

**VIRGINIA STATE APPLE BOARD
ANNUAL REPORT
July 1, 2016-June 30, 2017**

In 2003, Virginia apple growers voted to discontinue collecting the apple excise tax. Just one year later, a segment of the industry began work to reestablish the excise tax as a way to fund several important programs. A referendum was held in 2005 and the growers voted to reinstate the excise tax. The new code reflected a change in the way the assessment would be calculated. The assessment 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. One item of note from FY 2017, the industry requested the General Assembly change the Board composition, reducing the membership from 3 members per district to 2 members per district, partially due to the Board only meeting 1 time per year, but also the number of eligible Board members in District 2 has declined significantly.

During the December 12, 2016 meeting, the Board voted to send 30% of the revenue collected to the U.S. Apple Association, 20% to the Virginia State Horticultural Society, 20% to the Virginia Agricultural Research Program, and 10% to the administration fund. The percentage amount for US Apple Association was reduced due to several years of paying more money than was being billed, resulting in an overpayment situation. The unallocated percentage will remain in cost code 646 to be distributed next year. With the total harvest declining, it is anticipated the Board will go back to allocating US Apple Association the entire 40%. Also, the reserve fund has hit the \$125,000 threshold, and no more money will be placed in that fund. The administrative and reserve funds will be held within the Virginia Department of Agriculture.

The 2016-2017 growing season was exceedingly difficult. Virginia growers faced an unusual and extended winter warm spell, followed in late spring with consecutive nights with below freezing temperatures. Additionally, the state saw 20 straight days of rain, which negatively impacted the grower's ability to effectively treat the orchards. As a result of these difficult conditions, the total harvest was reduced significantly and the quality of the fruit was only average.

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". With the fresh market apple supply down for this season, Virginia's exports declined also. Even with limited supplies, Virginia growers kept markets alive in Central America and even shipped several containers to Israel. Growers realized this crop was not the norm, and export markets will be important for selling fruit in years with a large harvest.

Virginia did not export apples to Mexico during this selling season. Mexico still has artificial barriers to trade imposed against apples from the Eastern United States and until these barriers are eliminated, Virginia growers will not develop the Mexican market like they could.

In support of the export effort, the Board funded Virginia's continued membership in the United States Apple Export Council. Funding went for educational work in Central America and other target markets to increase consumption of Eastern apples.

The Apple Board also allocated additional funding for the web site management company to maintain the industry web site and support social media efforts, including maintaining a Facebook page. As a result, the industry has an updated web site that is active and functional as well as a growing Facebook audience.

Finally, in support of continuing education for the public schools, the Board voted to provide \$2,500 for the 'Agriculture in the Classroom'

Summary

Virginia growers continue to face many challenges including, increased costs of inputs, the regulatory effects of the implementation of the Food Safety Modernization Act, the loss of chemicals, and the increasing global supply of apples. Growers are having an increasingly difficult time finding and keeping qualified and legal workers. Despite these obstacles, improved growing practices including high density spindle plantings, new technologies, the growth of the hard cider industry, and rising consumer demand for locally grown produce have brought about a renewed sense of optimism.

Submitted by:

Lynn Graves, Chair, Virginia Apple Board

David Robishaw, Secretary

Board Meetings and Member Attendance

Date	Location	Attendance
December 12, 2016	Staunton	6
Tommy Williams Lynn Graves Bethany Hill	Stephen Ginn Dudley Rinker Marshall Saunders	

Financial Summary

Cost Code 646

Cash Balance: 6/30/2016	\$23,604.02
Assessment Receipts: 7/1/16 – 6/30/2017	89,609.15
Total Cash Balance	113,213.17
Transfer to cc 647 – Reserve	0
Transfer to cc 648 - Admin	12,578.29
Total Actual Expenditures (from VDACS Financial Analysis)	62,895.00
Cash Balance: 6/30/2017	\$50,318.17

Cost Code 647 - Reserve

Cash Balance: 6/30/2016	\$127,871.19
Transfer out of cc 647**	-2,871.19
Other receipts	0
Total Balance	\$125,000.00
Deduct Total Actual Expenditures (from VDACS Financial Analysis)	0
Cash Balance: June 30, 2017	\$125,000.00

**Please note that according to the Apple Code, the Reserve may not exceed \$125,000. That is why \$2,871.19 was transferred back out and returned to CC 646

Cost Code 648 - Administration

Cash Balance: June 30, 2016	\$91,407.32
Transfer from cc 646	12,578.29
Other Receipts - Interest	2,494.83
Total Balance	\$106,480.44
Deduct Total Actual Expenditures (from VDACS Financial Analysis)	31,605.73
Cash Balance: June 30, 2017	\$74,874.71