



1240 Commerce Ave., Suite A – Woodland, CA 95776-2267

**Board Meeting Agenda - April 24, 2017 (10:00 a.m.)**

**Via Teleconference**

Access Number Participant: 1-800-377-8846 - Participant Passcode: 59148433#

*Sent and posted April 13, 2017*

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- I. Call to Order
  - A. Roll Call/Establish Quorum
- II. Public Comment
- III. Approval of Agenda
- IV. Approval of Previous Board Meeting Minutes
  - A. December 7, 2016
- V. Administrative Issues / Discussion Items
  - A. 2017 Elections and Appointments / Nominating Committee
  - B. Handler Audit Policy Review
  - C. Confirmation of Outside Auditor
  - D. Desert Durum® Certification Mark Approvals
- VI. FY 16/17 Financial Reports
  - A. FY 16/17 YTD Income/Expense Report as of March 31, 2017
- VII. FY 17/18 Budget Proposal
  - A. Research Funding Proposal
  - B. FY 17/18 Budget Proposal Options

Closed Session (If Needed)  
Closed session, if necessary, pursuant to California Government Code 11126(a) regarding the appointment, employment, evaluation of performance, or dismissal of an employee. Closed Session, if necessary, regarding pending litigation pursuant to Government Code Section 11126(e).  
Return to open session and announce action taken in closed session, if any.
- VIII. Approve FY 17/18 Assessment Rate
- IX. Approve FY 17/18 Budget
- X. Public Comments
- XI. Closed Session

Closed session, if necessary, pursuant to California Government Code 11126(a) regarding the appointment, employment, evaluation of performance, or dismissal of an employee. Closed Session, if necessary, regarding pending litigation pursuant to Government Code Section 11126(e).  
Return to open session and announce action taken in closed session, if any.
- XII. Adjournment

*All agenda items are subject to discussion and possible action. All interested parties are invited to attend the meeting. Time will be allowed for members of the public to make comments on each agenda item (up to 2 minutes). To make a request for more information, or to make a request regarding a disability related modification or accommodations for the meeting, please contact Isabel Alvarado at 530-661-1292, or 1240 Commerce Ave., Ste. A, Woodland, CA 95776, or via email at [ialvarado@californiawheat.org](mailto:ialvarado@californiawheat.org). Requests for disability related modification or accommodation for the meeting should be made at least 48 hours prior to the meeting time. This notice and agenda is available on the Internet at [www.californiawheat.org](http://www.californiawheat.org).*



1240 Commerce Ave., Suite A – Woodland, CA 95776-2267  
**Board Meeting April 24, 2017 (10:00 a.m.)**

## Conference Call Attendance

Access Number Participant: 1-800-377-8846 - Participant Passcode: 59148433#

	<u>Call In</u>	<u>Attend</u>
1. John walker	Yes	
2. Bryce Crawford	Yes	
3. Bill Cruickshank	Yes	
4. Dennis Pelucca	Yes	
5. Augie Scoto	Yes	
6. Scott Schmidt	Yes	
7. Mike Carlisle	Yes	
8. Ron Rubin	Yes	
9. Roy Motter	Yes	
10. Chris Spurlock	Yes	
11. JW Cope	Yes	
12. Michael Edgar	Yes	
13. Lee Jackson		Yes
14. Steven Windh	Yes	
15. Damon Sidles	Yes	

ROLL CALL

DISTRICT	1:	Commissioner: Alternate:	<u>John Walker</u> <u>Bryce Crawford</u>
DISTRICT	2:	Commissioner: Alternate:	<u>Bill Cruickshank</u> <u>Larry Hunn</u>
DISTRICT	3:	Commissioner: Alternate:	<u>Erik Freese</u>
DISTRICT	4:	Commissioner: Alternate:	<u>Dennis Pelucca</u> <u>Augie Scoto</u>
DISTRICT	5:	Commissioner: Alternate:	
DISTRICT	6:	Commissioner: Alternate:	<u>Scott Schmidt</u>
DISTRICT	7:	Commissioner: Alternate:	<u>Mike Carlisle</u> <u>Jordan Parsons</u>
DISTRICT	8:	Commissioner: Alternate:	<u>Kirk Elholm</u>
DISTRICT	9:	Commissioner: Alternate:	<u>Ron Rubin</u> <u>Roy Motter</u>
HANDLER	1:	Commissioner: Alternate:	<u>Chris Spulock</u> <u>Mark Mezger</u>
HANDLER	2:	Commissioner: Alternate:	<u>J.W. Cope</u> <u>Michael Edgar</u>
AT LARGE	1:	Commissioner: Alternate:	<u>Lee Jackson</u> <u>Jim Parsons</u>
PUBLIC:		Commissioner: Alternate:	<u>Steve Windh</u> <u>Damon Sidles</u>



Approved by the Board \_\_\_\_\_

**CALIFORNIA WHEAT COMMISSION**  
**69 W Kentucky Ave.**  
**Woodland, CA 95695**

**MINUTES OF December 7, 2016**

Opening Business

The meeting was held at the Yolo County Farm Bureau Office in Woodland.

Call to Order

Chairman Steve Windh called the meeting of the California Wheat Commission to order at 10:05 AM on Wednesday, December 7, 2016, in Woodland, California.

Roll Call

Members present for all or part of the meeting included:

District 1:	John Walker
District 2:	Bill Cruickshank
District 4:	Dennis Pelucca
District 6:	Scott Schmidt
District 7:	Mike Carlisle
District 8:	Kirk Elholm
District 9:	Ron Rubin
	Roy Motter (Alternate)
Handler 1:	Mark Mezger (Alternate)
Handler 2:	J.W. Cope
	Michael Edgar (Alternate)
At Large 1:	Lee Jackson
	Jim Parsons (Alternate)
Public:	Steve Windh

A quorum was present. All voting members attending this meeting were present for each motion.

Introduction of Guests

Guests present for all or part of the meeting included: Jorge Ojeda, Sumesa; Jorge Dubcovsky, UC Davis; Dennis Manderfield, CDFA Marketing Branch; Nick Matteis, Executive Director, California Association of Wheat Growers; and Brad Hurb, AgSeeds.

Approval of Agenda

- #1 MOTION WAS MADE BY RON RUBIN AND SECONDED BY JOHN WALKER TO APPROVE THE AGENDA. MOTION CARRIED UNANIMOUSLY WITH NO ABSTENTIONS.**

Approval of Previous Meeting Minutes

- #2 MOTION WAS MADE BY BILL CRUICKSHANK AND SECONDED BY JW COPE TO APPROVE THE MINUTES OF THE SEPTEMBER 7, 2016 COMMISSION MEETING. MOTION CARRIED UNANIMOUSLY WITH NO ABSTENTIONS.**

- #3 MOTION WAS MADE BY RON RUBIN AND SECONDED BY JOHN WALKER TO ACCEPT COMMITTEE MEETING MINUTES.**

**Nominating Committee – September 1, 2016**

**Audit Committee – August 30, 2016**

**MOTION CARRIED UNANIMOUSLY WITH NO ABSTENTIONS.**

Commissioner Reports

Jim Parsons – Tulare County, Dryland. Just getting started due to the current economic issue there is not going to be a lot of wheat planted. There is some wheat planted but does not know how much of it is dryland or irrigated.

Dennis Pelucca – San Joaquin County, Planting is progressing in the area. At this point, wheat is a rotational crop that growers use to rotate with other crops. This year the wheat is going up and mostly for grain as opposed for grain chop. Silage has gone down since last year.

Steve Windh – We are all aware of the that the global situation is abundant supply and poor average quality which is a benefit to California wheat as a blending wheat around the globe. We also recognize that a strong dollar works against that type activity. While we are challenged the one unique characteristic is high quality will benefit us over the long run. The industry needs to focus on quality attributes instead of yield attributes. Windh also had the honor of presenting a plaque to Roy Motter for all his years of service to the Commission and US Wheat. Windh gave a message on Janice Cooper's behalf and Windh also thanked Motter for all his hard work. Motter also gave a speech and thanked the commission.

Roy Motter – Imperial Valley – low prices, tough wheat year again and down 26,000 acres. Starting the planting season and has not seen many wheat growers. He is not going to have any full-term wheat. Reduced acres again this year.

Scott Schmidt – Fresno county – Dairyman start planting in the area starts in October, there are some acres going for grain chop. This will be the first time in multiple decades that our farm is not planting grain. Hard red was offered at 1.75 and durum at 2.05 and it has got to have a three in front of it because of the water price. No one that I know is planting grain this year. Unfortunately, no revenue for the Wheat Commission.

Lee Jackson (former UC Grains Specialist) Does not have much to report but did mention if growers wanted to plant wheat this year the weather has been very cooperative great for planting.

Mike Carlisle (Tulare County) – Same story as everyone else. Everything is going to green chop. I know that one of the main handlers is offering a dollar over to stimulate some sales. Don't have anything good to say.

Bill Cruickshank – Seems that most of the wheat that is going to be for rotational purposes. Most of the wheat looks pretty good. Acres are down.

John Walker – Tulelake – I think we have more winter wheat planted this year than we have ever seen and people started planting in September until November for rotational. Everyone knows there are not making any money on it. Crops will be in good shape and hopefully, we will have better times with price.

Kirk Elholm - Kern County – Pretty much the same. Has not seen anything being planted in Kern County. Mostly everything is being planted for pistachios, almonds, and grapes.

JW Cope – Most exceptional winter wheat we have ever seen. Great growing season last year, but don't know what will have spring time. Soft white wheat in the PNW today is about 56 bucks a ton, as a grain merchant, we are not looking at a good year. Farmers are not worried about surviving. Potato market kind of been soaring. Lots of movement into Alfalfa and forage, however, Alfalfa is deteriorating dramatically. Attended Alfalfa symposium in Reno last week. Other than the fact that we have decent water and lots of open ground, that will probably drive a lot of grain planting and the Hard-Red Spring wheat is not too bad. All in all, not a lot to offer. Last year yields were truly exceptional.

Ron Rubin (Imperial Valley) – Like Roy said, we are not going to have many acres. It will be a couple of years before that market comes back. The only good thing is that the Dakotas and Canada have lots of disease issues that make some of their wheat unsellable. There have been some stories like Roy says we could not get people to grow wheat when it was 15 dollars a hundred weight and now that it's ten dollars it's more difficult.

Michael Edgar – I can only talk about durum, that's what I'm here for. The Canadians just raised 7.7 million tons of durum and as Roy pointed out half of the crop has vomitoxin and are having a very difficult time delivering. If it weren't for that we are bidding 250 a ton to a grower at Imperial Valley and growers thought, they could grow that cheap but they couldn't. This year growers know they cannot grow at 250 because they found out they could not operate at that level last year. I think you will continue to see acres continue to decline in Imperial Valley. My point to every grower is that if they hadn't had the disease in Canada we wouldn't be bidding at 200 a ton because the world would be washed in durum and there is only a limited demand for desert durum on a pre-contract basis. So, if it was not due to that disease problem we would not be paying 250.

Mark Mezger – Spoke about the tomato industry. (Recorder stopped working)

### USW Associates

At the December board meeting Shawn Campbell, US Wheat Deputy Director, provided thoughtful insight to the issues facing the farmers in California. His presentation included an overview of US Wheat and state funding support, California's wheat production, imports, and exports, and a look back at the history of the major wheat exporters in the world from 1914-2016. Campbell also talked about advantages of California's high-quality wheat and the opportunities in different markets. Executive director Claudia Carter also mentioned that California wheat needs to be marketed for its unique traits.

