

VIRGINIA STATE APPLE BOARD ANNUAL REPORT 2010-2011

In 2003, Virginia apple growers voted to discontinue collecting the apple excise tax. Almost immediately after the vote, a segment of the industry began work to reestablish the excise tax as a way to fund several important programs. After 2 years of working with industry groups and the General Assembly, a referendum was held in 2005 and the growers voted to reinstate the excise tax. The tax will only be collected on those growers who produce 5,000 bushels or more per year on a 5 year average. The rate collected will be .025 cents per bushel and the money will be divided between the U.S. Apple Association, the Virginia State Horticultural Society, the Virginia Apple Research Program, administration and reserve. This funding will continue to keep Virginia growers relevant in the national and international marketplace. The Virginia Department of Taxation will be responsible for collecting the taxes and transferring them to the Virginia Department of Agriculture. The money will be held by VDACS in cost code 646.

During the January 18, 2011 Board meeting, the Board voted to send 40% of the revenue collected to the U.S. Apple Association, 20% to the Virginia State Horticultural Society and 20% to the Virginia Agricultural Research Program. The remaining 20% will be divided equally between the reserve (cost code 647) and administrative (cost code 648) funds. The administrative and reserve funds will be held within the Virginia Department of Agriculture. That money will be distributed next year. Cost code 645 has been eliminated.

The 2010-2011 growing and sales season was slightly below average for Virginia producers. The demand was strong early in the season for fresh market apples, especially the Gala variety. Several Virginia growers have large plantings of new Gala trees which will come into production over the next couple of years. After the crops from New York and Michigan entered the marketplace, sales slowed considerably. Virginia growers were negatively impacted by losses associated with the stinkbug infestation. Virginia continued to work with all major retail chains to place both bagged and tray pack apples regionally to capture the consumer's desire to "buy fresh and buy local". Internationally, Virginia continued as a major supplier of apples to Cuba and growers are anticipating that trend will continue. Central America was another area that bought Virginia apples.

Because of loss of apples due to quality issues brought on by the stinkbug, Virginia did not export any apples to Mexico during this season. Mexico still has artificial barriers to trade imposed against apples from the Eastern United States. Virginia, with the aid of the USDA Aphis Division has tried to address these issues for the last 8 years. Work to eliminate the anti dumping duties as well as the expensive and burdensome pre clearance program are continuing but progress is slow.

The Virginia apple industry did receive a grant through the Specialty Crop Block Grant to develop and launch a new web site. The SCBG program is administered by VDACS with funding provided by the USDA. There is a working group comprised of one member each from the Virginia Horticultural Society, Virginia Apple Growers Association, and the Apple Board. This group has solicited input from other growers and industry sources regarding the format and content of the new site. The working group has hired a web development company and someone to work web site maintenance. The site is expected to be ready to launch in the coming months.

Summary

Virginia growers continue to face many challenges including rising land prices, increased costs of inputs (fuel, fertilizer, electricity), an uncertain immigration situation, a weakened economy, the loss of chemicals, and the increasing global supply of apples. Despite these obstacles, improved growing practices, new technologies, and rising consumer demand for locally grown produce have brought about a renewed sense of optimism.

Submitted by:

Diane Kearns, Chair, Virginia Apple Board

David Robishaw, Secretary

Board Meetings and Member Attendance

| Date | Location | Attendance |
|--|--|-------------------|
| January 18, 20110 | Staunton | 7 |
| Diane Kearns John Marker John Crumpacker James (Lucky) Graves | John Brugiére Jamie Williams Ruth Saunders | |

****From Finance Office, the printout does not match the actual transfers into cc 647 and 648 because it reflects late revenue of 194.20 received after the statements were printed.

Financial Summary

Cost Code 646

| | |
|--|-----------|
| Cash Balance: 6/30/2010 | -0.0 |
| Assessment Receipts: 7/1/09 – 6/30/2010 | 93,817.10 |
| Total Cash Balance | 93,817.10 |
| Transfer to cc 647 – Reserve | 9,382.53 |
| Transfer to cc 648 – Administration | 9,381.57 |
| Total Actual Expenditures (from VDACS Financial Analysis) | 18,569.90 |
| Cash Balance: 6/30/2011 | 75,053.00 |

Cost Code 647 - Reserve

| | |
|---|-------------|
| Cash Balance: 6/30/2010 | \$49,487.21 |
| Transfer from cc 646 | 9,382.53 |
| Other receipts | 0 |
| Total Balance | 58,869.74 |
| Deduct Total Actual Expenditures (from VDACS Financial Analysis) | 0 |
| Cash Balance: June 30, 2011 | \$58,869.74 |

Cost Code 648 - Administration

| | |
|---|-------------|
| Cash Balance: June 30, 2010 | \$50,526.22 |
| Transfer from cc 646 | 9,381.57 |
| Other Receipts (Interest) | 1,155.95 |
| Total Balance | \$61,063.74 |
| Deduct Total Actual Expenditures (from VDACS Financial Analysis) | 5,455.73 |
| Cash Balance: June 30, 2010 | \$55,608.01 |