



Improved Outcomes

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California Rice Commission 2018 ANNUAL REPORT

IN TRADE ASSOCIATION WORK, like farming, results never come easy. The work is hard. The resources committed significant. Some years you get a great return from your efforts. Other years leave you looking to the calendar for the next opportunity to make a mark. But, you make the needed adjustments and you never stop trying. What is certain is that the end result is you are in a better spot than if you had just done nothing and railed at the storms.

We are proud to report that the regulatory, legislative and communications outcomes this year have been positive and we have been able to make an everyday difference for our industry. From Prop 65 to water quality, salmon and public education, solid wins have been tallied.

The credit goes to our industry leadership who commit their time hosting tours, traveling and treading the halls of Congress on our behalf. We also appreciate the seasoned and committed staff who find a way forward, in a state that drifts further from agriculture every day.

Most important is our collective commitment to work until we find a solution. Rather than spend time hoping for what could be, the Commission spends time focused on what can be accomplished. We meet with urban lawmakers and staff and help them understand the value of rice, not only as the basis for great cuisine, but also as waterbird habitat and potentially part of the solution to improving salmon runs. The result is that rice is highly valued for its environmental contributions.

We work on regulatory solutions based on great UC research that appropriately characterize the low impacts of rice on groundwater. The result is far less cost for rice growers.

Sometimes we even take the fight to the courts and are able to establish clear, risk-based responses to misguided Prop 65 lawsuits. The result is no warning labels on U.S. grown rice.

These are just some of the better outcomes achieved this year as a result of our engagement. While we are pleased, what is sure is that we will never stop working toward better solutions for the California rice industry.



A handwritten signature in dark ink, reading "Timothy A. Johnson".

TIM JOHNSON
President & CEO,
California Rice Commission

A handwritten signature in dark ink, reading "Mark Kimmelhue".

MARK KIMMELSHUE
Chairman,
California Rice Commission





Grower Issues

CROP PROTECTION “The future of pesticide regulation is water quality,” a statement recognizing the reality that water quality is becoming an important part of the pesticide registration process. Fortunately, the California rice industry has been at the forefront of managing successful water quality programs for some 40 years. Our rice pesticide evaluations and water quality programs set the example for agriculture.

Thiobencarb is one pesticide where crop protection directly overlaps water quality regulation, as seen in the Rice Pesticide Program. In response to the challenging weather this year, we staggered the start of thiobencarb monitoring for the first time in 16 years. This demonstrates our flexibility to provide effective stewardship in managing crop protection tools for the California rice growers.

The CRC hosted a tour for staff from U.S. Environmental Protection Agency Office of Pesticide Programs this summer to demonstrate how the California regulatory structure enhances our ability to effectively manage pesticides. Having EPA staff out meeting growers puts a face on California rice and greatly enhances our ability to secure improvements in the rice pesticide evaluation process.

While weeds are the major pest on California rice, armyworm populations have become significant enough to require annual treatments. In response to the surge in armyworm populations, we have implemented integrated pest management practices through alternate insecticides, received a third section 18 emergency exemption for Intrepid, and trapped moths to predict pest pressure.

A great benefit of integrated pest management was the use of pheromone traps to catch and count moths — the armyworm adults. Farm Advisors were able to predict timing and treatment to control armyworm populations.

Our work with Farm Advisors at Cooperative Extension, the University of California at Davis experts/researchers, the Rice Research Board, and the Rice Experiment Station, the Department of Pesticide Regulation and the U.S. Environmental Protection Agency/Office of Pesticide Programs, pest control advisers, county agricultural commissioners, and rice growers, provide collaboration for improved outcomes to the rice industry.

Farm Advisors were able to predict timing and treatment to control armyworm populations.

INCREASED AIR QUALITY INCENTIVE

FUNDS FOR GROWERS CRC engaged strategically with the local air pollution districts and California Farm Bureau to greatly increase the amount of incentive funds available in the Sacramento Valley to help farmers interested in replacing older equipment. Known as the Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program, it provides funding to replace agricultural harvesting equipment, heavy-duty trucks, agricultural pump engines, tractors and other agricultural equipment will be eligible for the funding.