Roy Motter also talked about long-range planning that has not been reviewed in five years. That is why USWA is asking all states to submit their inputs and ideas. Motter also discussed USW strategic plan.

## Guest Comments

Jorge Ojeda gave a presentation about his company Sumesa, which is an Ecuadorian company who produces different types of food products. Sumesa is interested in importing durum wheat from the US. They are very interested in an alliance with California.

## Wheat Breeding Update

Jorge Dubcovsky gave his report on the wheat breeding program, he discussed 3 different major varieties, Patwin-515 HP, Yurok (UC 1745), and MIWOK. Patwin-515 HP is a new UCD Hard White Spring variety, on average it produces 1% more protein than Patwin 515. Foundation seed was increased in 2016, and is ready for commercialization. Yurok (UC 1745) is also new but a Hard Red Spring variety, all of its foundation seed has been allocated, but they are working on producing more, and it is expected to be used in commercial fields. MIWOK was grown on about 1100 acres in 2016, and had the second highest yield based on the average of the past three years. Stripe Rust was also briefly discussed it was mentioned that it continues to be a threat to California wheat production. Jorge spoke about the 600 K that was received by the lab and the labs UK colleague, it was used for mapping and characterizing genes for kernel weight and kernel numbers. Also, used to deploy them in commercial varieties. The lab is currently working on the application process for a \$10 million dollar grant from the USDA-NIIA partnership with IWYP.

## UCD Royalties / Research fees

Research Committee Chairman Ron Rubin discussed UCD Royalties and Research fees. There is a handler who had a test agreement with UCD for wheat variety Miwok. This handler broke the agreement when the seed was taken and grown out of state. The variety Miwok was just released about three years ago. The question in the discussion is how should this violation be handled. Even if they pay a royalty, that royalty does not take into consideration the money that the commission has put into Jorge's project. Rubin thinks that instead of the company paying a penalty they should pay a contribution to the foundation so that the funds could go straight to Jorge rather than going to the university and three-quarters of it going to Jorge but, the university rejected that idea. There was an extensive discussion on how to handle this situation. Windh suggested that this item is added to the next April meeting, meanwhile, Ruben would talk to the handler and ask for a voluntary donation made to the grain foundation.

## Handler Audit

Carter gave a report on the handler that was audited in 2016 where there were finding on unpaid assessments and late fees and interest were added. Carter mentioned that at this point they have made payments but a balance of about \$5,000 remains. Carter has made attempts to contact them by email, phone call, mail. There are different procedures that have been followed and at the moment we are at step 11. At this point, we are moving forward to step 12 where our attorney writes a letter to take action, and if the handler does not respond within fifteen days we will take the case to small claims. Also conducting an audit for the next two years.

**#4 MOTION WAS MADE RON RUBIN AND SECONDED BY JOHN WALKER TO APPROVE APPROVE HANDLER AUDIT PROCEDURES, WHERE JILL ENGLAND SENDS A LETTER TO TAKE ACTION, IF HANDLER DOES NOT RESPOND WITHIN FIFTEEN DAYS, WE WILL MOVE ON TO SMALL CLAIMS AND CONDUCT AN AUDIT FOR THE NEXT TWO YEARS.  
MOTION CARRIED UNANIMOUSLY WITH NO ABSTENTIONS**

## Staff Reports

Claudia Carter reported that we are at 91% of assessment collection for FY 16/17 which is in line with previous years. Carter also mentioned she attended the TIA/IBIE meeting in Las Vegas which is held every three years. Met with people from the industry and wanted to meet people from the tortilla industry as well. Carter also talked about the Japanese high interest in desert durum, mainly because of what is happening with Canada's crop. Also, mentioned a Japanese trader is visiting that wants to learn more about California wheat. Carter also talked about her trip to Central America with USW as a consultant. Carter takes this opportunity to promote and market out wheat and lab services. Also, attended ALIM where she met Julian Garcia from Sumesa. Lastly, Carter talked about the Collaborator meeting. We had a very successful program and got good and interesting feedback. This next year will be October 25, 2017. This meeting is funded by the California Grain foundation. For the lab, we have hired a new employee due to our new customer. We have estimated that this new customer will bring the lab a net income of \$100,000. We will start receiving samples next week.

Isabel Alvarado reported on her trip to Denver for USW and thanked Roy Motter for his mentoring at this meeting. Alvarado also mentioned that she attended CDFA's Marketing Program Executive Committee meeting, and talked about the changes for teleconferencing. Locations no longer must be posted on the agenda. We must include the call-in number and the passcode, a member of the committee must be present at the location of the meeting which would be our commission office. Also, any member who is going to participate in the meeting must give the commission 24 hours written notice to the commission either by email or fax and that notification will be filed with the minutes. If a member fails to comply with the notice, they can still participate but they would have to attend the location of the meeting. Dennis Manderfield explained why the changes were made, they will take effect on January 1, 2017. There was an extensive discussion on the changes. Alvarado also reported on the Woodland Commerce Condominium association meeting. Currently the association has \$20,000 in funds, which the board of directors decided to use to paint the building both front and back. The cost is estimated at \$15,000 leaving \$5,000 in the account. Alvarado also talked about the form 700 new procedures to complete the form online. Lastly, Alvarado mentioned that the variety survey will be the next big project the commission will be working on.

## Financial Report

With 2/3 of the fiscal year passed, the Commission has received 91% of assessment income and 78% of budgeted laboratory analysis income – 90% of total budgeted income. Carter proposed that the \$600,000 assessment income budget remain the same. Expenses, in general, are in line with expectations at this point.

There was a discussion on how commissioners and staff are reimbursed for travel expenses.

### **#5 MOTION WAS MADE BY J.W. COPE AND SECONDED BY BILL CRUICKSHANK TO ACCEPT THE FINANCIAL STATEMENTS. MOTION CARRIED UNANIMOUSLY WITH NO ABSTENTIONS.**

Isabel Alvarado reported on the Cash Flow Statement. Cash and Bank accounts have a combined total of \$905,537.20.

## CAWG Report

Nick Matteis, Executive Director of CAWG reported on several legislative issues. He also distributed a

handout at the meeting.

Jim Parsons flew into state executive meeting at the fall conference about communications. The new farm bill will start sooner than later assessing current safety net programs. There will be budget shortcomings, there will be support for the loan programs to keep those safety net programs going. Considering the fact that prices probably aren't going to get any better in the near future. The other thing on the federal policy side, the water resources development act is back. This is something that had a number of rounds of negotiations to help California with drought relief. Matteis also explained that the continuous resolution extends the operations of the federal government to April 28. That will be key for completing the appropriations process. Other items in the water resources development act that are key to know are that there are going to be some short-term relief provisions built in, basically freeing of the water systems within the state.

Jim Parsons – gave a report on the meeting he attended for NAWG state presidents meeting. Parsons reported that the meeting was to get everyone on the same page on NAWG's propositions when they go talk to the different state representatives. Some states don't always say what NAWG is promoting at the national level, basically talking about the farm bill. Parsons stated that this meeting was put together by NAWG chairman Chandler Goule, and the meeting was to get all the state executives to think the same thing. Matteis added that there were so many conflicting viewpoints from the various states.

Matteis also reported that he would be attending the winter conference at the end of January for congressional hill visits, number one priority is always research and full funding thereof the federal level so that's our primary communication point. Conservation programs that are particularly beneficial to California farmers will also end up on our talking points. NAWG gets one day to for hill visits.

Matteis also reported on state updates, 11 bills that Matteis focused on, which 9 passed and 2 that failed. There are many others on the handout. Key items specific to agriculture that Matteis addresses were small budget allocated to study drought impact on agriculture of \$200,000 allocated to that effort and a companion bill that allocated 65 million, to CDFA's budget, 50 million would go to cow/gas from both ends, 7.5 million to healthy soils program, and 7.5 million to state water efficiency and enhancement programs. Matteis added that water is going to be all over the place on this report. Coalitions are working on setting up ground basin management entities so that the state water board does not take control of that. Everyone is working towards that goal so that agriculture continues to have a say in how that policy gets dictated. The new session started two days ago, its bee pretty quiet, will be looking at bills that are coming up to track. Some of the bills from last year will go over the ones that passed.

AB1066 – Matteis mentioned that we were fighting the bill, but it still passed. We were part of a large coalition that fought that bill, all talking points were geared towards the fact that many of the industry folks were paid overtime, the seasonality of the work makes sense to keep the exception which why it was in place and we lost.

AB197 continue to advance greenhouse emissions reductions to 80 percent low 1990 emission levels.

Farm and Rancher exceptions from the bi-annual inspection of terminals program that has to do with gross weight limits of 26 thousand pounds less that deals with farm to farm transfer.

AB2535 relevance to Ag. overtime bill indicates that an employer must only track hours of hourly employees and not exempt employees. There is a lot of work to get the details. There is still an issue regarding having the seventh day as a rest day.

AB2551 – Which is a Gallagher bill, alternative financial structures for surface storage products.

SB1234 – Require a creation of a savings account for workers.

A couple of Bills that failed AB1587, would have set up a grant program for 50 million dollars for water recharge projects. AB1611 would have made it a crime for converting a natural flow of a river stream, lake or river bed significantly if any entity would have done that.

Governor did issue a press release on continuing his conservation plan and better water plan for California. Which is more conservation, clean water guarantee? Also, Delta tunnel project that was proposed and that also failed.

DPR – Some of you may know there is a common period that ends on Friday, that deals with notifications and prohibition anywhere where children are concentrated. The provisions are 6 am to 6 pm no spray (Monday through Friday).

### CLOSED SESSION

A closed session was not necessary.

### FUTURE MEETING DATE

The next meeting of the California Wheat Commission will be Wednesday, April 12, 2017.

Meeting Adjourned at 03:45 PM.

Respectfully submitted,

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Isabel Alvarado, Operations Manager

Approved by the Board on \_\_\_\_\_, 2017

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Steven Windh, Chairman

California Wheat Commission				
Board Members and Term Dates				
District	Counties Included	Commissioner	Alternate	Current Term Expires
1	Del Norte, Humboldt, Lassen, Modoc, Plumas, Shasta, Sierra, Siskiyou, Trinity	Walker (2024)	Crawford (2024)	2018
2	Butte, Colusa, Glenn, Lake, Marin, Mendocino, Napa, Sonoma, Sutter, Tehama, Yolo, Yuba	Cruickshank (2025)	Hunn (2025)	2019
3	Amador, El Dorado, Placer, Nevada, Sacramento, Solano	E. Freese (2023)		2017
4	Alameda, Alpine, Calaveras, Contra Costa, Madera, Mariposa, Merced, Mono, San Joaquin, Stanislaus, Tuolumne	Pelucca (2027)	Scoto (2023)	2018
5	Monterey, San Benito, San Francisco San Luis Obispo, San Mateo, Santa Barbara, Santa Cruz, Santa Clara, Ventura			2017
6	Fresno	Schmidt (2025)		2019
7	Inyo, Kings, Tulare	Carlisle (2027)	Parsons (2027)	2018
8	Kern, Los Angeles, Riverside, San Bernardino	Elholm (2017)		2017
9	Imperial, Orange, San Diego	Rubin (2028)	Motter (2028)	2019
Handler 1	Elected statewide by all handlers.	Spurlock (2028)	Mezger (2028)	2019
Handler 2		Cope (2028)	Edgar (2028)	2019
At-Large Member	Recommended by CWC; appointed by CDFA.	Jackson (2022)	Jim Parsons (2028)	3/1/2019
Public Member	Recommended by CWC; appointed by CDFA.	Windh (2018)	Sidles (2024)	8/30/2018

Terms of each office are limited to four full 3-year terms. Year in parentheses is the year the board member will be termed out in their current position.

