

California Rice Commission

ANNUAL REPORT | 2013



..... ENGAGING
OUR FUTURE
.....



AS IMPRESSIVE AS THE RICE STORY IS — OUR REAL CHALLENGES AND OPPORTUNITIES

WE HAVE been giving a lot of presentations lately on where the rice industry has come from in the last 30 years. We all remember the days of rice straw burning, fish kills in the drains and bad tasting water in Sacramento. Our neighbors do as well.

Where we came from is only the beginning. Every presentation goes on to talk about the changes we made and the incredible results we have achieved. Huge increases in waterfowl as a result of winter flooding, over a 99 percent reduction in rice pesticides

in the Sacramento River and an elimination of rice-related toxicity in the drains.

Audiences are impressed, as well they should be. Our industry has come a long way and spent a lot of hard earned dollars to get there. We have earned the right to be proud.

The real story, however, is not where we have come from. It is not even the innovative practices that we developed. It is the one George Soares always prompts when we give this same presentation to the Ag Policy class at CalPoly — the story of what is possible when an industry engages.



EXIST LOOKING THROUGH THE WINDSHIELD RATHER THAN THE REARVIEW MIRROR.

As impressive as the rice story is — our real challenges and opportunities exist looking through the windshield rather than the rearview mirror.

We are on the cusp of a fundamental shift in farm policy, one that will change the face of our industry for a generation. Water quality regulations for the next twenty years will be adopted in 2014. Stewarding the use of our pesticides and securing new ones is a certain challenge.

We are also just beginning to see the promise of working lands programs that compensate growers for the habitat they provide. Finally, tomorrow's international markets will be defined by trade agreements being discussed today.

Thirty years ago engagement got us out of some pretty tight spots. In the future it will ensure our success, as the region demands that its farms provide not just food but also clean water, wildlife habitat and supports a way of life.



CHARLEY MATHEWS JR.
Chairman, California Rice Commission



TIM JOHNSON
President & CEO, California Rice Commission

GROWER ISSUES

FARM EQUIPMENT REGULATION | The CRC strongly supported a “regionalized” approach to the Air Resources Board’s farm equipment rule. This option effectively limits the reach of the rule only to growers in the San Joaquin Valley (SJV), benefiting the great majority of rice growers located in the Sacramento Valley. We were concerned about rice growers and other farmers in the SJV who would feel the full impact of this rule. Therefore, we implemented a two-pronged strategy by strongly promoting this regionalized rule and vigorously supporting legislative efforts to direct incentive funding to SJV farmers to ease the rule’s impact. This helps to

concentrate limited incentive funds to the very counties where reductions are needed and enables an incentives-based program to be a viable regulatory option.

To support SJV farmers, we backed legislation to reauthorize funding for cleaner engines in that region by co-funding a special outreach campaign to gain support for the legislation. The authorizing Bill (AB 8 by Perea, D-Fresno) passed and was signed by the Governor.

We will continue to seek innovative ways to manage this ongoing pressure on emissions from existing farm equipment. However, the threat of direct regulation in rice country appears to be deferred for at least ten years.

FARM EQUIPMENT REGULATION WILL CONTINUE TO BE ONE OF OUR MAJOR AREAS OF FOCUS.





THE CRC HAS BEEN
AND WILL CONTINUE TO
BE PROACTIVE IN PESTICIDE
MANAGEMENT MATTERS AND
WATER QUALITY ISSUES. THIS
FORWARD THINKING WITH
STAKEHOLDERS PLACES THE
INDUSTRY IN AN EXCELLENT
POSITION TO ADDRESS FUTURE
ENVIRONMENTAL CONCERNS.

— LOUIE MENDOZA, YUBA COUNTY
AGRICULTURAL COMMISSIONER

PESTICIDE REGULATORY ISSUES | The CRC has never regretted the decision to actively engage in the management of pesticide regulatory issues. Industry leadership saw this as a way to control our future. The CRC is recognized as the entity to connect with on pesticide regulatory issues. We connect with the registrants, regulators and stakeholders to maintain our currently registered pesticides while seeking new chemistry. Our involvement has streamlined the registration process of newer products, maintained the current use of older herbicides and garnered interest in the development of pesticides with different modes of action. Our involvement assures a positive future for pesticide use on rice.



GROWER ISSUES

WATER QUALITY | Over thirty years ago the rice industry leaders had the foresight to organize and engage on water quality issues. Today, the California rice industry sets the example in positively managing water quality programs. Implementing the same concepts from our history, we have been successful in moving forward with mandatory regulations for

surface and groundwater. The CRC will maintain status as the only commodity specific coalition implementing a Waste Discharge Requirement (WDR) Order for our members. Considerable research went into developing the proposal to make our WDR specific to rice, less onerous than other Orders and still the most feasible agricultural water quality program.