In the initial proposal, the major Sacramento Valley rice producing counties were slated to get an allocation of about \$1.7 million. After advocating strongly for Sacramento Valley interests, CRC and our partners were able to increase the available 2018 funding by over 500 percent up to approximately \$9.6 million.



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The CRC provides **INVALUABLE HELP**
TO GROWERS in areas of regulation.
Our improved outcomes are a result
of their hard work and expertise.

— **SETH FIACK** | RICE GROWER



Water Quality

LITIGATION of a Waste Discharge Requirements (WDR) Order in the San Joaquin was poised to bring considerable changes to the rice water quality program. The changes set precedence that would have applied to all water quality coalitions. Through considerable outreach and education, the changes became less significant for the CRC-led rice coalition.

In the face of recent growth of water quality regulation, rice continues to be the only commodity specific program, a distinction that has resulted in significantly less regulatory burden for our members. We do much work in advance of the water quality regulations being finalized that results in requirements that are streamlined and

Through considerable outreach and education, the changes became less significant for the CRC-led rice coalition.



make the most sense for rice. The use of University of California Cooperative Extension and Rice Research

Board studies shows rice-farming practices do not cause additional problems to surface

and groundwater conditions. This work results in rice growers having the least restrictive program. The same work lessens tendencies for additional changes to the water quality regulation.

The foundation for our structure and success began with considerable work in developing the Rice Pesticide Program (now thiobencarb). Work from 40 years of experience provides the basis to build a commodity specific water quality program. Our success derives from seeking the most feasible and sensible outcome for rice growers.

COMPARATIVE ASSESSMENT CV SALTS ESJ ORDER

	RICE	SAC VALLEY	SJ VALLEY
Irrigation and Nitrogen Management Plans with A/R Ratios and Irrigation Reporting		×	×
Test Nitrate and Report Domestic Wells	×	×	×
Annual Continuing Education	×	×	×
Nitrate Control Programs Including Replacement Water		YOLO	MANY
Sediment & Erosion Control Plans		×	×





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The CRC is a **TREMENDOUS ALLY** for growers in pesticide management and water quality. They have **HELPED US GET IMPROVED OUTCOMES** in these very difficult areas.

— SEAN DOHERTY | RICE GROWER



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THIS LEGISLATIVE SESSION saw two significant policy efforts. One was successful! We learned from the other and will come at again next year.

CALIFORNIA RICE HABITAT INCENTIVE PROGRAM Working with our local legislative champion Cecilia Aguiar-Curry, the Commission was successful in establishing winter flooding as a critical practice in California for the first time. Supported by our conservation partners including Ducks Unlimited, Audubon and many others, the state has kicked in \$5 million to kick off the program. We will be working with the Department of Fish and Wildlife to implement the program in 2019.

WADHAM ENERGY Efforts to secure additional above-market contracts for energy from biomass facilities failed in the last hours of the legislative session this year. Working with the California Biomass Energy Alliance, every effort to tie into the forest biomass reduction to reduced wildfire risk ultimately came up short. We are already meeting with Wadham and the biomass alliance to identify opportunities for next year to ensure that biomass has a place alongside solar for our energy future.

ENHANCED, EQUITABLE PROGRAMS FOR CALIFORNIA RICE NOW A REALITY

WITH NEW FARM BILL Proving bipartisanship and lawmaking are not mutually exclusive, Congress has approved a new, five-year farm bill reauthorizing federal food and agriculture policy through 2023.

Following a multi-year advocacy campaign by California Rice, the comprehensive rewrite includes the two highest priorities of the California Rice Commission, namely a higher reference price for temperate japonica rice and a 10-year EQIP contract for wildlife habitat management on working ricelands.

The new law will allow growers to update payment yields once but not base acres. Loan rates for many commodities including rice will be increased. The new loan rate for rice is \$7.00 up from \$6.50.



Growers will also be allowed to make a new election between Price Loss Coverage and the Agriculture Risk Coverage program. More notably, beginning with crop year 2021 and covering 2022 and 2023, growers will be allowed to make an annual election of either the Price Loss Coverage (PLC) program or the Agriculture Risk Coverage (ARC) program.

The definition of family for program eligibility and payment limit purposes will be expanded as well to cover nephews, nieces and cousins. Tighter restrictions on who qualifies as a farm manager and lower payment limits were left out of the final legislation.