## HANDLER AUDIT POLICY

### **BACKGROUND:**

For FY 2012/13 and 2013/14, the Commission had a handler audit policy calling for four random handler audits (in the absence of any targeted audit); one chosen from the top eight handlers by volume, the other three from the whole list of handlers. When the new policy was adopted in December, 2011, it included language calling for a re-evaluation after two years based on audit findings and current circumstances.

In the first year, four random audits were performed by CDFA at a cost of \$4,000. The auditors covered a three year period to verify the correctness of assessments paid on hundredweights purchased. No significant discrepancies were found.

In the second year, four random audits were also performed. Three found no discrepancies while the fourth identified \$320 in underpayment. The cost was \$800 per audit.

In reviewing the handler audit file back to 2002, there are only three major findings. Two involved underpayment of ~ \$2,800 and \$10,350. The third found an overpayment of more than \$33,000, which the Commission repaid.

The assessment collection system seems to be working well. Isabel sends out Assessment Reports on a set schedule and follows up when they are late. Late payments are subject to fines and interest, so handlers have an incentive to report in a timely manner.

At the end of the year, handlers are required to provide grower lists with tonnage and assessments; these lists are checked against the reports received.

### **RECOMMENDATION:**

For FY14/15, the Commission accepted a staff recommendation that two audits be performed, with priority given to any targeted audits. As the year progressed, with no targeted audit apparent and assessments as low as predicted, staff consulted with the Chairman and recommended that no audits be done. He accepted this recommendation.

For FY 15/16, the Commission conducted one targeted audit on February 4, 2016 and found that assessments were underpaid by \$10,073.04. CWC will add penalties and interest to the unpaid balance. The CWC has had difficulties contacting the handler and is trying to finalize this audit. The ED will continue collection efforts moving into the 2016/17 FY.

Updates: As of August 15, 2016, the targeted audit has not been finalized. Updates and recommendations will be made at the September 7, 2016 Board Meeting.

For FY 16/17, with budget still constrained, staff recommends no handler audit be performed unless the need for a targeted audit is identified. If that occurs, CDFA will be contacted and a Budget Change Proposal presented at the next Commission meeting as needed. Handler audit expenses are included in 508: Professional Services. Targeted audit performed on February 4, 2016 rolled over into FY 16/17. Due to recommendations from CDFA, two audits were performed for FY16/17. This policy should be reviewed at the April, 2017 meeting.

## Handler Audits

**Handler audit policy was approved with a sunset provision calling on Commission to re-evaluate its policy in August 2011.**

### **Background:**

A motion was made at the **August 2006** CWC meeting to “implement a policy to have random handler audits”. The motion included “a 5-yr sunset provision to re-evaluate the policy. An additional amendment required “that staff work with the audit committee to come up with a formal policy on handler audits to be presented to the board”.

#8: MOTION WAS MADE BY ANNE CHADWICK AND SECONDED BY MICHAEL EDGAR TO IMPLEMENT A POLICY TO HAVE RANDOM HANDLER AUDITS.

LARRY GILBERT OFFERED A FRIENDLY AMENDMENT TO INCLUDE A 5-YR SUNSET PROVISION TO RE-EVALUATE THE POLICY. (CHADWICK ACCEPTED THE AMENDMENT.)

BILL PLOURD FURTHER OFFERED AN AMENDMENT THAT THE STAFF WORK WITH THE AUDIT COMMITTEE TO COME UP WITH A FORMAL POLICY ON HANDLER AUDITS TO BE PRESENTED TO THE BOARD. (CHADWICK ACCEPTED THE AMENDMENT.)

MOTION CARRIED.

Excerpt from January 10, 2007 meeting:

#3 MOTION WAS MADE BY MIKE BOURIS AND SECONDED BY CHUCK DARWAY TO IMPLEMENT A POLICY OF ANNUAL CONFIDENTIAL RANDOM HANDLER AUDITS FOR HANDLERS WITH GREATER THAN \$1,000 IN ANNUAL ASSESSMENTS. RANDOM AUDITS WOULD ONLY OCCUR IN YEARS WHEN NO “TARGETED” AUDIT IS PERFORMED. HANDLERS WOULD BE RANDOMLY CHOSEN AT THE END OF EACH FISCAL YEAR. THE POLICY WOULD HAVE A 5-YEAR SUNSET CLAUSE.

MOTION CARRIED.

### **History of handler audits since the policy took effect in August 2006:**

2007/08: No audits due to change in auditor staffing at CDFa. Moved to 2008.

2008/09: Targeted audit

2009/10: Targeted audit

2010/11: No handler audit. CDFa requested only targeted audits be submitted due to overflow of work.

2011/12: Random audit

2012/13: four random audits

2013/14: four random audits

2014/15: No handler audit. As the year progressed, with no targeted audit apparent and assessments as low as predicted, staff consulted with the Chairman and recommended that no audits be done. He accepted this recommendation.

2015/16: At the April meeting, Staff recommended no handler audit be performed unless the need for a targeted audit is identified. The need for a targeted audit was identified. CDFA performed that audit on February 4, 2016. Handler audit expenses are included in 508: Professional Services.

2016/17: with budget still constrained, staff recommends no handler audit be performed unless the need for a targeted audit is identified. If that occurs, CDFA will be contacted and a Budget Change Proposal presented at the next Commission meeting as needed. Handler audit expenses are included in 508: Professional Services.

Targeted audit performed on February 4, 2016 rolled over into FY 16/17.

Due to recommendations from CDFA, two audits were performed for FY16/17.

**CALIFORNIA WHEAT COMMISSION  
ASSESSMENT COLLECTION PROCEDURES**

Pursuant to California Food and Agricultural Code Section 72081, the Commission hereby adopts the following procedures:

1. The commission shall, not later than April 30 of each year, establish the assessment for the following year beginning May 1 and ending April 30. In no event shall the combined assessment of the Commission and any other state authorized wheat production research and market program exceed 1 percent of the gross dollar value of the year's sale of wheat by all producers to handlers.
2. "Handler" means any person who engages in the operation of selling, marketing, or distributing wheat which he or she has produced, purchased, or acquired from a producer, or which he or she is marketing on behalf of a producer, whether as owner, agent, employee, broker, or otherwise. All other definitions contained in Commission law (California Food and Agricultural Code Sections 72001 et seq.) shall apply to these procedures.
3. Every handler of wheat shall keep a complete and accurate record of all wheat received and the name of the producer whose wheat was shipped. The records shall be in simple form and contain such information as the Commission shall prescribe. The records shall be preserved by the handler for a period of two years and shall be offered and submitted for inspection at any reasonable time upon written demand of the Commission or its duly authorized agent.
4. Assessments are levied upon the producer of wheat. The handler first handling the wheat shall deduct the assessments from amounts paid to the producer. The handler shall be a trustee of the funds until they are paid to the Commission.
5. Assessments are the personal debt of every producer assessed. Every handler shall also be personally liable for the payment of the collected assessments, and failure of the handler to collect the assessment from any producer shall not exempt any handler from liability for payment of the assessment.
6. Pursuant to Food and Agricultural Code Section 72108, any producer or handler who fails to file a return or pay any assessment within the time required by the Commission shall pay to the Commission a penalty of 10 percent of the amount of such assessment determined to be due and, in addition, shall pay 1.5% interest per month on the unpaid balance.
7. The Commission will contact on an annual basis all known handlers who purchase California wheat regarding the handlers' obligations under Commission law, and shall provide each handler with a copy of these procedures. The Commission will also inform the handlers of the assessment rate for the coming fiscal year.
8. Assessment report forms will be mailed or emailed to each handler monthly or quarterly, or more frequently if determined necessary by the Commission.
9. The producer assessment shall be deducted by handlers from the payments to producers for wheat produced in California. Once deducted, the handler holds the producer assessments in trust for

the benefit of the Commission until remitted as follows. An assessment report and the assessment payment shall be remitted to the Commission by handlers on or before the 10<sup>th</sup> day of the month following the close of the reporting period.

10. A handler who has not provided the required assessment reports and/or payment by the due date will be sent a “friendly reminder” via facsimile or email within ten (10) business days after the due date (“first notice”) reminding the handler to provide the reports and/or payment, and notifying them that a 10% penalty will attach and interest will begin to accrue on the first day of the next month if reports and/or payments are not received by the last day of the month in which the report/assessments are due.

11. A handler who fails to respond to the Commission’s first notice will be sent a second notice by the Commission via certified mail, return receipt requested (or express mail service for which delivery can be confirmed) in which the Commission demands reports and/or payments from the handler by a date not more than 15 days from the date of the second notice. The second notice will notify the handler that the 10% penalty has attached, interest is accruing at the rate of 1.5% per month, and failure to respond to the second notice will result in referral of the matter to the Commission’s legal counsel.

12. Matters referred to legal counsel will result in a Notice of Intent to Take Action letter being sent by legal counsel to the handler via certified mail or express mail service, which gives the handler at least 15 days from the date of the Notice in which to provide reports and/or pay assessments, as applicable.

13. If no satisfactory response is received from the handler by the deadline in legal counsel’s Notice, a summons and complaint will be drafted by legal counsel and filed with the appropriate Superior Court in the county where the Commission’s principal office is located. Once filed, the complaint will be served on the handler by a process server.

14. The handler has 30 days after service of the complaint in which to respond.

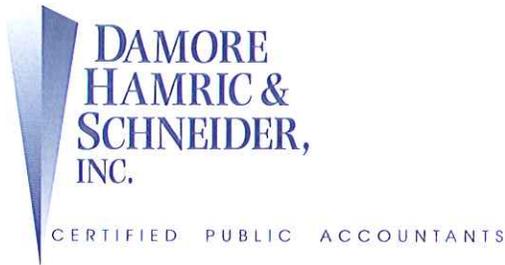
15. Prior to the filing of a civil complaint in Superior Court, Commission staff and legal counsel shall maintain the identity of a delinquent handler in confidence. Commission staff and legal counsel may report to the Commission at any time regarding the status of collections, but prior to filing a complaint, such reports shall be made without using the name of the handler or other information which would allow commissioners to determine the identity of the delinquent handler.

16. If the handler responds to the complaint, it will take approximately one to three years to reach trial. During that time, all reasonable efforts will be made to settle the litigation.

17. If the handler does not respond to the complaint, a request for entry of default will be filed with the court.

18. Upon a favorable judgment for the Commission, the Commission shall be entitled to recover its reasonable attorneys’ fees and other related costs.

