\$ 2,014,647</u>	<u>\$ 2,083,890</u>

Liabilities

Current

Accounts payable and accrued liabilities	\$ 30,548	\$ 36,037
Government remittances payable	13,803	14,413
Deposits, licence fees	1,579	1,700
Deferred research and promotion contributions (Note 6)	126,569	133,701
	<u>172,499</u>	<u>185,851</u>

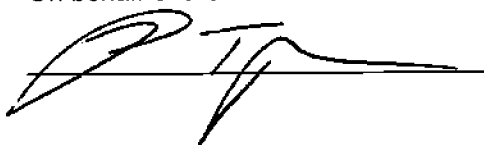
Net assets

Unrestricted	1,665,718	1,724,699
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Restricted

Marketing incentive program (Page 4)	133,112	119,168
Sour cherry chilled pitted promotion program (Page 4)	7,939	1,050
Red tart sour cherry market development (Page 4)	1,927	11,745
Fruit testing research program (Page 4)	33,452	41,377
	<u>176,430</u>	<u>173,340</u>
	<u>1,842,148</u>	<u>1,898,039</u>
	<u>\$ 2,014,647</u>	<u>\$ 2,083,890</u>

On behalf of the board



Director



Director

Ontario Tender Fruit Growers

Statement of Cash Flows

Year ended January 31

2017

2016

Increase (decrease) in cash

Operating

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

Unrestricted net assets	\$ (58,981)	\$ 122,230
Marketing incentive program	13,944	(74,284)
Sour cherry chilled pitted promotion program	6,889	563
Red tart sour cherry market development	(9,818)	877
Fruit testing research program	(7,925)	(7,670)
Changes in non-cash working capital		
Accounts receivable	19,810	6,660
Research and promotion contributions receivable	18,279	48,623
Interest receivable	(5,639)	(5,926)
Prepaid expenses	11,845	(12,385)
Accounts payable and accrued liabilities	(5,490)	(121,628)
Government remittances payable	(610)	6,198
Deposits, licence fees	(121)	(652)
	<u>(17,817)</u>	<u>(37,394)</u>

Investing

Advances from related parties	474	2,438
Dissolution of investment	55	-
Purchase of guaranteed investment certificates	(662,328)	(749,000)
Proceeds of guaranteed investment certificates	<u>749,000</u>	<u>734,174</u>
	<u>87,201</u>	<u>(12,388)</u>

Increase (decrease) in cash

	69,384	(49,782)
Beginning of year	<u>462,031</u>	<u>511,813</u>
End of year	<u>\$ 531,415</u>	<u>\$ 462,031</u>

Ontario Tender Fruit Growers

Notes to the Financial Statements

January 31, 2017

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, 2017

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, 2017

3. Licence fees

	<u>2017</u>	<u>2016</u>
Licence fees, fresh market		
peaches	\$1,206,684	\$1,540,667
pears	156,472	112,999
plums and prunes	48,842	81,523
nectarines	229,205	229,932
apricots	693	-
voluntary	<u>2,200</u>	<u>-</u>
	<u>\$1,644,096</u>	<u>\$1,965,121</u>
Licence fees, processing		
sour cherries	\$ 64,302	\$ 40,746
sweet cherries	260	99
peaches	9,462	9,822
pears	<u>2,386</u>	<u>2,027</u>
	<u>\$ 76,410</u>	<u>\$ 52,694</u>

Ontario Tender Fruit Growers Notes to the Financial Statements

January 31, 2017

4. Marketing incentive program

The funds raised for this program in 2017 in the amount of \$1,088,066 (2016 - \$1,254,815) were generated by a levy on producers included in licence fees. The \$1,074,122 (2016 - \$1,329,099) 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	\$ 56,762	\$ 49,137	\$ (12,158)	\$ 25,427	\$ 119,168
Transfer from licence fees, fresh market	844,098	141,317	90,465	12,186	1,088,066
Incentive program expense	<u>(802,456)</u>	<u>(177,951)</u>	<u>(71,056)</u>	<u>(22,659)</u>	<u>(1,074,122)</u>
Balance, end of year	\$ <u>98,404</u>	\$ <u>12,503</u>	\$ <u>7,251</u>	\$ <u>14,954</u>	\$ <u>133,112</u>

5. Salaries and benefits

	<u>2017</u>	<u>2016</u>
Total salaries and benefits	\$ 323,917	\$ 320,189
Recoveries:		
Ontario Apple Growers	(25,889)	(25,530)
Ontario Fresh Grape Growers Marketing Board	(12,000)	(12,000)
Advancing the tree fruit & fresh grape sectors	<u>(5,500)</u>	<u>(11,750)</u>
	\$ <u>280,528</u>	\$ <u>270,909</u>

