

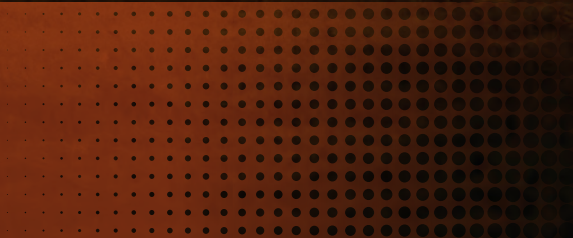
# NAVIGATING THROUGH **DROUGHT**

**2021 ANNUAL REPORT**  
CALIFORNIA RICE COMMISSION





The old truism that it's not the challenges in life but how you face them is still relevant today.



# NAVIGATING THROUGH **DROUGHT**

**I'M NOT SURE ANYONE WOULD HAVE THOUGHT IN LATE WINTER THAT WE WOULD BE LOOKING AT A DROUGHT AS SEVERE** as we have experienced this year. According to many, it is the worst since 1977. As bad as it has been, the industry worked hard to plant 400,000 acres and keep it irrigated for the season. Early reports from harvest show good yields. That's not bad and certainly proof that we can navigate tough times and tough droughts.

## OPPORTUNITIES

The year, as challenging as it was, did provide some opportunities. The value of ricelands as habitat was certainly a highlight. Working with the Department of Water Resources and our conservation partners, we were able to secure \$8 million to pump groundwater for additional winter flooding where it would not have otherwise occurred. The critical value of flooded rice for the Pacific Flyway and our reputation for fielding effective programs like Bid4Birds made us the perfect partner the state committed to heading off another potential crisis of the drought.

We have also been hard at work making a science-based argument that rice does not significantly impact nitrates in groundwater. The Central Valley Regional Water Board is supportive of our analytical approach and we are confident we can deliver another win for the industry in the form of greatly reduced nitrate regulations.

## CHALLENGES

Challenges this year came not just from the lack of water but also from the policy side of farming. Increasing California mandates related to climate change envision all electric vehicles, trucking and even tractors. In Washington, D.C., the change in administration has slowed funding of conservation programs including RCPP and greatly changed opportunities for expanded trade.

## LOOKING TOWARD NEXT YEAR

We certainly need to look at the possibility of another dry year. We have the benefit of carefully set aside reserves of over \$6 million, which give us options as we evaluate program levels and operations if the drought continues. Combined with strong leadership, we will find the right solutions for our industry.

The old truism that it's not the challenges in life but how you face them is still relevant today. Like the generations before us, we will face them with hard work, solid planning and strong leadership.

**TIM JOHNSON**

President & CEO  
California Rice Commission



# WATER QUALITY

- **WHILE DROUGHT IMPACTS WERE**
- **SIGNIFICANT** for our growers, water
- quality programs required the same degree
- of focus. Monitoring from lower flows and
- shallower water are taken into consideration
- as we communicate results with the Central Valley Water Board.

The thiobencarb monitoring results under the Rice Pesticide Program were perfect, while the industry was experiencing drought driven water deliveries. The monitoring results of additional pesticides through the Rice Waste Discharge Requirements (Rice WDR) Order were also under the aquatic benchmarks for concern.

Our major focus was considerable work on the nitrate implementation for the Central Valley Salinity Alternatives for Long-Term Sustainability (CV-SALTS) program. All WDR orders were amended to include the approved CV-SALTS language, which increased regulatory flows on both nitrate and salt.

Rice set a precedent for low nitrate vulnerability in our original Groundwater Assessment Report, which was the basis for the Rice WDR approval 2014. The low vulnerability nitrate designation continues to prove out with newer data and a calculation for the nitrate impacts of rice farming practices. Our nitrate assessment looks favorable as it goes through the approval process at the Central Valley Water Board.

Compliance with the salinity component of CV-SALTS is through a prioritization and optimization study. The area north of Sacramento is known for low impacts from salinity. As a result, compliance is through a study to truth out the data for the Salt Control Program.







Positive outcomes for rice growers  
provide us with confirmation to maintain  
the only commodity specific coalition  
to best serve the industry.



# CROP PROTECTION

- **CROP PROTECTION TOOLS REMAIN**
- **ESSENTIAL TO RICE GROWERS**

- whether the industry is navigating through
- drought or wet conditions. Weather
- makes a difference on planting and the
- resulting timing of applications. However,
- the materials available remain the same.

A considerable change was keeping the communication open through virtual platforms for pesticide registration, reregistration, maintenance, and stewardship. In some respects, the work became more inclusive with larger groups of state and federal regulatory staff in attendance at the virtual meetings.