19. Once a judgment is obtained by trial or default, collection and enforcement efforts will begin.



March 4, 2017

To the Board of Directors  
Claudia Carter- Executive Director  
California Wheat Commission  
1240 Commerce Avenue, Suite A  
Woodland, CA 95776-5923

We are pleased to confirm our understanding of the terms of our engagement and the nature and limitations of the services we are to provide for California Wheat Commission.

We will apply the agreed-upon procedures listed in the attached schedule that were specified and agreed to by the management of California Wheat Commission and the State of California Department of Food and Agriculture Marketing Branch to assist California Wheat Commission in meeting the compliance requirements set forth by the California Food and Agricultural Code for the year ending April 30, 2017. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures performed or to be performed is solely the responsibility of those parties specified in the report and we will require an acknowledgment in writing of that responsibility. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

Because the agreed-upon procedures listed in the attached schedule do not constitute an examination or review, we will not express an opinion or conclusion on California Wheat Commission's financial statements or any elements, accounts, or items thereof. In addition, we have no obligation to perform any procedures beyond those listed in the attached schedule.

We will issue a written report upon completion of our engagement that lists the procedures performed and our findings. Our report will be addressed to California Wheat Commission and the State of California Department of Food and Agriculture Marketing Branch. If, for any reason, we are unable to complete any of the procedures, we will describe in our report any restrictions on the performance of the procedures, or not issue a report and withdraw from this engagement. You understand that the report is intended solely for the information and use California Wheat Commission and the State of California Department of Food and Agriculture

Marketing Branch, and should not be used by anyone other than these specified parties. Our report will contain a paragraph indication that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

An agreed-upon procedures engagement is not designed to detect instances of fraud or noncompliance with laws or regulations; however, we will communicate to you any known and suspected fraud and noncompliance with laws or regulations affecting the procedures listed in the attached schedule that come to our attention. In addition, if, in connection with this engagement, matters come to our attention that contradict the procedures listed in the attached schedule, we will disclose those matters in our report. Such disclosures, if any, may not necessarily include all matters that might have come to our attention had we performed additional procedures or an examination or review.

You are responsible for the presentation of California Wheat Commission's financial statements or any elements, accounts or items thereof in accordance with the requirements set forth by the California Food and Agricultural Code; and for selecting the criteria and procedures and determining that such criteria and procedures are appropriate for your purposes. You are also responsible for, and agree to provide us with a written assertion about the procedures listed in the attached schedule. In addition, you are responsible for providing (1) access to all information of which you are aware that is relevant to the performance of the agreed-upon procedures on the subject matter, (2) additional information that we may request for the purpose of performing the agreed-upon procedures, and (3) unrestricted access to persons within the Commission from whom we determine it necessary to obtain evidence relating to performing those procedures.

Ronald Ley is the engagement partner and responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

We plan to begin our procedures on approximately June 19, 2017 and, unless unforeseeable problems are encountered, the engagement should be completed by August 2017. At the conclusion of our engagement, we will require certain written representations in the term of a representation letter from management that, among other things, will confirm management's responsibility for the presentation of California Wheat Commission's financial statements or any elements, accounts or items thereof in accordance with the requirements set forth by the California Food and Agricultural Code.

We estimate that our fees for these services will range from \$1,500 to \$2,000. You will also be billed for travel and other out of pocket costs such as report production, word processing, postage, etc. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoice is payable on presentation.

We appreciate the opportunity to assist you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign one copy of the letter and return it to us. If the need for additional services arises, our agreement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter. If additional specified parties of the report are added, we will require that they acknowledge in writing their responsibility for the sufficiency of procedures.



DAMORE, HAMRIC & SCHNEIDER, INC.  
Certified Public Accountants

RESPONSE:

This letter correctly sets forth the understanding of California Wheat Commission.

By: \_\_\_\_\_

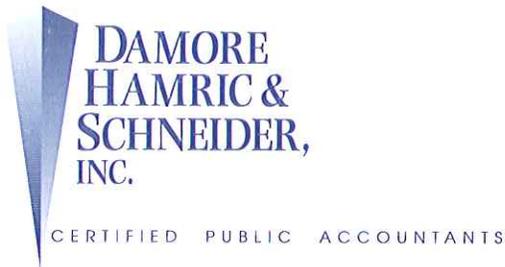
Title: \_\_\_\_\_

Date: \_\_\_\_\_

ATTACHMENT

The procedures to be performed are as follows:

1. In order to review compliance with California Department of Food & Agriculture (CDFA) Accounting Guidelines and General Rules and the Commission's internal policies and procedures for the period of May 1, 2016 – April 30, 2017:
  - a. We will select a sample of all travel, lodging, meals, and entertainment expense accounts.
  - b. We will determine if the Commission was properly reporting employee vehicle use and tax by:
    - i. Ensuring that employees using Commission-owned vehicles followed the Commission's automobile policy, if any.
    - ii. Review the vehicle use calculation and agreeing the amount to employee's form W-2, if applicable.
  - c. We will determine if any inappropriate financial transactions were occurring between the Commission and the related entities by:
    - i. Reviewing all financial transactions between the Commission and related entities to determine if they met the requirements of the Memorandum of Understanding applicable to the period. We will then select transactions and contracts for testing.
  - d. We will select a sample of all contracts.
2. In order to assess the Commission's current internal control structure, we identified key controls of each cycle listed below and as described in the *CDFA Accounting Guidelines and General Rules*, and will compare the key controls to the Commission's current internal control procedures as documented in the Commission's Accounting Policies and Procedures Manual. We will also perform a verification of each key control by selecting a sample item to confirm the process.
  - a. General ledger and bank reconciliation oversight
  - b. Safety of property
  - c. Cash receipts
  - d. Accounts receivable
  - e. Cash disbursements
  - f. Travel, lodging, and meals



March 4, 2017

To the Board of Directors  
Claudia Carter- Executive Director  
California Wheat Commission  
1240 Commerce Avenue, Suite A  
Woodland, CA 95776-5923

We are pleased to confirm our understanding of the services we are to provide for California Wheat Commission for the year ended April 30, 2017.

We will audit the financial statement of California Wheat Commission which comprise the statements of net position as of April 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position, and statements of cash flows for the years then ended, and the related notes to the financial statements. Also, the following supplementary information accompanying the financial statements will be subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole:

1. Schedules of General and Administrative Expenses

### **Audit Objective**

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our audit of California Wheat Commission's financial statements. Our report will be addressed to the Board of Directors and Senior Management of California Wheat Commission. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we

are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or withdraw from this engagement.

### **Audit Procedures**

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect

the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

### **Other Services**

We will prepare the financial statements of the California Wheat Commission in conformity with U.S. generally accepted accounting principles based on information provided by you.

We will perform the services in accordance with applicable professional standards issued by the American Institute of Certified Public Accountants. The other services are limited to the financial statement previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

### **Management Responsibilities**

You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles. You are also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the company from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the Company complies with applicable laws and regulations. You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting

principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon.

You agree to assume all management responsibilities for the financial statement preparation services, and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

**Engagement Administration, Fees, and Other**

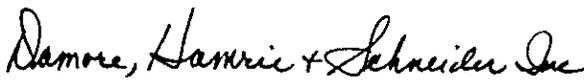
We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

Ronald Ley is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. We expect to begin our audit on June 19, 2017.

We estimate that our fees for these services will be \$8,000. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will keep you informed of any problems we encounter and our fees will be adjusted accordingly. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

  
DAMORE, HAMRIC & SCHNEIDER, INC.  
Certified Public Accountants

RESPONSE:

This letter correctly sets forth the understanding of California Wheat Commission.

Officer signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**California Wheat Commission  
Year-End Checklist  
For the Year Ended April 30, 2017**

Please provide us with the following items at the time of our initial visit or the start of our field work, unless otherwise noted:

1. FY 2015/16 QuickBooks file- Please upload to Smartvault 3 weeks prior to our scheduled fieldwork for sample selection
2. Prepared Confirmation letters for all assessments, cash accounts, investment accounts, and legal - Please provide by May 8, 2017. DHS will provide the templates
3. A copy of each budget and amendment adopted for the period under audit.
4. A list of members of management and the governing body.
5. A copy of the minutes of each meeting of the governing body held during the period under audit.
6. The chart of accounts and accounting manual.
7. Listing of manual journal entries for the period May 1, 2016 through April 30, 2017.- Please upload to Smartvault 1 week prior to our scheduled fieldwork for sample selection
8. Bank reconciliations – April 30, 2017 bank reconciliations for each bank account. Provide access to the April 30, 2017 and May 31, 2017 bank statements.
  - Additional Bank reconciliations for July 2016 and January 2017
9. A list of investments at the end of the current period and the corresponding statements.
10. Listing of any prepaid expenses.
11. Year-end fixed asset listings reconciled to the general ledger, in excel format- Please upload to Smartvault 1 week prior to our scheduled fieldwork
12. Schedule of Accounts Payable
13. Check registers – May 1, 2017 through current date, in excel format- Please upload to Smartvault 1 week prior to our scheduled fieldwork for sample selection

14. Schedule of any accruals.
15. Compensated absences schedule, in excel format.
16. A schedule of all insurance policies showing the names of companies, type of coverage, inclusive dates of coverage, and total cost per policy.
17. All reconciliations of payrolls for pay periods in the period under audit.
18. All contracts and agreements entered into by the governmental unit, including debt agreements and lease agreements.
19. Listing of all contracts in excel format.
20. Year end reconciliation of the accounts receivable subsidiary ledgers to the control total on the general ledger.
21. Comprehensive general ledger printout (electronically).
22. Internal control transactions flows updated for the current audit year- DHS will provide prior year's templates for update
23. Listing of employees including permanent and temporary.
24. Payroll registers for the following payroll periods: 7/31/16, 10/15/16, 1/31/17, 4/30/17 - Please upload to Smartvault 3 weeks prior to our scheduled fieldwork for sample selection
25. FY 15-16 Assessment Ranking Spreadsheet, in excel format.

**LICENSE AGREEMENT FOR USE OF “DESERT DURUM” DESIGNATION**

THIS LICENSE AGREEMENT (hereinafter referred to as “Agreement”) is effective the \_\_\_\_\_ day of \_\_\_\_\_, 201\_\_\_\_, by and between the ARIZONA GRAIN RESEARCH AND PROMOTION COUNCIL, an Arizona agency located in Phoenix, Arizona, and the CALIFORNIA WHEAT COMMISSION, a California state government agency located in Woodland, California (hereinafter jointly referred to as “Licensors”) and \_\_\_\_\_ (*insert name of business using the mark*), a \_\_\_\_\_ (*insert type of business*) (hereinafter referred to as “Licensee”).

**RECITALS**

WHEREAS, Licensors are the owners of the certification mark “DESERT DURUM” which is duly registered with the United States Patent and Trademark Office (PTO). As a certification mark, “Desert Durum” can only be used on wheat which meets the standards adopted by Licensors. The standards applicable to the Desert Durum certification mark are set forth in **Attachment A** to this Agreement, attached hereto and incorporated herein by this reference.

WHEREAS, Licensors desires to grant a nonexclusive revocable license to Licensee during the term of this Agreement for the right to use the Desert Durum mark, and Licensee desires to receive said license from Licensors.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein and for other good and valuable consideration, the parties hereto agree as follows:

1. License. Licensors hereby grant to Licensee a nonexclusive revocable right to use the Desert Durum mark on Licensee’s wheat so long as the wheat meets the standards set forth in Attachment A and for no other purpose.