THE CRC'S "FIELD-OF-VISION" IN THE REGULATORY AND GOVERNMENTAL ARENAS HAS ALLOWED OUR RICE GROWERS AND PROCESSORS TO BE HIGHLY PROACTIVE IN RESPONDING TO CHALLENGES FACING THIS INDUSTRY.

— TOM MCCLELLAN, RICE GROWER



TODAY, THE CALIFORNIA RICE INDUSTRY SETS THE EXAMPLE



IN POSITIVELY MANAGING WATER QUALITY PROGRAMS.

CONSERVATION

CONSERVATION PROGRAMS EXPANSION | We are working on both public sector (Farm Bill) and emerging market-based opportunities to deliver “ecosystem services” to interested private sector entities. This can serve to augment the great programs provided by the Natural Resources Conservation Service (NRCS). Without NRCS’ strong support, we wouldn’t be where we are today on conservation.

WATERBIRD HABITAT ENHANCEMENT PROGRAM | With approximately 110,000 acres enrolled, our efforts have shifted to making Waterbird Habitat Enhancement Program (WHEP) an ongoing option. WHEP is made possible by significant funding (over \$10 million) and

staff time by NRCS. Point Blue Conservation Science and Audubon also provide assistance. At present, program rules limit NRCS’ ability to renew WHEP contracts. The CRC sponsored amendments to the House Farm Bill to address this constraint. Congressmen John Garamendi and Doug LaMalfa were very helpful.

PROPOSED REGIONAL CONSERVATION PARTNERSHIP PROGRAM

| The CRC focused on a new proposal in the Farm Bill called RCPP, which designates that certain conservation funding be directed to designated regions. We worked to insert an amendment making migratory bird habitat an important factor in making these designations.



WE CONTINUE TO SEEK NEW CONSERVATION INCENTIVES FOR OUR INDUSTRY.



WE GROW RICE TO FEED PEOPLE
ALL AROUND THE WORLD. OUR
LAND AND WATER ALSO CREATE
AN INCREDIBLE ENVIRONMENT.
THE CRC DILIGENTLY WORKS TO
EFFECTIVELY COMMUNICATE HOW
OUR INDUSTRY USES OUR RESOURCES
TO THE BENEFIT OF WILDLIFE.

— JACK DEWIT, RICE GROWER

THE NATURE CONSERVANCY PILOT PROJECT | The CRC worked with The Nature Conservancy (TNC) on a pilot program utilizing TNC donor funds to incentivize certain waterbird practices. It promotes practices to manage Spring water drawdown for waterbirds and awards contracts using a competitive bidding procedure. This is an innovative approach to demonstrate growers' ability to deliver valuable, landscape-scale benefits enabling an organization like TNC to efficiently invest its resources. If successful, we would pursue its continuation and expansion. We appreciate TNC's willingness to invest funding in ricelands habitat.



Nearly 230 wildlife species use California ricelands, including (from top) the Wilson's Phalarope, Greater White-fronted Goose and White-faced Ibis.

ENGAGING THE STATE

OF THE 120 MEMBERS of the California Legislature, none are rice farmers and only a handful has any background in agriculture. Yet this same group is tasked with developing legislation that advances an entire state — urban and rural alike. By actively engaging members of the Legislature on issues that relate to their districts — water, open space, food and jobs, we can begin a dialogue that makes the connection between our farms and the needs of an urban public.

The CRC regularly hosts legislative tours of rice farms and mills. We also conduct waterfowl tours in late

winter. The intent is to bring legislators out to rice country and show them first hand



our stewardship of resources and connection with our small towns and businesses. We also recruit them to roll sushi at our annual Legislative Day.

The CRC also actively engages on legislation that impacts the industry. This session, we were pleased to work with Assembly Member Frank Bigelow on a bill that provided incentives for farmers in the San Joaquin Valley to replace older tractors and improve air quality. By focusing the incentive in the area of the state with the worst air quality, tractor replacement in the Sacramento area was avoided.



I'M PROUD OF THE CALIFORNIA
RICE INDUSTRY THAT HELPS FEED
HALF THE WORLD'S POPULATION
AND CONTRIBUTES \$1.8 BILLION
DIRECTLY TO OUR STATE ECONOMY.