Once again, we report that Intrepid® 2F (methoxyfenozide) is closer to registration while we move forward with a Section 18 emergency exemption in 2022. The methoxyfenozide registration was a great example of collaboration with Corteva (the registrant), the rice industry, and the U.S. EPA to address data concerns through meetings in virtual platforms. The pre-registration meeting with the Department of Pesticide Regulation (DPR) was just as successful using the same virtual format.

The virtual meetings may be a way of the future while state and federal staff remain in remote work scenarios. Meetings of this nature are efficient in getting large groups together,

responding to questions and sharing presentations. The downside is introducing newer staff to the programs while working remotely. We find it is essential to increase the outreach in areas we may perceive gaps in communication. The shift to remote work has increased the engagement of the CRC with registrants—now more than ever.



For creative approaches to pesticide registration, we continue to engage with the Interregional No. 4 (IR-4) Project for specialty crops and minor uses to major crops. We are working with the IR-4 Project about a potential herbicide for weedy rice control.

Another novel approach to pesticide tools is the ROXY™ Rice Production System. The registration packet was received by both the DPR and U.S. EPA offices simultaneously as a concurrent submission. Our involvement is now to monitor the progress and be available to advise and respond to questions.





# AIR QUALITY EFFORTS



- **MOST OF OUR ATTENTION IN**
- **2021 HAS BEEN ON EXECUTIVE**
- **ORDERS** on zero emission vehicles
- and climate issues in late-2020. The
- zero emission vehicle initiative has
- the potential to change the landscape
- regarding the use of fossil-fueled
- vehicles in agriculture over the
- course of the next 10 to 15 years.
- The CRC has led some key critical
- analysis of the cost and impacts
- of this measure on agriculture and
- has engaged in strategic discussions
- with other agricultural groups as
- we continue to maneuver through
- this changing landscape.

The Governor's new 30x30 initiative seeks to gain climate benefits by conserving 30 percent of the state's lands and coastal waters over the next decade. We participated in many listening sessions as the state began to lay out its implementation plan. We will stay focused on this interest of California rice in the years to come.





# WILDLIFE CONSERVATION

- **IN 2021, CRC SUCCESSFULLY**
  - **SECURED NEARLY \$10 MILLION IN**
  - **NEW STATE AND FEDERAL FUNDS**
  - to continue our longstanding programs
  - and to partner with the State of California
  - to respond to the effects of epic drought.
- These programs were awarded by the Natural Resources Conservation Service and the California Department of Water Resources (DWR) through two major grants.

## WATERBIRD HABITAT PROGRAMS

The Drought Relief Waterbird Program was initiated in late 2021 by a significant commitment from DWR to provide \$8 million to create more wetland habitat on both rice fields and private wetlands in the Sacramento Valley. Due to severe drought conditions, DWR provided these funds to support flooding habitat with cost-share payments for groundwater pumping in areas where surface water was not readily available. We appreciate DWR partnering with CRC and California Ricelands Waterbird Foundation to help mitigate the impacts of this historic drought.

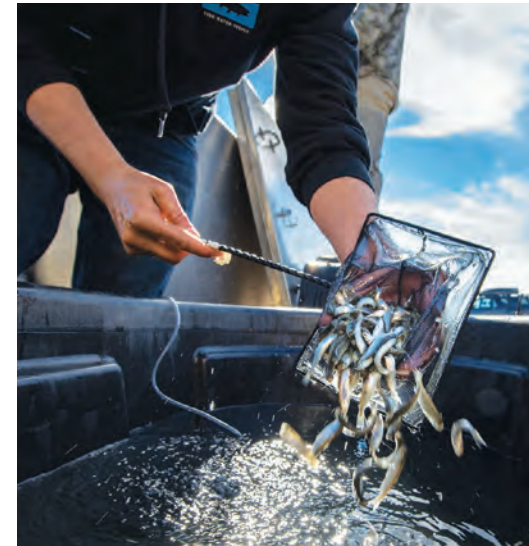
The Bid4Birds Program, now in its third year, continues to grow and provide high

quality shorebird habitat by working directly with rice producers to enhance their fields. Habitat this spring was funded through a Conservation Innovation Grant, which was awarded to the CRC to help our California Ricelands Waterbird Foundation. Habitat this fall was largely funded by a major contribution from The Nature Conservancy. We greatly appreciate TNC's financial contributions, as well as technical support from the Migratory Bird Conservation Partnership, enabling this fall program to be successful.