Licensee acknowledges and agrees that all goodwill developed in connection with the use of the mark is for the benefit of the Licensors. Licensee understands and agrees that Licensee has no right to sub-license the mark to any other individual or entity.

2. Registration of Mark. The mark is registered with the United States Patent and Trademark Office. Licensee hereby agrees that it shall not, at any time during the term of this Agreement or any extension thereof, or at any time subsequent to termination of this Agreement, file with the United States Patent and Trademark Office or the State of Arizona, the State of California, or any other state or country (including through the Madrid Protocol), an application for registration of the mark, or any type of trademark, service mark, certification mark, trade name, or the like, which in any way utilizes the mark or any portion

thereof. Additionally, Licensee hereby acknowledges and agrees that this License Agreement does not provide Licensee with any type of ownership interest in the mark, but provides Licensee with only the use of the mark as described herein until termination of this Agreement. Licensee hereby waives any and all possible rights to ownership or use of the mark other than as specifically provided in this Agreement.

3. Quality Control/Audit.

Licensee acknowledges the high standards established by Licensors with respect to the mark. Licensee agrees that its use of the mark shall be of such quality, style and appearance so as to maintain the high standards of Licensors. At the commencement of this Agreement, and at the beginning of each subsequent year during the term of the Agreement, Licensee shall provide Licensors with samples or photographs of items/containers bearing the mark if Licensor so requests.

In addition, Licensee agrees as a condition of using the mark that Licensors, or either of them or their representatives, may audit Licensee's use of the mark, including but not necessarily limited to random sampling or testing of wheat sold under the mark, to ensure that the standards in Attachment A are met. Such random sampling or testing may occur with or without prior notice to Licensee.

4. Royalties. So long as Licensee is not in breach of this Agreement, Licensee shall not pay a royalty for use of the mark.

If Licensee is in breach of this Agreement at any time, Licensors may (in their sole discretion) terminate this Agreement pursuant to paragraph 5 below or, in the alternative, establish a royalty amount and Licensee hereby agrees to pay the same or terminate the agreement and cease using the mark.

5. Term/Termination. The term of this Agreement shall commence on the day and in the year first set forth above, and shall continue until terminated by one of the parties as described below.

Either Licensors or Licensee shall have the right to terminate this Agreement at any time, with or without cause, by providing the other party with at least thirty (30) days prior written notice of such termination. Upon receipt of notice of termination by Licensee from Licensors, Licensee shall immediately take all steps necessary to discontinue the production of items which have the mark printed thereon.

If termination is by Licensors without cause, Licensee may continue to utilize the remaining items which it has purchased with the mark thereon, in which case this Agreement will not terminate until the date of Licensee's last use of the mark or within 60 days of receipt of notice of termination, whichever is earlier. If Licensee elects not to use remaining items which have the mark printed thereon, then this Agreement shall terminate thirty (30) days from the date of Licensee's receipt of Licensors' notice of termination.

If termination by Licensors is *with* cause, Licensors may require that Licensee discontinue use of the mark immediately, at Licensors' sole discretion.

If Licensee terminates the Agreement, with or without cause, the Agreement shall terminate thirty (30) days from Licensors' receipt of notice of termination regardless of whether or not Licensee still has items with the mark printed thereon, and Licensee shall have no right to continue using the remaining items/materials past the end of the 30-day notice period.

6. Indemnification. Licensee agrees to indemnify, defend, and hold Licensors and Licensors' past, present and future officers, directors, employees and agents, and the property of Licensors, harmless from any and all liability, loss, damages, attorney's fees and other expenses which Licensors or its officers, directors, employees or agents may sustain or incur as a consequence of Licensee's use of the mark.

7. Breach. The use by Licensee of the mark for the sale or promotion of wheat not meeting the standards in Attachment A shall constitute a material breach of the Agreement. The failure or refusal of Licensee to permit Licensors or their respective agents or representatives, at all reasonable times, to inspect, sample or test Licensee's use of the mark shall also constitute a material breach of the Agreement. Other acts or omissions by Licensee, not expressly identified herein, may also constitute a material breach of the Agreement.

8. Civil Actions. Licensors may commence civil actions and utilize all remedies provided in law or equity for the enforcement of the terms of the Agreement, and for the obtaining of injunctive relief or specific performance, with respect to the covenants, terms and conditions of this Agreement.

9. Liquidated Damages. In the event of a material breach of this Agreement by Licensee, it is and will be impracticable and extremely difficult to fix the actual damages to Licensors by reason of Licensee's breach. Therefore, the parties to this Agreement fix the following as liquidated damages that Licensee agrees to pay to Licensors for each material breach of this Agreement by Licensee: \$10,000.00

This sum represents a reasonable approximation of the damages that are likely to result to Licensors from each material breach of this Agreement.

10. Waiver of Breach. The waiver by Licensors of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant, or condition, or any subsequent breach of the same or any other term, covenant, or condition of this Agreement. The subsequent granting of a license hereunder by Licensors shall not be deemed to be a waiver of any prior occurring breach by Licensee of any term, covenant, or condition of this Agreement.

11. Attorneys' Fees/Venue. If an action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs in addition to any other reasonable relief to which it may be entitled. With respect to any suit, action or proceeding arising out of or related to this Agreement, or the documentation related hereto, the parties hereby submit to the jurisdiction and venue of the appropriate court in either the County of Maricopa, State of Arizona, or the County of Sacramento, State of California, for any proceeding arising hereunder.

12. Sole and Only Agreement. This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to their rights and obligations for the licensing of the mark and contains all of the covenants and agreements between the parties with regards thereto. Each party to this Agreement acknowledges that no representations, inducements, promises, or agreements, orally or in writing have been made by any party or anyone acting on behalf of any party which are not embodied in this Agreement and no other agreement, statement or promises shall be valid or binding.

13. Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall nevertheless continue in full force and effect without being impaired or invalidated in any way.

14. Governing Law. This Agreement shall be construed and governed pursuant to the laws of the State of Arizona if the proceeding is in Arizona, and pursuant to the laws of the State of California if the proceeding is in California.

*[signatures on next page]*

IN WITNESS WHEREOF, the parties have executed this Agreement effective on the day and in the year first set forth above.

LICENSOR: (Only one of the following two entities must sign as Licensor)

ARIZONA GRAIN RESEARCH AND PROMOTION COUNCIL

By: \_\_\_\_\_  
Signature of Chairman

\_\_\_\_\_  
Print name of Chairman

OR

CALIFORNIA WHEAT COMMISSION

By: \_\_\_\_\_  
Claudia Carter, Executive Director

LICENSEE: \_\_\_\_\_  
Print name of Licensee

\_\_\_\_\_  
Signature of Licensee or Licensee's authorized representative

\_\_\_\_\_  
Print name of signatory

\_\_\_\_\_  
Address of Licensee

\_\_\_\_\_  
Telephone number of Licensee

\_\_\_\_\_  
Email address of Licensee

## **ATTACHMENT A**

Standards to qualify as “Desert Durum” wheat (adopted by the Licensors on April 10, 2012):

1. Desert Durum wheat grain must have been produced under irrigation in the desert valleys and lowlands of Arizona or California;
2. Such wheat must constitute at least 90% of the weight of a designated lot or cargo for it to be called Desert Durum.

# United States of America

United States Patent and Trademark Office

## Desert Durum

**Reg. No. 4,976,449**

**Registered June 14, 2016**

**CERTIFICATION MARK**

**PRINCIPAL REGISTER**

CALIFORNIA WHEAT COMMISSION (CALIFORNIA STATE AGENCY)  
1240 COMMERCE AVENUE, SUITE A  
WOODLAND, CA 95776 AND

ARIZONA GRAIN RESEARCH AND PROMOTION COUNCIL (ARIZONA STATE AGENCY)  
1688 W. ADAMS STREET  
PHOENIX, AZ 85007

FOR: WHEAT GRAIN AND THE SEEDS PRODUCING SUCH GRAIN , IN CLASS A (U.S. CL. A).

FIRST USE 0-0-2012; IN COMMERCE 5-4-2015.

THE MARK CONSISTS OF STANDARD CHARACTERS WITHOUT CLAIM TO ANY PARTICULAR FONT, STYLE, SIZE, OR COLOR.

OWNER OF U.S. REG. NO. 2,238,997.

NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "DURUM", APART FROM THE MARK AS SHOWN.

THE CERTIFICATION MARK, AS USED OR INTENDED TO BE USED BY PERSONS AUTHORIZED BY THE CERTIFIER, CERTIFIES OR IS INTENDED TO CERTIFY THAT THE GOODS PROVIDED ARE AT LEAST 90% WHEAT GRAIN PRODUCED UNDER IRRIGATION IN THE DESERT VALLEYS AND LOWLANDS OF ARIZONA OR CALIFORNIA.

SER. NO. 86-637,780, FILED 5-21-2015.

TIMOTHY O. SCHIMPF, EXAMINING ATTORNEY



*Michelle K. Lee*  
Director of the United States  
Patent and Trademark Office

March 09, 2017

Mr. Steve Windh, Chairman  
California Wheat Commission  
1240 Commerce Avenue Suite A, Woodland, CA 95776

Dear Mr. Windh,

El Toro Export, LLC would like to request permission to use the registered certification mark "Desert Durum®", which is co-owned by Arizona Grain Research and Promotion Council (AGRPC) and the California Wheat Commission (CWC), in El Toro Export, LLC's operations as the mark is officially registered and described with the U.S. Patent and Trademark Office.

Please feel free to contact me if you have questions about this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'W. Plourd', with a large, sweeping flourish at the end.

William R Plourd  
President

cc:

March 20, 2017

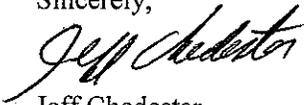
Mr. Steve Windh, Chairman  
California Wheat Commission  
1240 Commerce Avenue Suite A, Woodland, CA 95776

Dear Mr. Windh,

Western Milling, LLC would like to request permission to use the registered certification mark "Desert Durum®", which is co-owned by Arizona Grain Research and Promotion Council (AGRPC) and the California Wheat Commission (CWC), in Western Milling's operations as the mark is officially registered and described with the U.S. Patent and Trademark Office.

Please feel free to contact me if you have questions about this matter.

Sincerely,



Jeff Chedester  
Seed Business Manager  
Western Milling, LLC  
[jchedester@westernmilling.com](mailto:jchedester@westernmilling.com)  
(559) 978-0725

# Jason Nearn

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2691 S. Cedar Ave. Fresno, CA 93725 | 559-285-7636 | jnearn@penny-newman.com

4/3/2017

Mr. Steve Windh,  
Chairman  
California Wheat Commission  
1240 Commerce Ave. Suite A, Woodland, CA 95776

**Dear Mr. Steve Windh, :**

Penny-Newman Grain would like to request permission to use the registered certification mark "Desert Durum", which is co-owned by Arizona Grain Research and Promotion Council (AGRPC) and the California Wheat Commission, in Penny-Newman's operations as the mark is officially registered and described with the U.S. Patent and Trademark Office.

Please feel free to contact me if you have questions about this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Jason Nearn", with a long horizontal flourish extending to the right.