The U.S. Department of Agriculture will now move swiftly in the new year to implement the new law beginning with expected announcements on dates for grower sign-up periods.





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Rice farmers are incredible

STEWARDS OF THE LAND.

With our bill, AB 2348, the
state will partner with farmers
to support birds and fish in
California's Pacific Flyway.

— ASSEMBLYMEMBER
CECILIA AGUIAR-CURRY

Conservation

NEW PROGRAMS

CRC in 2018 worked to develop two new major programs that build upon our brand as “The Environmental Crop” in California. The programs focus on our legacy of habitat for birds and our interest in using rice fields to restore Sacramento Valley salmon populations.

CALIFORNIA WINTER RICE HABITAT

INCENTIVE PROGRAM With the dedication of Assembly Member Aguiar-Curry and her staff, along with support from several of our bird partners, CRC successfully passed AB 2348, which was signed into law by the Governor. The bill establishes a winter flooding habitat incentives program to be administered by the California Department of Fish and Wildlife. It will provide incentives to encourage more winter flooding and bird-friendly management of winter-flooded rice enrolled in the program. The program will be rolled out by the 2019/20 winter season, with \$5 million from the state budget for initial development and start-up activities.

RICELANDS SALMON HABITAT PILOT PROJECT

We assembled a coalition of scientists and project funders to initiate a \$1.3 million pilot project to explore the use of winter flooded rice fields for salmon habitat. This project will support targeted work with rice growers

to test and refine rice field practices that could be implemented to help struggling salmon populations. We will insert micro transmitters into young Chinook salmon to track their journey from winter-flooded rice fields out the Golden Gate. The CRC will work with UC Davis, CalTrout and Northern California Water Association to implement this program.

This project is made possible by a \$600,000 grant from the Natural Resources Conservation Service and additional matching funds from project sponsors. These include a major contribution from Syngenta Crop Protection, LLC and other important contributions from:

- S. D. Bechtel, Jr. Foundation
- Valent
- Almond Board of California
- Conaway Preservation Group
- Corteva Agriscience, Agricultural Division of DowDuPont
- Agriform
- AgriSource
- Growers Ag Service
- NovaSource
- Northern California Water Association



ONGOING PROGRAMS

REGIONAL CONSERVATION PARTNERSHIP

PROGRAM 2018 marked a significant phasedown of our major conservation program, funded by the Natural Resources Conservation Service in 2015, called the Regional Conservation Partnership Program (RCPP). This \$7 million program supported many valuable rice shorebird habitat projects over the last several years. Acreage is winding down and program funding will be completely expended over the next year.

BIRDRETURNS Our efforts with The Nature Conservancy on the BirdReturns program continued into its fifth consecutive year. This is the program where growers bid against one another for the opportunity to deliver waterbird habitat benefits.

This year, nearly 4,000 acres of shorebird habitat were put in place between the spring and early fall shallow flooding programs. The program continues to be very popular.



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The **CRC FOSTERED OUR STRONG PARTNERSHIPS** with conservation groups, secured valuable wildlife programs and does an **AMAZING JOB TELLING OUR ENVIRONMENTAL STORY** to the Legislature and other key groups.

— **JOSH SHEPPARD** | RICE GROWER



Emerging Issues

RECONNECTING THE FLOODPLAIN The next opportunity for rice may well come by reconnecting the Sacramento River to a portion of its original floodplain. Easily seen in the Yolo and Sutter Bypasses, the idea is simple — by reconnecting the rivers with the shallow, slow moving floodplains, the success of salmon and other import fish species can once again find the food and rearing habitat missing in the rivers.

The Commission has been working with NCWA and its member districts to achieve the fish-food benefits of winter flooded rice fields and standardize practices growers could implement. Along with over 100 other projects in the Valley aimed at improving the outcomes for salmon, rice may well have an opportunity to do for fish what we have done for ducks.