Working closely with the Natural Resource Conservation Service, we were able to overcome delays at the start of the \$5.5 million Regional Conservation Partnership Program (RCP). The first enrollments for key cover crop planting activities were completed this summer and enrollments for upcoming bird conservation programs are forthcoming.

## SALMON PROGRAM

The CRC successfully moved into Phase II of our efforts to develop a conservation strategy to use winter-flooded ricelands to help struggling salmon populations. Our Phase I efforts answered key questions about the conceptual practice standard to manage rice fields for



salmon and demonstrated good survivability to the ocean. Seeing these results, NRCS and our many funding partners have helped us embark on the next phase of this journey.

Over the next few years, we will be implementing a developing practice standard on full-sized rice fields in the Sutter Bypass. In 2021, we secured all the required funding, worked with regulatory agencies on the endangered species issues and identified three sites in which to conduct the field demonstrations. Special thanks to our major funders as well as UC Davis and California Trout for their technical work and expertise.





The Bid4Birds Program, now in its third year, continues to grow and provide high quality shorebird habitat by working directly with rice producers to enhance their fields.



# PUBLIC EDUCATION

- **DROUGHT WAS ADDED TO THE MIX**
- **OF TURBULENCE LOCALLY AND**
- **GLOBALLY,** although we successfully
- navigated these areas to inform millions
- of people the many reasons why rice
- matters in California.

Highlights in Public Education Included:

- Steady to growing engagement for many of our social media channels, including a 61 percent increase in Facebook reach and a tie for record Twitter impressions.

- Significant growth during year two of our Ingrained Podcast, which provides more in-depth coverage of key issues, including navigating through drought. Record high downloads were recorded during the spring and summer. Podcast interviewees included Senate President Pro Tempore Toni Atkins and U.S. Fish & Wildlife Service Regional Director Paul Souza.
- Reached millions of people through highly-targeted advertising, including year 10 with Armstrong & Getty, increased activity on CapRadio and a full-page ad in the Capitol Weekly Top 100 Issue.

- Managing one of our busiest years for media, with 136 inquiries. Our spring drought briefing, strong coordination among industry and allies and adapting to a flurry of summer press inquiries proved valuable. The May drought briefing generated 37 media articles.
- Our Legislative Day was once again canceled due to COVID-19. However, we were able to deliver rice boxes to Legislators and other key audiences in late summer.
- Creative outreach included producing a virtual rice tour for Legislators, unable to go in person due to the pandemic.







We successfully navigated through drought and the pandemic to inform millions of people the many reasons why rice matters in California.



# EMERGING ISSUES

## • DROUGHT

- A severe and prolonged drought certainly tops the list of emerging issues.
- Significant regulatory actions in a third dry year and climate change broadly have the potential to threaten the structure of agriculture in the state.

If the drought persists we will take the following actions:

- Continue to support NCWA in its efforts to provide solutions that focus on multiple uses of water.
- Continue to engage policy makers and the public on just how thrifty rice is with water and the significant habitat benefit of ricelands in production.
- Reflect long term drought in our strategic planning, making sure the CRC is rightsized and meeting the industry's needs.

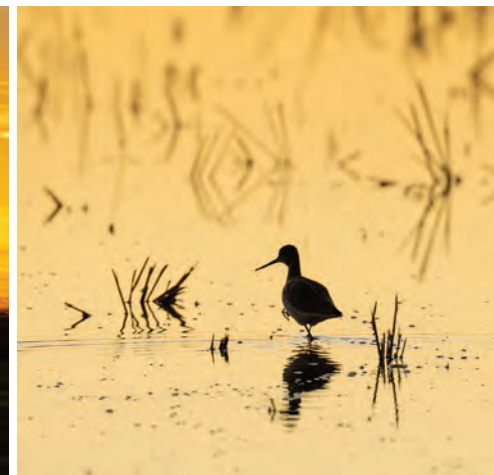
## ENHANCED VALUE OF RICE HABITAT

One of our greatest advantages rice has is the tremendous benefits to the Pacific Flyway and the potential to provide the same for salmon.

Two new conservation efforts started in the last several years will be especially important moving forward. First, our strategic focus on ricelands' benefit for salmon. Science indicates that shallow winter-flooded rice fields can significantly increase the growth rate of small salmon. Our three year project will test straightforward ways that bypass rice fields can be modified to allow salmon easy access to this tremendous resource.