Jason Nearn

**CALIFORNIA WHEAT COMMISSION**  
**FY 16/17 Income / Expense as of 3/31/17**

	FY 2015/16 ACTUAL \$.075/cwt	FY 2016/17 APPROVED 9/7/2016 \$.075/cwt	FY 2016/17 92% of FY (as of 03/31/17) \$.075/cwt	% of Budget	FY 2016/17 PROJECTED End of FY 16/17 \$.075/cwt
<b>INCOME:</b>					
401. ASSESSMENTS	\$852,860	\$600,000	\$743,100	124%	\$755,000
402. INTEREST	\$3,671	\$4,000	\$3,319	83%	\$3,500
403. OTHER INCOME	\$166	\$100	\$106	106%	\$106
407. LABORATORY					
CROP QUALITY	\$9,418	\$10,000	\$6,635	66%	\$6,635
LABORATORY ANALYSIS (+Training)	\$65,584	\$70,000	\$84,694	121%	\$90,000
405. REFUNDS	(\$2,167)	(\$7,000)	\$0	0%	\$0
<b>TOTAL INCOME</b>	<b>\$929,533</b>	<b>\$677,100</b>	<b>\$837,854</b>	<b>124%</b>	<b>\$855,241</b>
<b>EXPENSES:</b>					
<b>GENERAL &amp; ADMINISTRATIVE</b>					
501. SALARIES	\$184,865	\$203,490	\$157,268	77%	\$176,000
502. STAFF EXPENSE	\$1,942	\$6,000	\$2,772	46%	\$3,500
503. OFFICE EXPENSE	\$6,176	\$10,000	\$8,248	82%	\$9,000
504. OFFICE SERVICES	\$9,471	\$8,500	\$8,185	96%	\$9,300
506. INSURANCE	\$15,555	\$15,800	\$11,159	71%	\$12,100
508. PROFESSIONAL SERVICES	\$47,292	\$27,500	\$16,679	61%	\$20,000
509. CDFA	\$13,356	\$16,000	\$15,385	96%	\$17,000
513. COMM MTGS	\$4,107	\$6,182	\$3,307	53%	\$5,500
516. CONDOMINIUM FEES	\$3,557	\$4,100	\$4,047	99%	\$4,047
<b>TOTAL G&amp;A EXPENSES</b>	<b>\$286,322</b>	<b>\$297,572</b>	<b>\$227,049</b>	<b>76%</b>	<b>\$256,447</b>
<b>RESEARCH</b>					
601. RESEARCH CONTRACTS	\$344,586	\$310,000	\$284,275	92%	\$310,000

**CALIFORNIA WHEAT COMMISSION**  
**FY 16/17 Income / Expense as of 3/31/17**

	FY 2015/16 ACTUAL \$.075/cwt	FY 2016/17 APPROVED 9/7/2016 \$.075/cwt	FY 2016/17 92% of FY (as of 03/31/17) \$.075/cwt	% of Budget	FY 2016/17 PROJECTED End of FY 16/17 \$.075/cwt
<b>MARKET DEVELOPMENT/OUTREACH</b>					
505. INFORMATION/MEMBERSHIP	\$2,881	\$3,600	\$3,404	95%	\$3,550
510. CAWG CONTRACT	\$18,000	\$18,000	\$18,000	100%	\$18,000
512. COMM EXPENSE	\$2,971	\$8,000	\$6,350	79%	\$7,000
600. TECHNICAL SERVICES	\$3,448	\$5,000	\$3,269	65%	\$3,269
602. PUBLICATIONS	\$0	\$1,000	\$700	70%	\$700
603. TRADE TEAMS	\$1,073	\$2,000	\$815	41%	\$815
604. MARKET DEVELOPMENT	\$2,034	\$15,000	\$13,009	87%	\$14,000
605. USWA	\$44,913	\$24,950	\$25,638	103%	\$25,638
621. WHEAT VARIETY SURVEY	\$0	\$4,000	\$3,936	98%	\$3,936
624. OUTREACH	\$3,512	\$15,000	\$12,096	81%	\$14,000
<b>TOTAL MARKET DEVELOPMENT</b>	<b>\$78,832</b>	<b>\$96,550</b>	<b>\$87,217</b>	<b>90%</b>	<b>\$90,908</b>
<b>LABORATORY</b>					
617. LABORATORY					
SALARIES	\$168,799	\$135,638	\$124,200	92%	\$135,638
OPERATING EXPENSE	\$34,759	\$51,100	\$37,414	73%	\$39,000
<b>TOTAL LAB</b>	<b>\$203,557</b>	<b>\$186,738</b>	<b>\$161,614</b>	<b>87%</b>	<b>\$174,638</b>
<b>OTHER</b>					
626. CAPITAL EXPENSE	\$357				
OFFICE	\$0	\$1,000	\$0	0%	\$0
LABORATORY	\$0	\$2,500	\$0	0%	\$2,000
<b>TOTAL CAPITAL EXPENSE</b>	<b>\$0</b>	<b>\$3,500</b>	<b>\$0</b>	<b>0%</b>	<b>\$2,000</b>
526. Reimbursed Expenses	473		(\$473)		
524. Depreciation Expenses	\$16,764				\$20,000
<b>TOTAL EXPENSES</b>	<b>\$930,891</b>	<b>\$894,360</b>	<b>\$759,682</b>	<b>85%</b>	<b>\$853,993</b>
<b>NET INCOME</b>	<b>(\$1,358)</b>	<b>(\$217,260)</b>	<b>\$78,172</b>	<b>-36%</b>	<b>\$1,248</b>

Lab services for Research for FY 16/17 (not billed) \$ 91,555

**Changes In Net position:**

Net Position, Beginning of Year	\$838,853	\$821,628	\$821,628
Net Position, End of Year	\$821,628	\$604,368	\$822,876

**California Wheat Commission**  
**Cash Flow Statement**  
**5/1/2016 to 3/31/2017**

**NET INCOME/EXPENSE** \$ 78,172.49

Adjustments to reconcile Net Income  
to net cash provided:

**By Operations:**

Assessments Receivable	\$ 43,755.27
Customer Invoices (receivables)	\$ (1,403.15)
Prepaid Contracts	\$ (25,146.00)
Prepaid Expenses	\$ 2,321.60
Accounts Payable	\$ (29,188.26)

**NET CASH INCREASE/DECREASE AS OF 3/31/17** \$ 68,511.95

(Net Income +/- adjustments)

The Cash Flow Statement accounts for actual cash flows in and out of CWC. If income or an expenditure is not accounted for on the *current* FY Income/Expense report, then adjustments are made on the Cash Flow Statement to account for changes in cash position.

**BEGINNING CASH (as of 5/01/2016)**

Edward Jones CD	\$ 450,000.00
Edward Jones MM	\$ 7,815.56
RVCTY-MM	\$ 153,038.47
Tri Counties Bank MM	\$ 161,178.20
Tri Counties Bank Checking	\$ 49,595.56

**TOTAL OF BEGINNING CASH** \$821,627.79

**TOTAL CASH as of 11/30/2016** \$ 890,139.74

(Net cash provided by activities + beginning cash)

**CASH ON HAND (as of 3/31/2017)**

Edward Jones CD	\$ 560,000.00
Edward Jones MM	\$ 636.61
RVCTY-MM	\$ 153,229.37
Tri Counties Bank MM	\$ 170,337.91
Tri Counties Bank Checking	\$ 5,935.85

**TOTAL CASH AND BANK ACCOUNTS** \$890,139.74

**CALIFORNIA WHEAT COMMISSION  
ASSESSMENT HISTORY - -**

MONTH	03/04		04/05		05/06		06/07		07/08		08/09		9/10		
	\$ .04/cwt		\$ .04/cwt		\$ .04/cwt		\$ .04/cwt		\$ .05/cwt		Accrual method begins. \$05/cwt		\$ .05/cwt		
<b>MAY</b>	\$9,405	1.1%	\$11,213	1.7%	\$25,690	4.0%	\$8,287	1.9%	-\$22	0.0%	\$32,476	2.26%	\$60,504	5.58%	
<b>JUNE</b>	\$21,768	3.7%	\$21,707	5.1%	\$11,139	5.7%	\$14,993	5.3%	\$20,971	2.6%	\$299,935	23.13%	\$299,268	33.16%	
<b>JULY</b>	\$159,260	22.6%	\$127,742	24.7%	\$67,356	16.2%	\$80,837	23.7%	\$273,435	36.2%	\$568,415	62.68%	\$314,075	62.11%	
<b>AUG</b>	\$288,001	56.8%	\$204,633	56.2%	\$213,122	49.3%	\$166,341	61.6%	\$280,284	70.7%	\$255,674	80.48%	\$98,140	71.15%	
<b>SEPT</b>	\$108,602	69.7%	\$84,561	69.2%	\$110,628	66.5%	\$48,572	72.7%	\$111,799	84.5%	\$68,392	85.23%	\$44,579	75.26%	
<b>OCT</b>	\$76,341	78.8%	\$30,169	73.8%	\$62,192	76.2%	\$30,513	79.6%	\$36,152	88.9%	\$49,849	88.70%	\$48,796	79.76%	
<b>NOV</b>	\$37,612	83.2%	\$16,932	76.4%	\$39,147	82.3%	\$29,278	86.3%	\$15,830	90.9%	\$8,703	89.31%	\$32,616	82.76%	
<b>DEC</b>	\$19,309	85.5%	\$24,943	80.2%	\$17,023	84.9%	\$6,526	87.8%	\$17,617	93.0%	\$15,415	90.38%	\$23,696	84.95%	
<b>JAN</b>	\$33,284	89.5%	\$17,523	82.9%	\$21,413	88.2%	\$7,546	89.5%	\$7,824	94.0%	\$79,898	95.94%	\$55,468	90.06%	
<b>FEB</b>	\$43,740	94.7%	\$35,013	88.3%	\$42,218	94.8%	\$30,074	96.4%	\$28,070	97.5%	\$18,329	97.22%	\$16,593	91.59%	
<b>MAR</b>	\$19,766	97.0%	\$35,602	93.8%	\$20,914	98.0%	\$12,609	99.2%	\$13,032	99.1%	\$19,046	98.54%	\$13,824	92.86%	
<b>APRIL</b>	\$25,257	100.0%	\$40,382	100.0%	\$12,582	100.0%	\$3,297	100.0%	\$7,591	100.0%	\$20,959	100.00%	\$77,435	100.00%	
	\$842,346		\$650,420		\$643,424		\$438,874		\$812,582		\$1,437,091		\$1,084,994		
MONTH	10/11		11/12		12/13		13/14		14/15		15/16		16/17		
	\$ .05/cwt		\$ .05/cwt		\$ .05/cwt		\$ .05/cwt		\$ .06/cwt		\$ .075/cwt		\$ .075/cwt		cumulative percentage of total budget
<b>MAY</b>	\$20,500	1.9%	\$38,542	3.2%	\$38,516	4.0%	\$20,560	2.4%	\$33,791	5.5%	\$23,259	2.7%	\$32,423	5.4%	
<b>JUNE</b>	\$211,343	21.0%	\$238,798	23.3%	\$305,086	35.3%	\$278,041	35.1%	\$191,432	36.4%	\$285,959	36.3%	\$168,660	33.5%	
<b>JULY</b>	\$474,756	64.1%	\$390,968	56.1%	\$360,093	72.3%	\$295,267	69.9%	\$190,406	67.1%	\$225,065	62.6%	\$162,565	60.6%	
<b>AUG</b>	\$189,184	81.2%	\$260,621	77.9%	\$61,845	78.7%	\$77,979	79.1%	\$30,260	72.0%	\$46,090	68.1%	\$94,317	76.3%	
<b>SEPT</b>	\$53,064	86.0%	\$69,461	83.7%	\$34,928	82.3%	\$38,490	83.6%	\$42,346	78.9%	\$11,984	69.5%	\$32,530	81.7%	
<b>OCT</b>	\$40,035	89.7%	\$66,233	89.3%	\$41,025	86.5%	\$22,987	86.3%	\$23,521	82.7%	\$38,732	74.0%	\$54,644	90.9%	
<b>NOV</b>	\$12,452	90.8%	\$11,707	90.3%	\$11,460	87.7%	\$10,430	87.5%	\$16,127	85.3%	\$17,383	76.0%	\$36,902	97.0%	
<b>DEC</b>	\$15,162	92.2%	\$18,978	91.9%	\$24,267	90.2%	\$17,142	89.5%	\$24,746	89.3%	\$33,490	80.0%	\$55,146	106.2%	
<b>JAN</b>	\$53,357	97.0%	\$69,396	97.7%	\$59,915	96.3%	\$44,938	94.8%	\$39,228	95.6%	\$64,424	87.5%	\$67,341	117.4%	
<b>FEB</b>	\$11,365	98.0%	\$10,517	98.6%	\$14,735	97.8%	\$18,701	97.0%	\$7,046	96.7%	\$33,303	91.4%	\$36,462	123.5%	
<b>MAR</b>	\$3,774	98.4%	\$1,063	98.7%	\$6,652	98.5%	\$13,435	98.6%	\$6,150	97.7%	\$43,939	96.6%	\$12,302	125.5%	
<b>APRIL</b>	\$18,027	100.0%	\$15,892	100.0%	\$14,474	100.0%	\$11,897	100.0%	\$13,974	100.0%	\$29,232	100.0%		125.5%	
	\$1,103,021		\$1,192,175		\$972,994		\$849,864		\$619,028		\$852,860		\$753,292 as of 4/12/17		
													\$ 600,000 ← budget		