DRINKING WATER With over a million people in the state lacking safe drinking water, there is significant regulatory pressure on agriculture to find and fund solutions to nitrate in drinking water impacted by crop production. Increased enforcement by the State Water Board have put agriculture on alert — fix the drinking water problems you have contributed to or face heavy penalties. For two years, a coalition of agriculture, environmental justice groups and the administration have been working to find a solution that provides drinking water to communities impacted by nitrate and provides

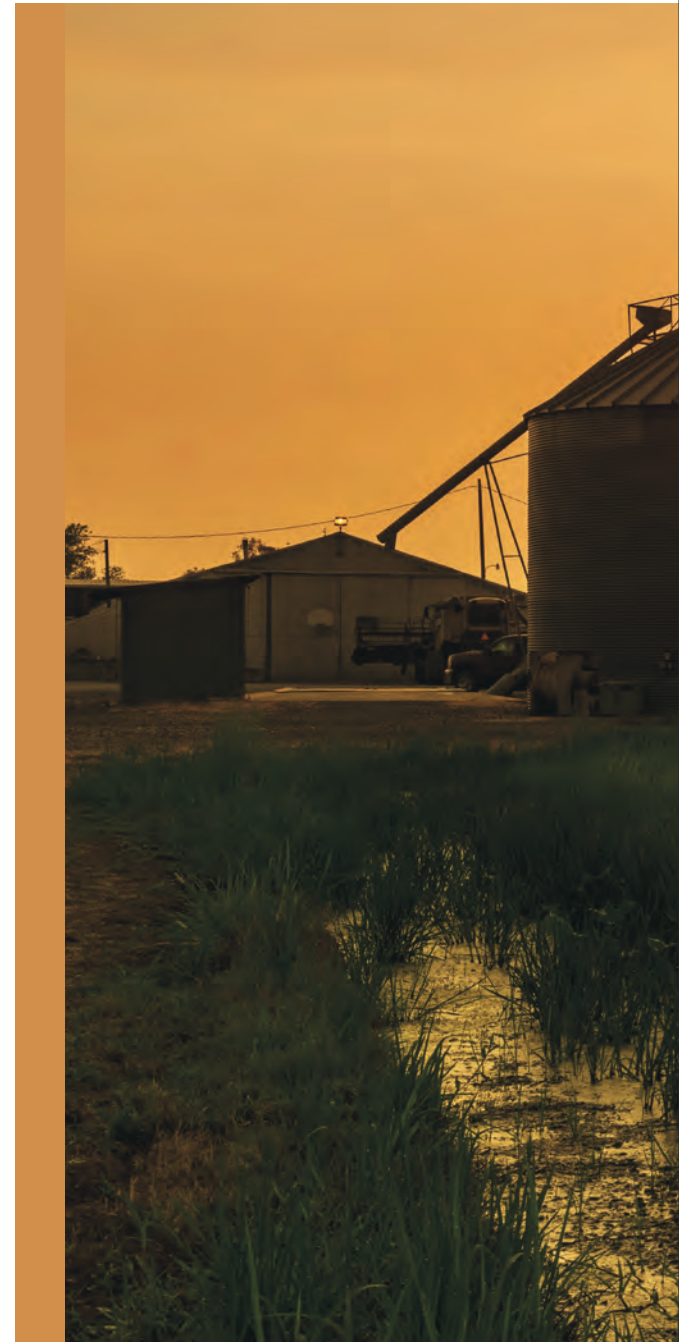
Rice may well have an opportunity to do for fish what we have done for ducks.

a pause in enforcement. We will work again in 2019 to find a solution that meets the needs of agriculture, as well as the concerns of water districts.

In the Sacramento Valley, naturally occurring arsenic rather than nitrate is the most pressing challenge. Many small communities who similarly cannot afford to install and maintain treatment systems to remove arsenic struggle with impaired water. The Commission, working with NCWA, is exploring solutions that will address these challenges in the upcoming years.

ENHANCED WATER QUALITY REQUIREMENTS

New ground and surface water quality regulations are on the horizon. Driven by the need to address nitrate in ground water and the accumulation of salt due to irrigation, the Central Valley Water Quality Control Board has adopted a Basin Plan Amendment that will require significant new monitoring and reporting of both constituents. Fortunately for rice, our extensive history of monitoring as well as science-based understanding of the rice system has already provided a pathway for significantly less regulation. We will take full advantage of this as these new requirements unfold.





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We in rice face challenges every day.

The **GREAT WORK OF THE CRC HAS**
MADE A TREMENDOUS DIFFERENCE with
regulation, state and federal government
and conservation programs.