— TONI ATKINS,
ASSEMBLY MAJORITY LEADER



FEDERAL ISSUES

FINAL ACT FOR FARM BILL NEARING | At the height of brinksmanship over a federal government shutdown and the threat of debt default, Congressional leaders of both parties took the necessary steps toward completing action on a new five-year Farm Bill by appointing a committee of conferees to settle differences between the House and Senate versions of the Farm Bill. At press time it appeared passage of the new bill was imminent.

With backing from champions and allies in Congress, California Rice is poised to break through on provisions covering commodity support, risk management and conservation policy.

Since work began four years ago, California rice leaders made it clear that a new risk management policy spanning commodity support and crop insurance needed to account for the distinguishing characteristics of growing and selling California rice. With a price differential for California rice, continuing work with the Risk Management Agency of the USDA, and the advent of the Supplemental Coverage Option for crop insurance, a final Farm Bill will be one that works well for California rice.



Charley Mathews Jr. and Nicole Montna Van Vleck visit with Congressman Doug LaMalfa in Washington, D.C.

WE MAINTAIN A STRONG VOICE FOR CALIFORNIA RICE IN SACRAMENTO AND WASHINGTON, D.C.



PUBLIC EDUCATION

Advancing social media outreach and building relationships with the media continue to be important ways the CRC engages our future with Legislators and other key audiences.

HIGHLIGHTS IN PUBLIC EDUCATION INCLUDE:

- Record activity on CalRice.org, with more than 5.4 million hits, 76,000 unique visitors and a 250 percent gain in blog readers.
- Across-the-board gains in social media, including more than doubling our Facebook audience, strong Legislative following of our Twitter feed and thousands of monthly views on our YouTube page.
- 105 media inquiries during the past fiscal year, up from 95. Coverage included stories in the Sacramento Bee, KFBK NewsTalk 1530, Capital Public Radio and America's Heartland.
- Record turnout for our 2013 Legislative Day Circle of Life Reception, hosted by KCRA Channel 3's Kellie DeMarco. Assembly Majority Leader Toni Atkins won the Capitol Roller Competition.
- Two California Rice art displays in the State Capitol in front of the Governor's Office.
- Engaging and effective live testimonials via the Armstrong & Getty morning drive radio show. Other advertising included Capital Public Radio and Capitol Weekly.
- California Rice received great value from participation in the Farm to Fork Festival in Sacramento, including a live sushi demonstration and a very popular booth on Capitol Mall.



THE CRC HAS DONE A VERY EFFECTIVE JOB OF PROMOTING OUR REGION'S RICE AS A PREMIERE AGRICULTURAL PRODUCT, ONE THAT HAS GAINED GLOBAL RECOGNITION FOR ITS QUALITY.

— DONNA LUCAS, CEO/PRESIDENT
OF LUCAS PUBLIC AFFAIRS



The Farm to Fork Festival included (above) a sushi demonstration on Capitol Mall from Kru's Billy Ngo, emceed by Fox 40's Bethany Crouch and CRC CEO Tim Johnson. At left, Assembly Majority Leader Toni Atkins wins the Capitol Roller Competition.

TRADITIONAL AND SOCIAL MEDIA PROVIDE STRONG OUTLETS FOR THE CALIFORNIA RICE STORY.

INTERNATIONAL

ENGAGING ON TRADE | By all accounts, the future of trade for the California rice industry lies in the Trans Pacific Partnership (TPP). Representing the first opportunity for a significant expansion in Asian trade since the mid-1990s, the TPP has the potential to increase exports to Japan for the next generation of farmers and millers.

For the last two years the CRC has been focused on this trade agreement. First, the focus is to ensure that all crops are considered in the agreement. Second, we are focusing on expanding both the quantity of rice shipped and enhance access to the consumer.

To accomplish these objectives we continue to work with our congressional delegation and the administration to ensure that rice is not left out of the trade agreement, as happened in South Korea. In addition, California members have continued an active leadership role in the USA Rice Federation Trade Policy Committee who is leading the effort on the agreement.

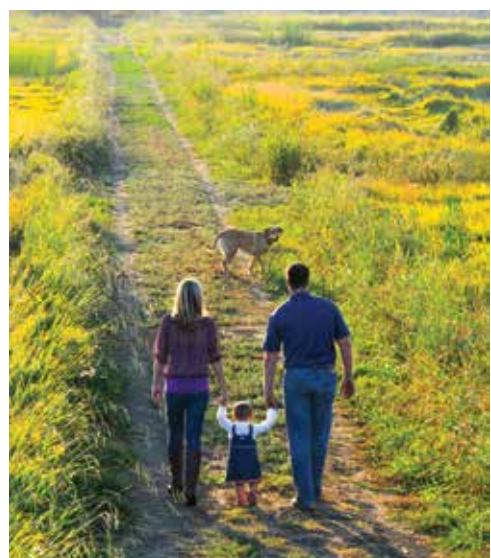
THE TRANS PACIFIC PARTNERSHIP MAY PROVIDE THE BIGGEST BOOST TO RICE EXPORTS IN NEARLY TWO DECADES.