Ontario Tender Fruit Growers

Notes to the Financial Statements

January 31, 2017

6. Deferred contributions, research and promotion activities

	(Deferred) Receivable Contributions February 1, 2016	Government/ Industry Contributions 2017	Expenses 2017	Board Funded Expenses 2017	(Deferred) Receivable Contributions January 31, 2017
<u>Grant funded research projects</u>					
Tender fruit tree grant program	\$ -	\$ 235,000	\$ 234,725	\$ -	\$ (275)
AIP - Advancing the tree fruit & fresh grape sectors	(13,944)	62,002	148,205	25,000	47,259
GF2 - Automated weather alert system	-	89,301	99,156	9,855	-
GF2 - Expanding fresh market potential of Ontario pears	(2,480)	41,561	47,705	5,500	(1,836)
GF2 - Reducing the incidence of chilling injury	-	12,562	21,896	6,906	2,428
GF2 - Ontario stone fruit cold chain best management practices	75,689	158,102	145,186	17,892	44,881
GF2 - Ontario tender fruit new variety plant health initiative	41,949	64,628	3,905	-	(18,774)
GF2 - Water and energy efficiency for Ontario tender fruit	-	38,477	63,713	7,976	17,260
OFIP - Tree fruit & fresh grape worker health & safety	(4,471)	-	2,520	-	(1,951)
Pesticide initiative	(19,692)	-	-	-	(19,692)
Post-harvest initiatives	(93,114)	-	9,073	-	(84,041)
	<u>\$ (16,063)</u>	<u>701,633</u>	<u>776,084</u>	<u>73,129</u>	<u>\$ (14,741)</u>
Less board funded expenses			<u>(73,129)</u>		
Government and industry funded portion			<u>702,955</u>		
Other research project contributions				<u>8,701</u>	
OTFG portion of research activities				<u>81,830</u>	
<u>Grant funded promotion projects</u>					
Local Food Fund	28,843	32,648	3,805	-	-
Greenbelt Local Food Fund	-	125,759	317,991	182,990	9,242
Cold snap pear promotion program	-	5,023	5,023	-	-
OFVGA Promotion	-	24,600	-	(24,600)	-
	<u>28,843</u>	<u>188,030</u>	<u>326,819</u>	<u>158,390</u>	<u>9,242</u>
Less board funded expenses			<u>(158,390)</u>		
Government and industry funded portion			<u>168,429</u>		
Other promotion expenditures				<u>22,837</u>	
OTFG portion of promotion activities				<u>181,227</u>	
	<u>\$ 12,780</u>				<u>\$ (5,499)</u>
Reported as:					
Research and food safety contributions receivable	\$ 146,481				\$ 121,070
Deferred research and food safety contributions	(133,701)				(126,569)
	<u>\$ 12,780</u>				<u>\$ (5,499)</u>

Ontario Tender Fruit Growers

Notes to the Financial Statements

January 31, 2017

7. Professional fees

	<u>2017</u>	<u>2016</u>
Audit	\$ 10,450	\$ 10,516
Legal	-	3,074
Consulting	<u>376</u>	<u>1,923</u>
	<u>\$ 10,826</u>	<u>\$ 15,513</u>

8. Guaranteed investment certificates

The board has guaranteed investment certificates that mature between 2017 and 2018 and earn interest between 1.75% and 2.85% (2016 - 1.65% and 2.30%)

9. Accounts receivable

	<u>2017</u>	<u>2016</u>
Producer licence fees	\$ 15,941	\$ 20,436
Dealer shipper licence fees	-	15,314
Industry contributions	10,000	10,000
Other receivables	<u>75</u>	<u>76</u>
	<u>\$ 26,016</u>	<u>\$ 45,826</u>

Ontario Tender Fruit Growers

Notes to the Financial Statements

January 31, 2017

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>2017</u>	<u>2016</u>
Assets	\$ 430,136	\$ 421,266
Liabilities	<u>143,783</u>	<u>134,913</u>
Net Assets	<u>\$ 286,353</u>	<u>\$ 286,353</u>

Expenses include a \$137,974 (2016 - \$137,438) charge for the board's share (50% (2016 - 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>2017</u>	<u>2016</u>
Grape & Tender Fruit (Ontario) Limited	<u>\$ 113,508</u>	<u>\$ 113,982</u>

11. Investments

	<u>2017</u>	<u>2016</u>
Ontario Fruit-For-Processing Co-Operative Limited:		
12 common shares	\$ -	\$ 55
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>\$ 286,408</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.

On May 31, 2016, Ontario Fruit-For-Processing Co-Operative Limited was dissolved.

Ontario Tender Fruit Growers

Notes to the Financial Statements

January 31, 2017

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, 2017:

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.

13. Comparative figures

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2017 financial statements.