— CHARLEY MATHEWS, JR. | RICE GROWER



Public Education

THROUGH SOCIAL MEDIA, earned media and advertising, we provide a steady flow of impactful information to our target audiences. Effectively telling our story helps improve outcomes, because the more we convey our role in California's economy and environment, the greater the support from Legislators, regulators, decision makers and opinion leaders.

Highlights in Public Education included:

- Record Twitter reach of 1.1 million people; a 41 percent increase from year-earlier figures and a fivefold increase in five years.
- Media outlets directly used our photos and videos 64 times; up 205 percent from the 2016–17 fiscal year.
- Completion of the vibrant mural at 8th and K Streets in downtown Sacramento, *Shared Abundance* by artist Franceska Gámez.



- Near-record attendance and media reach of more than 1 million from our Legislative Day Reception, emceed by KCRA 3 Anchor Toni Valliere. Assembly Republican Leader Brian Dahle won the Samurai Sword as the Capitol Roller Champion.
- Favorable media coverage, with 125 inquiries last fiscal year.
- Impactful and consistent Sacramento Valley Water messaging. Our social media reach declined from the prior record year, although YouTube and Twitter reach remained especially strong.
- Completed year six of our partnership with the Armstrong & Getty Radio Show, with several rice farm visits and hundreds of live testimonials, including promoting Sites Reservoir. Additional coverage in the *Capitol Weekly* Top 100 Issue.
- Sixth consecutive presence at the Farm-to-Fork Festival, which drew an estimated 80,000 people to Sacramento's Capitol Mall. Chef Patrick Mulvaney did a cooking demonstration featuring several types of California Rice.
- Spectacular wildlife art beat out several hundred entries in the Chalk It Up! festival, attended by an estimated 60,000 people in downtown Sacramento.





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The CRC is full of forward-thinking communicators. They are **LEADERS IN USING COMPELLING, AUTHENTIC SOCIAL MEDIA** to connect with policymakers and opinion leaders.

— **BRYAN MERICA** | CEO, UNEARTH
DIGITAL PUBLIC AFFAIRS AND MARKETING

NEW TRADE POLICIES EMERGE The Trump presidency sent one clear trade policy message — it isn't business as usual. From pulling out of the Trans Pacific Partnership (TPP), to the renegotiation of the NAFTA into the new U.S.–Mexico–Canada Agreement, to use of higher tariffs on imports, the Administration has signaled a change that has gotten the attention of our trading partners.

Nowhere is this more visible, and with direct consequences for California rice, than in trade relations with China. Increased attention on the slow progress in China regarding U.S. market access resulted in headway by mid-2018. However, optimism was tempered when the U.S. announced a series of increased duties on Chinese imports in response to China's intellectual property policies and forced technology transfer requirements. Both countries remained at odds following several rounds of increasing tariffs. Because China exports far more to the U.S., the tariff burden on China is greater. Both sides to negotiating through their differences should present an opportunity for the subject of rice access to be back on the table.

Looking forward, we can also expect the U.S. and Japan to start negotiations on a trade deal following agreement with Japan in early October. Japan has long urged the U.S. to return to the TPP, but USA Rice and the California rice industry long urged an improvement in access from what was in that agreement. Any negotiation with Japan on rice is difficult, and the

upcoming trade talks will be no exception. However, it will be another opportunity to potentially improve our role in the largest export market for California producers.

CRC has also been executing supporting work on trademark challenges and registrations this year to support both of these important markets.

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The **CRC AND USA RICE WORK** well together to **PROVIDE EXCELLENT RESULTS** in expanding and maintaining our top international markets, as well as working to secure

NEW EXPORT OPPORTUNITIES

around the globe.

— **STEVE VARGAS** | SENIOR VICE
PRESIDENT, SALES, SUN VALLEY
RICE COMPANY





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The CRC took the lead and **SCORED A BIG VICTORY**
FOR OUR INDUSTRY, saving U.S. grown rice from
Proposition 65 warning labels, which would have
negatively impacted future sales.