THE CRC'S WORK ON TRADE WITH COLOMBIA HAS SECURED MORE THAN ONE MILLION DOLLARS INTO NEEDED RESEARCH TO HELP KEEP CALIFORNIA RICE STRONG. THERE IS EVEN GREATER POTENTIAL FOR IMPORTANT RESOURCES MOVING FORWARD.

— BRETT SCHEIDEL, RICE GROWER
AND RICE RESEARCH BOARD CHAIRMAN



FOOD SAFETY

ENGAGING ON FOOD SAFETY | When customers and consumers call with concerns on food safety, we are prepared with testing results and fact-based answers.

While Liberty Link rice was the headline news seven years ago, its impact on trade continues. In order to continue to meet export customers demands for testing, the CRC annually tests seed and the crop for traces of the trait. The results are made available to the trade to allay concerns.

More recently, the CRC has served the industry by coordinating communication and research on arsenic in rice. Consumers and customers alike are seeking information on the levels of arsenic in rice grown in California and its sources. In addition, the FDA is seeking a coordinated response from industry on evaluating practices in the field or mill, which may reduce arsenic exposure.

To meet these needs, the CRC continues to develop fact-based information on arsenic and how it naturally occurs in rice and other food. We have provided rice samples for testing by the Food & Drug Administration, in coordination with the USA Rice Federation. Finally, we are working closely with the UC Cooperative Extension and the Rice Research Station on studies designed to determine which, if any, practices may result in a reduction of arsenic in rice.

WE WILL MAINTAIN A STRONG ROLE

AT NO TIME IN OUR HISTORY HAVE WE NEEDED ADVOCACY TO CREATE PUBLIC UNDERSTANDING MORE THAN NOW; THE CRC HAS PLAYED A CRITICAL ROLE IN THAT FUNCTION. THEIR PROFESSIONALISM IN ENGAGING WITH THE PUBLIC ON ISSUES SUCH AS ARSENIC HAS BEEN INVALUABLE.

— GREG JOHNSON, PRESIDENT, FAR WEST RICE





THE CRC PROVIDES OUR INDUSTRY A
KEY LEADERSHIP VOICE IN THE CRITICAL
AREAS OF AIR QUALITY, WATER
QUALITY, CROP PRODUCT REGISTRATION
AND FOOD SAFETY.

— CARL HOFF, PRESIDENT AND CEO,
BUTTE COUNTY RICE GROWERS ASSOCIATION

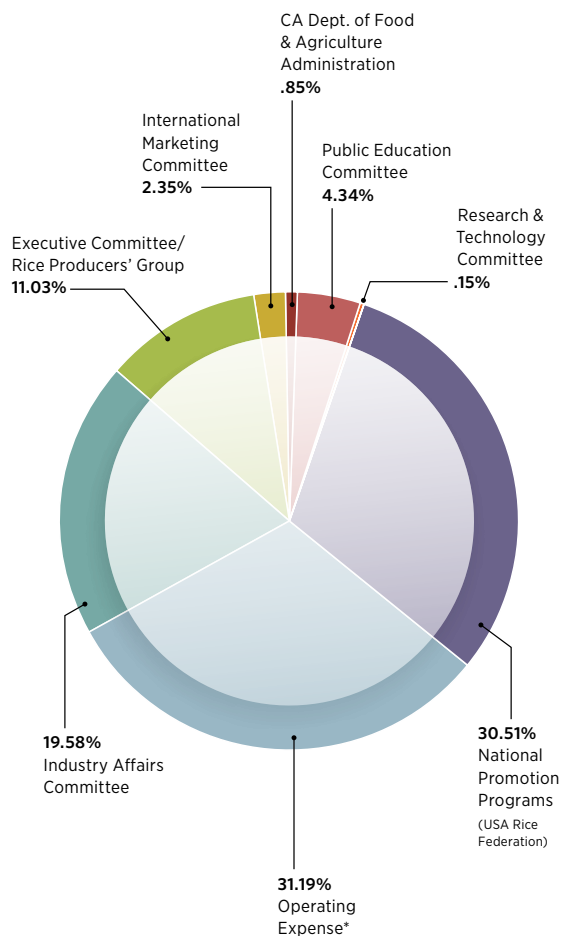
IN COMMUNICATION AND RESEARCH ON ARSENIC IN RICE.



