

July 8, 2010

Dear Members of the Grape Growers of Ontario:

The Grape Growers of Ontario (GGO), Wine Council of Ontario (WCO) and Winery & Grower Alliance of Ontario (WGAO) have successfully concluded early the 2010 Grape Price Negotiation. This agreement includes the potential to extend the 2010 pricing arrangement into 2011, and establishes a pilot pricing model for 4 grape varieties. The following information outlines the agreement that was reached through the Negotiation Agency on July 8th, 2010:

2010/2011 Pricing Plan

The parties agree to a 1% increase on 2009 vintage pricing for all white varieties (Vinifera and Hybrid) for each year of the 2-year agreement. This means 1% plus 1% for a total of 2% increase for the 2011V pricing for all white varieties.

The red varieties (Vinifera and Hybrid) remain stable at the current 2009V pricing for both 2010 and 2011.

Pilot Plateau Pricing Model for 4 Varieties for 2010

It was agreed by all parties to adopt the plateau pricing model on 4 varieties: Chardonnay, Riesling, Cabernet Sauvignon and Cabernet Franc for the 2010 vintage. This is a one-year pilot project which is specific to these varieties. The success of this pilot project is in direct relation to moving more grape tonnage and will be evaluated following the 2010V. If successful, the parties agree to review the plateau pricing model to include other varieties.

The Plateau Pricing for 2010 applies as follows:

J Riesling (class 9)	17.2° – 18.4° Brix	\$1200.00/tonne
Chardonnay (class 9b)	19.0° – 20.3° Brix	\$1200.00/tonne
Cabernet Sauvignon (class 10b)	18.0° – 20.6° Brix	\$1300.00/tonne
Cabernet Franc (class 10c)	18.5° – 20.4° Brix	\$1300.00/tonne

This model also includes steepening the scale from base to recognize higher quality.

In order to accommodate flexibility and avoid problems at the weigh scale for grapes purchased at plateau pricing, which may slightly exceed the Brix cap, a “Company Average Plateau Pricing Protocol” has been developed. The following attachment (*Appendix I*) outlines the opportunity for wineries to purchase grapes at plateau prices within the established brix window as long as the company average, as a varietal, is below a predetermined brix threshold.

...continued

When calculating the company average, only those grapes identified as plateau priced grapes will be included. It is important to note that any winery that exceeds the weighted Brix average on total tonnage purchased by varietal basis will be required to compensate growers for the grapes received above the maximum Brix threshold, at the regular brix schedule and not at plateau pricing.

In addition, no tonnage restrictions will apply to grapes purchased at plateau pricing, and processors must advise growers well before harvest of their intent to purchase grapes at plateau pricing. Growers are encouraged to work with their processors to ensure their grapes are harvested within the plateau pricing Brix range.

Given the complexity of plateau pricing and the “Company Average Harvest Protocols,” additional correspondence/meetings will be held with growers and processors to clarify any concerns. Please feel free to contact the GGO if you are unclear on any aspect of the 2010/2011 pricing plan.

Finally and most importantly, the 2-year agreement provides GGO, WCO and WGAO the opportunity to build better working relationships and agree on a strategy that sets long term goals and objectives with achievable milestones for the grape and wine industry.

Yours truly,

A handwritten signature in dark ink, appearing to read "Bill George Jr.", with a stylized flourish at the end.

Bill George Jr.,
Chair Grape Growers of Ontario

PLATEAU PRICING AVERAGE WINDOW

CHARDONNAY PROPOSAL SCENARIOS

Appendix 1

			Winery XYZ Purchases			
Sugar Scale (Brix)	% of Base	Price per Tonne	Scenario 1	Scenario 2		
Threshold	19.0	85.96%	\$ 1,200			Plateau Schedule
	19.1	85.96%	\$ 1,200			
	19.2	85.96%	\$ 1,200			
	19.3	85.96%	\$ 1,200			
	19.4	85.96%	\$ 1,200			
	19.5	85.96%	\$ 1,200			
	19.6	85.96%	\$ 1,200			
	19.7	85.96%	\$ 1,200			
	19.8	85.96%	\$ 1,200			
	19.9	85.96%	\$ 1,200			
	20.0	85.96%	\$ 1,200	100	100	
	20.1	85.96%	\$ 1,200	100	100	
	20.2	85.96%	\$ 1,200	100	100	
Base	20.3	85.96%	\$ 1,200			Conventional Sugar Schedule
	20.4	97.50%	\$ 1,361			
	20.5	98.00%	\$ 1,368			
	20.6	98.50%	\$ 1,375	175		
	20.7	99.00%	\$ 1,382			
	20.8	99.50%	\$ 1,389		100	
	20.9	100.00%	\$ 1,396			
	21.0	100.50%	\$ 1,403			
	21.1	101.00%	\$ 1,410			
	21.2	101.50%	\$ 1,417			
21.3	102.00%	\$ 1,424				
21.4	102.50%	\$ 1,431				
21.5	103.50%	\$ 1,445				
21.6	104.50%	\$ 1,459				
21.7	105.50%	\$ 1,473				
21.8	106.50%	\$ 1,487				
21.9	107.50%	\$ 1,501				
Company Average			20.28	20.28		

In the above 2 scenarios, Winery XYZ purchased 300 tonnes of Chardonnay within the plateau pricing window, allowing Winery XYZ to purchase varying quantities of Chardonnay along the sugar schedule at plateau prices as long as the average remains below the Chardonnay threshold of 20.3 brix.

Scenario 1: Winery XYZ is eligible to purchase 175 tonnes at 20.6 brix at plateau prices with a company average of 20.28 brix.

Scenario 2: Winery XYZ is eligible to purchase 100 tonnes at 20.8 brix at plateau prices with a company average of 20.28 brix.