The second expeditionary effort surrounds nesting habitat on idled ricelands. Biologists tell us that nesting cover adjacent to a flooded rice field is exceptional habitat for ducks. In years where lands are idled for drought, we are working with the state Department of Water Resources and USDA Natural Resources Conservation Service to develop nesting cover crops in place of the bare earth that is now required.

The key will be to translate these practices into policy that recognizes and supports working ricelands when it comes to water allocations, science funding and incentives for rice growers.







A severe and prolonged  
drought certainly tops the  
list of emerging issues.

# ADVOCACY

- **THE CRC IS ACTIVE BOTH AT THE STATE AND FEDERAL LEVEL**
- **ON BEHALF OF OUR MEMBERS.** Here is a wrap up of the year.
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## SACRAMENTO

The majority of focus this last year was navigating the government's new employer COVID-19 requirements. Cal/OSHA's process for developing interim employer requirements was painful and took many turns. Fortunately, Ag, working with others in business, was able to inform the process and get many of the most impractical requirements modified.

We worked in the Legislature to improve the winter flooding incentives bill passed last year to allow more flexibility for growers. Governor Newsom signed the bill in October. We also framed up an Ag Tech pilot project, working with Los Rios Community College District, that we will pursue aggressively next year. If successful, the pilot will connect the needs of Ag employers in the Sacramento Valley with a program at a new Los Rios campus in Natomas specifically designed for those interested in careers in and around agriculture.

## WASHINGTON, D.C.

While we wait for the beginning of the debate on the next farm bill to truly begin, working with USA Rice, we began the work of educating members on what rice can do for climate change. With cover crops and carbon sequestration practices difficult on flooded soils, we focused on 'ducks as our cover crop.'

Shipping delays and excessive fees continue to be a significant problem for the industry. Hearing concerns from rice and many other crops in California, Representative John Garamendi introduced the first bill in over 30 years that seeks to strengthen and update the authority of the Federal Maritime Commission.

With the focus in Washington on infrastructure and expansion of social programs, tax increases to pay for them became an immediate concern.



For Ag, proposed elimination of stepped up basis and 1031 exchanges posed a huge problem, as did the decrease in estate tax exemptions. Ag came together quickly to raise the significant impacts on family farms if the proposals moved forward. We are pleased to report that Senate and House Ag Committee members supported the concerns and the proposals were eliminated or modified for Ag.







# TRADE

- **CONTAINER AND WATER SHORTAGES**
- **THREATEN RESILIENCY OF**
- **CALIFORNIA'S RICE EXPORTS.**

- Drought finds a way to creep into every
- aspect of the rice industry, impacting
- everything from costs, to wildlife, and even
- trade. About a 20 percent drop in harvested
- acres are all but guaranteeing a bumpier
- 2022 export season than we saw this year.

California's short and medium grain production helps to fill important World Trade Organization export commitments, which total roughly 530,000 metric tons of U.S. rice bound for Japan, Korea, and Taiwan. Those commitments, along with established markets in Europe,

the Middle East, Northern Africa, Singapore, and the Western Hemisphere will be stretched thin next year.

While the water shortage has been front and center for most, California's marketers have experienced a drought of their own—shipping containers. The world's shipping and logistics have been turned upside down since the onset of the pandemic, worsening in 2021 with a global shortage of empty shipping containers. Chinese exporters are paying record premiums to freightliners that will return empty containers to China, rather than allowing U.S. products to be booked and shipped elsewhere before their return to China. This shortage along

with reduced port crews along the West Coast has led to unpredictable shipping delays and logistical nightmares.

Fortunately, 2020 carryover and delayed shipping windows are helping the industry stay creative in meeting the needs of our customers and working to maintain commitments, while managing an unfortunate supply situation.

With such a reduced supply, the old adage “quality over quantity” really comes into focus. Stable demand and reduced supply mean a price increase, reducing the near-term stability of some California markets. So, it's more important now than ever to ensure that the product shipped meets quality expectations to justify the premium, from cooking characteristics to maximum residue levels, the industry cannot afford chemical detections or rejections in our key markets.