FINANCIALS

For the years ended August 31, 2012 and 2013

FISCAL YEAR 2012/13 TOTAL BUDGET — \$4,889,929



*NOTE: Chart represents direct spending by category; operating expense not allocated to programs. Audited financial statements available upon request.

STATEMENT OF FINANCIAL POSITION

	2013	2012
ASSETS		
Cash & Investments	\$4,511,973	\$3,778,311
Receivables	449,806	259,807
Prepaid Expense	20,947	8,464
Deferred Program Expense	0	0
Equipment	47,164	63,293
TOTAL ASSETS	\$5,029,890	\$4,109,875
LIABILITIES		
Accounts Payable	\$319,078	\$257,477
Contracts Payable	161,694	131,497
Notes Payable	0	0
Deferred Program Revenue	29,100	29,100
Accrued Expense	43,404	32,204
NET ASSETS, UNRESTRICTED	\$4,476,614	\$3,659,597
TOTAL LIABILITIES & NET ASSETS	\$5,029,890	\$4,109,875

STATEMENT OF ACTIVITIES

	2013	2012
Revenue	\$5,224,941	\$4,534,647
Promotion & Regulatory Expense	2,995,577	3,159,624
Operating Expense	1,374,733	1,375,013
CDFA Departmental Expense	37,614	36,328
Change in Unrestricted Net Assets	817,017	(36,318)
Unrestricted Net Assets BEGINNING OF YEAR	3,659,597	3,695,915
Unrestricted Net Assets END OF YEAR	\$4,476,614	\$3,659,597

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INTERNATIONAL

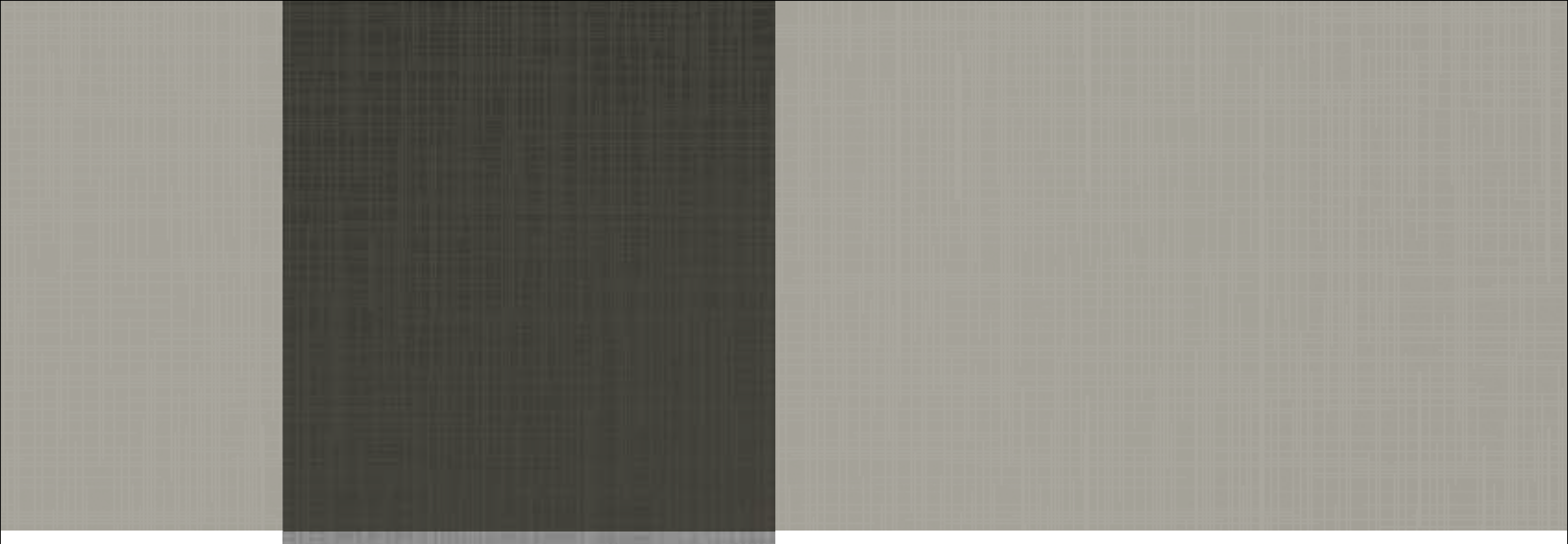
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(A)=ALTERNATE



California Rice

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