— **CHRIS CRUTCHFIELD** | PRESIDENT & CEO,
AMERICAN COMMODITY COMPANY

Food Safety

HUGE PROP 65 WIN FOR RICE After 4 years and \$8 million, the CRC has secured certainty for California and U.S. rice under Prop 65. The decades old law was being used by an advocate attorney to claim that naturally occurring arsenic, lead and cadmium found in the soils where rice is grown and in low levels in the crop required the ubiquitous 'Prop 65' warning label.

In response, the CRC and USA Rice sued in California Superior Court to establish that rice grown in the U.S. should not be subject to the warning. Our argument was based on data provided by industry and supported by the best scientific experts in food safety.

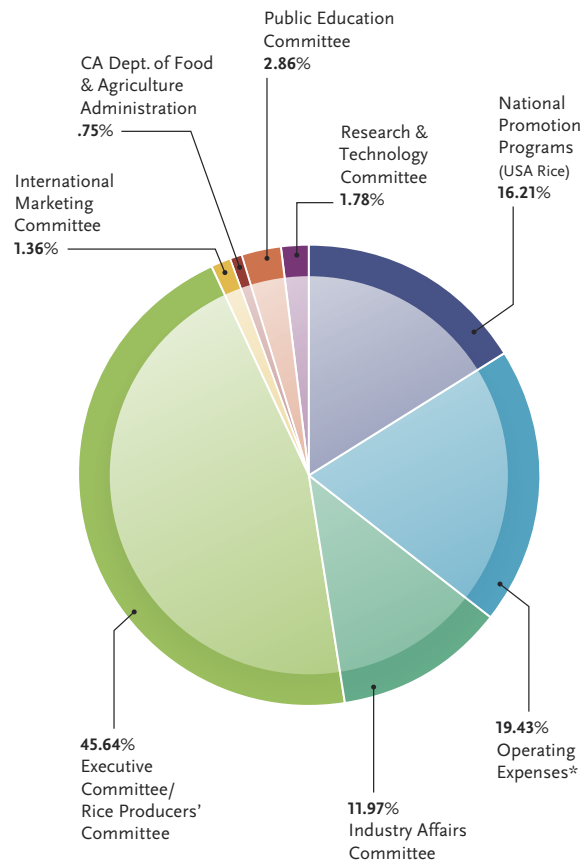
Before the case was set to go to trial, all parties and the California Attorney General agreed to a binding settlement which establishes concentration based limits for inorganic arsenic, lead and cadmium under which no warning is required. Further, it bars the advocate attorney from pursuing further cases against U.S. grown rice.

The issue of Prop 65 and its application to raw agricultural products is an emerging challenge for growers and processors alike. For consumers of U.S. rice, the issue is settled!

Financials

For the years ended August 31, 2017 and 2018

FISCAL YEAR 2017/18 TOTAL BUDGET—\$6,729,682



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

STATEMENT OF FINANCIAL POSITION

	2018	2017
ASSETS		
Cash & Investments	\$3,195,843	\$4,040,655
Receivables	243,033	381,209
Prepaid Expense	20,576	25,073
Deferred Program Expense	0	0
Equipment	48,222	58,725
TOTAL ASSETS	\$3,507,674	\$4,505,662
LIABILITIES		
Accounts Payable	\$257,792	\$1,205,818
Contracts Payable	97,476	113,263
Notes Payable	0	0
Deferred Program Revenue	0	0
Accrued Expense	67,186	68,109
NET ASSETS, UNRESTRICTED	\$3,085,220	\$3,118,472
TOTAL LIABILITIES & NET ASSETS	\$3,507,674	\$4,505,662

STATEMENT OF ACTIVITIES

	2018	2017
Revenue	\$6,088,734	\$7,130,716
Promotion & Regulatory Expense	4,396,639	6,578,470
Operating Expense	1,617,468	1,601,365
CDFA Departmental Expense	65,932	62,029
Change in Unrestricted Net Assets	-35,831	-1,111,148
Unrestricted Net Assets BEGINNING OF YEAR	3,121,051	4,229,620
Unrestricted Net Assets END OF YEAR	\$3,085,220	\$3,118,472

California Rice Commission

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Laura Blickle, *Office Administrator & Accountant*

Paul Buttner, *Manager of Environmental Affairs*

Kim DeVincenzi, *Finance & Administration Manager*

Roberta Firoved, *Industry Affairs Manager*

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California Rice