## CERTIFICATES OF DEPOSIT

MATURITY DATE	BANK	TERM	INTEREST RATE	VALUE
<b>EDWARD JONES</b>				
05/30/17	Bank of Baroda	6 MO	0.70	\$ 150,000.00
08/17/17	State Bank of India	6 MO	0.80	\$ 205,000.00
09/15/17	Bank of China	6 MO	0.75	\$ 205,000.00

	(Interest paid at intervals into money market)		\$	<b>560,000.00</b>
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## MONEY MARKET ACCOUNTS

BANK	RATE	VALUE
Edward Jones MM	0.01	\$ 636.61
River City Bank MM	0.10	\$ 153,229.37
TriCounties Bank MM	0.17	\$ 170,337.91
		\$ <b>324,203.89</b>

<b>TOTAL</b>	<b>\$884,203.89</b>
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Updated 3/31/17

## FY 2017/18 Research Funding Recommendation

Project	FY 14/15 Actual	FY 15/16 Actual	FY 16/17 Approved	FY 17/18 Requested	FY 18/19 Requested
UCD Wheat Breeding	\$204,000	Research Committee	\$180,000	\$190,000	\$198,000
Field Trials/SRA II	\$35,000	recommends a total of	\$130,000	\$140,000	\$137,000
Shared Breeder	\$36,000	\$325,000 be allocated for			
UCCE Minigrants	\$60,350	UCD breeding and testing program.			
UCCE Internships					
UCR Root Study					
Conferences	\$560				
<b>Total:</b>	<b>\$335,910</b>	<b>\$325,000</b>	<b>\$310,000</b>	<b>\$330,000</b>	<b>\$335,000</b>

# FY 17/18 Assessment Projections

Report Date 3.31.17

## SCENARIO 1 - Variety Survey DRAFT Results

2017-2018 Variety Survey DRAFT Results - assessment: \$.075/cwt				
Based on 2017 CWC Variety Survey DRAFT results				
	ACRES PLANTED	ACRES HARVESTED	YIELD T/ACRE	TOTAL
<b>WINTER WHEAT</b>	372,000	148,800	2.35	349,680 tons
<small>Harvested acreage based on estimates from handlers in each region (~40% harvested statewide); USDA Avg 5 yr yield = 2.35.</small>				
<b>DURUM</b>	41,000	36,900	3	110,700 tons
<small>Based on 90% Imperial, 90% SJV (~90%); USDA avg 5 yr. yield = 3.00</small>				
<b>Total</b>	<b>413,000</b>	<b>185,700</b>		<b>460,380 tons</b>
	<b>COLLECTIONS</b>			X.90
				414,342 tons
	<b>ASSESSMENT RATE</b>			\$1.50 /ton
	<b>TOTAL ASSESSMENT REVENUES</b>			<b>\$621,513</b>

## SCENARIO 2

2017-2018 Assesment Projection DRAFT Results - assessment: \$.075/cwt				
Based on USDA Est. Acres Planted report 3/31/2017 and 10-yr Avg Acres harvested				
	ACRES PLANTED	ACRES HARVESTED	YIELD T/ACRE	TOTAL
<b>WINTER WHEAT</b>	350,000	175,000	2.35	411,250 tons
<small>Harvested acreage based on estimates Avg 10 yr (~50% harvested statewide); USDA yield = 2.35</small>				
<b>DURUM</b>	40,000	34,800	3	104,400 tons
<small>Used Harvested acres based on ~87%; USDA yield = 3.0</small>				
<b>Total</b>	<b>390,000</b>	<b>209,800</b>		<b>515,650 tons</b>
	<b>COLLECTIONS</b>			X.90
				464,085 tons
	<b>ASSESSMENT RATE</b>			\$1.50 /ton
	<b>TOTAL ASSESSMENT REVENUES</b>			<b>\$696,128</b>

## SCENARIO 3

2017-2018 Assesment Projection DRAFT Results - assessment: \$.075/cwt				
Based on USDA Est. Acres Planted report 3/31/2017 and 5-yr Avg Acres harvested				
	ACRES PLANTED	ACRES HARVESTED	YIELD T/ACRE	TOTAL
<b>WINTER WHEAT</b>	350,000	157,500	2.35	370,125 tons
<small>Harvested acreage based on estimates Avg 5 yr (~45% harvested statewide); USDA yield = 2.35</small>				
<b>DURUM</b>	40,000	33,600	3	100,800 tons
<small>Used Harvested acres based on ~84%; USDA yield = 3.0</small>				
<b>Total</b>	<b>390,000</b>	<b>191,100</b>		<b>470,925 tons</b>
	<b>COLLECTIONS</b>			X.90
				423,833 tons
	<b>ASSESSMENT RATE</b>			\$1.50 /ton
	<b>TOTAL ASSESSMENT REVENUES</b>			<b>\$635,749</b>

**CALIFORNIA WHEAT COMMISSION - FY 17/18 BUDGET PROPOSAL**

	<b>FY 2015/16</b>	<b>FY 2016/17</b>	<b>FY 2016/17</b>	<b>FY 2017/18</b>
	<b>ACTUAL</b>	<b>APPROVED</b>	<b>PROJECTED</b>	<b>PROPOSED</b>
		<i>9/7/2016</i>	<i>End of FY 16/17</i>	
	<b>\$.075/cwt</b>	<b>\$.075/cwt</b>	<b>\$.075/cwt</b>	<b>\$.075/cwt</b>
<b>INCOME:</b>				
401. ASSESSMENTS	\$852,860	\$600,000	\$755,000	\$700,000
402. INTEREST	\$3,671	\$4,000	\$3,500	\$4,000
403. OTHER INCOME	\$166	\$100	\$106	\$100
407. LABORATORY				
CROP QUALITY	\$9,418	\$10,000	\$6,635	\$8,000
LABORATORY ANALYSIS (+Training)	\$65,584	\$70,000	\$90,000	\$135,000
405. REFUNDS	(\$2,167)	(\$7,000)	\$0	(\$3,500)
<b>TOTAL INCOME</b>	<b>\$929,533</b>	<b>\$677,100</b>	<b>\$855,241</b>	<b>\$843,600</b>
<b>EXPENSES:</b>				
<b>GENERAL &amp; ADMINISTRATIVE</b>				
501. SALARIES	\$184,865	\$203,490	\$176,000	\$238,398
502. STAFF EXPENSE	\$1,942	\$6,000	\$3,500	\$2,000
503. OFFICE EXPENSE	\$6,176	\$10,000	\$9,000	\$17,100
504. OFFICE SERVICES	\$9,471	\$8,500	\$9,300	\$10,700
506. INSURANCE	\$15,555	\$15,800	\$12,100	\$16,520
508. PROFESSIONAL SERVICES	\$47,292	\$27,500	\$20,000	\$19,000
509. CDFA	\$13,356	\$16,000	\$17,000	\$19,000
513. COMM MTGS	\$4,107	\$6,182	\$5,500	\$6,182
516. CONDOMINIUM FEES	\$3,557	\$4,100	\$4,047	\$4,100
<b>TOTAL G&amp;A EXPENSES</b>	<b>\$286,322</b>	<b>\$297,572</b>	<b>\$256,447</b>	<b>\$333,000</b>
<b>RESEARCH</b>				
601. RESEARCH CONTRACTS	\$344,586	\$310,000	\$310,000	\$330,000

**CALIFORNIA WHEAT COMMISSION - FY 17/18 BUDGET PROPOSAL**

	FY 2015/16  ACTUAL \$.075/cwt	FY 2016/17 APPROVED 9/7/2016 \$.075/cwt	FY 2016/17 PROJECTED End of FY 16/17 \$.075/cwt	FY 2017/18 PROPOSED BUDGET \$.075/cwt
<b>MARKET DEVELOPMENT/OUTREACH</b>				
505. INFORMATION/MEMBERSHIP	\$2,881	\$3,600	\$3,550	\$3,550
510. CAWG CONTRACT	\$18,000	\$18,000	\$18,000	\$20,000
512. COMM EXPENSE	\$2,971	\$8,000	\$7,000	\$6,000
600. TECHNICAL SERVICES	\$3,448	\$5,000	\$3,269	\$4,500
602. PUBLICATIONS	\$0	\$1,000	\$700	\$1,500
603. TRADE TEAMS	\$1,073	\$2,000	\$815	\$1,200
604. MARKET DEVELOPMENT	\$2,034	\$15,000	\$14,000	\$10,000
605. USWA	\$44,913	\$24,950	\$25,638	\$18,950
621. WHEAT VARIETY SURVEY	\$0	\$4,000	\$3,936	\$4,000
624. OUTREACH	\$3,512	\$15,000	\$14,000	\$10,000
<b>TOTAL MARKET DEVELOPMENT</b>	<b>\$78,832</b>	<b>\$96,550</b>	<b>\$90,908</b>	<b>\$79,700</b>
<b>LABORATORY</b>				
617. LABORATORY				
SALARIES	\$168,799	\$135,638	\$135,638	\$143,481
OPERATING EXPENSE	\$34,759	\$51,100	\$39,000	\$38,500
<b>TOTAL LAB</b>	<b>\$203,557</b>	<b>\$186,738</b>	<b>\$174,638</b>	<b>\$181,981</b>
<b>OTHER</b>	\$357			
626. CAPITAL EXPENSE				
OFFICE	\$0	\$1,000	\$0	\$1,000
LABORATORY	\$0	\$2,500	\$2,000	\$2,000
<b>TOTAL CAPITAL EXPENSE</b>	<b>\$0</b>	<b>\$3,500</b>	<b>\$2,000</b>	<b>\$3,000</b>
526. Reimbursed Expenses	473			
525. Depreciation Expenses	\$16,764		\$20,000	
<b>TOTAL EXPENSES</b>	<b>\$930,891</b>	<b>\$894,360</b>	<b>\$853,993</b>	<b>\$927,681</b>
<b>NET INCOME</b>	<b>(\$1,358)</b>	<b>(\$217,260)</b>	<b>\$1,248</b>	<b>(\$84,081)</b>
<b>Changes In Net position:</b>				
Net Position, Beginning of Year	\$838,853	\$821,628	\$821,628	\$822,876
Net Position, End of Year	\$821,628	\$604,368	\$822,876	\$738,795