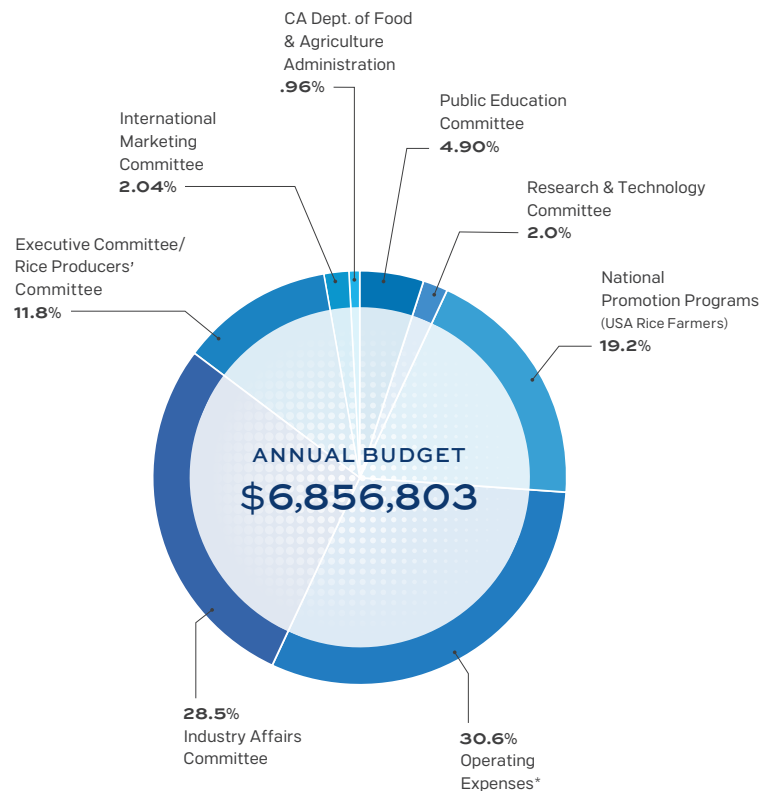
Luckily, if any industry is resilient and responsive to challenges of drought, it's California rice. As the pressures from the two-year pandemic begin to wane, the pressure from the drought and logistical chaos will become more persistent. However, some creative marketing and contracting will keep California's rice exports moving.





# FINANCIALS

## FISCAL YEAR 2020/21



\*NOTE: Chart represents direct spending by category; operating expense not allocated to programs.  
Audited financial statements available upon request.  
As of 12/1/21 "draft" numbers

FOR THE YEARS ENDED AUGUST 31, 2020 AND 2021

## STATEMENT OF FINANCIAL POSITION

	2021	2020
<b>ASSETS</b>		
Cash & Investments	\$8,316,768	\$6,684,657
Receivables	255,273	365,725
Prepaid Expense	26,705	45,473
Deferred Program Expense	0	0
Equipment	12,204	25,981
<b>TOTAL ASSETS</b>	<b>\$8,610,949</b>	<b>\$7,080,971</b>
<b>LIABILITIES</b>		
Accounts Payable	\$395,309	\$561,188
Contracts Payable	114,209	—
Notes Payable	0	0
Deferred Program Revenue	371,513	—
Accrued Expense	34,570	60,930
<b>NET ASSETS, UNRESTRICTED</b>	<b>\$6,161,035</b>	<b>\$6,135,773</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$8,610,949</b>	<b>\$7,080,971</b>

## STATEMENT OF ACTIVITIES

	2021	2020
Revenue	\$7,239,483	\$7,620,985
Promotion & Regulatory Expense	3,871,247	4,210,469
Operating Expense	1,777,063	1,885,963
CDFA Departmental Expense	56,861	59,222
Change in Unrestricted Net Assets	1,534,312	1,465,331
Unrestricted Net Assets BEGINNING OF YEAR	6,135,773	4,665,778
Unrestricted Net Assets END OF YEAR	\$8,610,949	\$6,135,773



# 2020-2021 COMMITTEES

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Rick Rhody, VICE CHAIR  
Logan Wilson, TREASURER  
Josh Sheppard, SECRETARY  
Drew Becker  
Tom Butler  
Jennifer Kalfsbeek  
Imran Khan

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Sandy Willard-Denn (A)

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Brett LaGrande  
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Kurt Richter  
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Bill Wallace  
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Brian McKenzie (A)  
Erin O'Donnell (A)  
Robyn Rominger (A)

(A) Alternate



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Michael Rue  
Gary Stone

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Bert Manuel

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### CALIFORNIA WAREHOUSE ASSOCIATION

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### CALIFORNIA COOPERATIVE RICE EXPERIMENT STATION

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### SEED PRODUCER EX-OFFICIO

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### BIOTECHNOLOGY EX-OFFICIO

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**LUKE MATTHEWS**  
Wildlife Programs Manager

**JIM MORRIS**  
Communications Manager

**SUMMER LANE**  
Office Administrator



*Photos from the California Rice Commission,  
Brian Baer, John Hannon, Leslie Morris and USA Rice.*





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