# California Wheat Commission

## FY 2017/18 Proposed Budget Detail

**INCOME**

FY 17/18

**401: Assessments**

Projected assessment revenue is based on projected production of 466,667 tons and an assessment rate of \$1.5/ton (\$.075/cwt). This is maintaining the FY 17/18 assessment rate same as last year's rate. **\$ 700,000**

**402: Interest**

Interest from Savings accounts, Money Market Accounts and CDs. **\$4,000**  
*Lower reserves will mean lower interest.*

**403. Miscellaneous Income**

**\$100.00**

**407: Laboratory Income**

Crop quality - reimbursement from USW and AZ **\$8,000**  
 Lab analysis - services for commercial customers **\$130,000**  
 Other lab income - training **\$5,000**

*Lab services for Research for FY 16/17 (not billed) \$ 91,555*

**405: Refunds**

**-\$3,500**

History:

FY 17/18 (\$.075/cwt)* 0.5%	
FY 16/17 (\$.075/cwt) 0%	FY 06/07 (\$.04/cwt) 4.4%
FY 15/16 (\$.075/cwt) 0.3%	FY 05/06 (\$.04/cwt) 5.0%
FY 14/15 (\$.06/cwt) 0.9%	FY 04/05 (\$.04/cwt) 4.7%
FY 13/14 (\$.05/cwt) 2.7%	FY 03/04 (\$.04/cwt) 4.6%
FY 12/13 (\$.05/cwt) 3.6%	FY02/03 (\$.04/cwt) 5.8%
FY 11/12 (\$.05/cwt) 2.8%	FY01/02* (\$.04/cwt) 9.5%
FY 10/11 (\$.05/cwt) 5.3%	FY00/01 (\$.03/cwt) 5.1%
FY 09/10 (\$.05/cwt) 2.3%	FY99/00 (\$.03/cwt) 6.1%
FY 08/09 (\$.05/cwt) 4.3%	FY 98/99 (\$.03/cwt) 7.4%
FY 07/08 (\$.05/cwt) 3.9%	FY97/98 (\$.03/cwt) 7.0%

\*Projected refunds percent for FY 17/18.

**Total Income**

**\$ 843,600**

# California Wheat Commission

## FY 2017/18 Proposed Budget Detail

### EXPENSES

#### GENERAL & ADMINISTRATIVE

*G&A expenses are largely fixed, absent and new staff changes.*

#### **501. Salaries**

*This figure needs salary recommendations and revision by the Executive Committee.*

Claudia Carter Hired as Executive Director - June 2016 **\$238,398**

Isabel Alvarado Promoted as Operations Manager - May 2016

Crystal Sandoval Hired as Office Assistant - August 2016

#### **502. Staff Expenses**

**\$2,000**

Additional staff training and associated travel exp.

#### **503. Office Expenses**

**\$17,100**

Postage, commissioner elections, office supplies

Office Supplies \$3,000

Postage \$400

Printing \$100

Commissioner Elections, Increase postage for referendum. \$5,000

Non-Capitalized equipment \$1,000

Bank Fees \$600

Request for Carpet Replacement/ Office \$7,000

#### **504. Office Services**

**\$10,700**

Office equipment maintenance, equipment rental and maintenance agreements, telephone, fax, janitorial and utilities, mail permits.

Mail Permits fees (Permits 51 and 81) \$500

Janitorial \$1,700

Rent/ Main Cont. (Postage machine, water, copier) \$3,000

Telephone/Fax/e-mail \$1,600

Utilities \$3,500

**521. Building Maintenance / Repairs** **\$400**

#### **506. Insurance**

*Estimate*

**\$16,520**

State Fund \$6,500

*Workers Compensation*

AIG Life Insurance Companies \$120

Business Travel Accident Insurance

- covers Commissioners and staff

Travelers Insurance \$700

Fidelity Policy (Crime)

CNA \$4,050

# California Wheat Commission

## FY 2017/18 Proposed Budget Detail

Directors & Officers Liability

<u>Great American</u>	\$4,300
General Liability, Commercial Property and Hired Auto Liability	
Allowance for rate increases	\$850

**508. Professional Services \$19,000**

-Annual Audit & support -Damore, Hamric & Schneider, Inc.	\$10,500
-Computer Support	\$500
-Attorney: Update Procedures, Form 700 advice	\$4,500
<i>Other expenses including handler audits/proposing two audits</i>	\$2,500
-Desert Durum Service Mark	\$500
Website Improvements/Maintenance	\$500

**509. CDFA \$19,000**  
 CWC share of Marketing Department's overhead, time spent by our  
 CDFA economist and CDFA expenses related to elections.

*Proposed increase - Referendum year*  
**513. Commission Meetings \$6,182**

Three board meetings @ \$2060/meeting.

**516: Condominium Fees \$4,100**  
 Covers annual condo fees, paid quarterly. Includes Administration, Garbage,  
 Insurance, Landscaping, Repairs, Taxes, Alarm Monitoring.

**SUBTOTAL FOR G&A**  
**\$333,000**

**RESEARCH**

**601. Research \$330,000**  
 This item is reported as the cash commitment to research.

*UC Breeding program is requesting \$195,000 and UC Testing is requesting \$135,000. This is \$20,000 more than last year support. Proposals will be reviewed by Research Comm on April 11th.*

**MARKET DEVELOPMENT/ OUTREACH**

**505. Memberships / Information \$3,550**

Memberships, subscriptions, technical books or special information. Includes on-line news services, export data collection.

Memberships:

California Farm Bureau, Tortilla Industry Association, CA Seed Assoc.,	
California Grain & Feed Association, Bread Bakers Guild of America, IFT,	\$2,000
AmazonPrime	
Subscriptions (Milling&Baking Magazine, Carbonite, Microsoft Office)	\$450
Internet / Website Hosting	\$1,000
Other - California Chamber of Commerce, other related expenses	\$100

# California Wheat Commission

## FY 2017/18 Proposed Budget Detail

<b>510. CAWG Contract</b>		<b>\$20,000</b>
	Contracted services from the California Association of Wheat Growers.	
<b>512. Commissioner Expense</b>		<b>\$6,000</b>
	Travel expenses for Commissioners to attend USW and other meetings	
<b>600. Technical Services</b>		<b>\$4,500</b>
	Costs to run the various crop quality programs including sample pick up, Imperial expense to collect and grade samples, postage. Present program includes:	
	<ul style="list-style-type: none"> <li>• Durum - samples collected through Inspection stations.</li> <li>• HWW - HRW Crop Quality - Handler samples</li> <li>• UCCE Tulare will provide support</li> </ul>	
<b>602. Publications - all available online</b>		<b>\$1,500</b>
	Crop Quality reports for HRW, HWW & Desert Durum	\$1,000
	Certified Seed Guide	\$500
	<i>Note: Will print more Crop Quality Reports to distribute to industry: Handlers, growers, and millers.</i>	
<b>603. Trade Teams</b>		<b>\$1,200</b>
	<i>USW have sent information about a Chilean Trade Team visit to CA</i>	
<b>604. Market Development</b>		<b>\$10,000</b>
	Travel for two USW meetings - USW World Staff Conference (May '17) and Summer USW (July '17). Mainly meetings w/handlers and millers.	
	Travel related to other domestic market promotion projects.	
	<i>Note: Proposing to do more domestic market development, less to the export market</i>	
<b>605. US Wheat Associates</b>		<b>\$18,950</b>
	<i>Full membership is \$75,800. This represents 1/4 membership \$18,950 - CWC is Contributing Member at this level.</i>	

### History – US Wheat Membership (FY is July 1 - June 30)

2017 ¼ membership 18,950	2005 ½ membership 46,145
2016 ¼ membership 24,950	2004 ¼ membership 24,534
2015 ¼ membership 44,915	2003 ¼ membership 28,522
2014 Full membership 123,784	2002 ¼ membership 27,960
2013 Full membership 122,200 + 2,000	2001 ½ membership 55,221
2012 Full membership 124,100 + 2,000	2000 ¾ membership 86,927
2011 Full membership 104,500	1999 ¾ membership 89,123
2010 Full membership 93,700	1998 ¾ membership 87,140
2009 Full membership 84,700 + 5,000	1997 Full membership 107,240
2008 ¼ membership 22,250	1996 Full membership 109,819
2007 < ¼ membership 20,000	1995 Full membership 110,449
2006 ¼ membership 23,076	1994 Full membership 113,039

**California Wheat Commission**  
**FY 2017/18 Proposed Budget Detail**

**621. Wheat Variety Survey** **\$4,000**  
 Maintaining paper survey

**624. Outreach** **\$10,000**  
 Outreach to industry including Farm Bureau, CGFA, Field Days and conferences.  
 Outreach to the Milling industry PNW, AACCI Spring and Annual Meetings, KS Quality  
 Category also includes travel to events, hosting visitors,  
 and small sponsorships.

**SUBTOTAL FOR MARKET DEVELOPMENT/OUTREACH** **\$79,700**

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**LABORATORY**

**617A: Salaries - Laboratory** **\$143,481**  
 Teng Vang - Lab Manager  
 Alejandra Andrade Hired as Lab Assistant - January 2017  
 Four Summer Students

**617B: Operating Exp. - Laboratory** **\$38,500**

Staff Expense	\$	200
Equipment Main. (Outside Services and Routine Main. Parts)	\$	15,000
Maintenance (Janitorial)	\$	3,500
Postage	\$	300
Rental & Maintenance Agreements	\$	800
Subscriptions/ Memberships(AACCI, PNW)	\$	1,200
Supplies	\$	8,000
Non capital equipment and Misc.	\$	1,000
Utilities	\$	7,000
		\$ 37,000
<b>617E: LAB MANAGER</b>	<b>\$</b>	<b>1,500</b>

**SUBTOTAL FOR LABORATORY** **\$181,981**

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**OTHER**

**626. Capital Expense**

Office	\$1,000	<b>\$1,000</b>
Laboratory	\$2,000	<b>\$2,000</b>

**TOTAL EXPENSES** **\$927,681**

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**NET INCOME** **\$ (84,081)**

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