

## **CHAIRMAN'S MESSAGE**

By Steven Windh, Chairman, California Wheat Commission



As we approach the ending of 2017, it's good to look back and reflect on the accomplishments and challenges the past year has brought us. For the California Wheat Commission and its staff in Woodland California, this past year the organization continued the work it was chartered to do since its founding in 1983. We

have continued to actively support wheat research, we have promoted California wheat in both domestic and international markets, we have expanded the capabilities and presence of our wheat laboratory to the industry and we have continued to disseminate information to all interested parties on California wheat. In short, we have continued to do the tasks necessary to keep our trade organization relevant.

We have one additional stated task in our bylaws that now we must focus on:

- ◆ To educate and instruct wheat customers and buyers with respect to proper methods of handling and selling wheat, make market surveys and analyses, to present facts to, and negotiate with, state, federal and foreign agencies on matters which affect the marketing of wheat.

So why now must we focus on this particular task?

As most of us are acutely aware, wheat grown in irrigated ground in California is by a very large degree a secondary rotational crop that is planted between cycles of primary crops. It does not generally generate the margin associated with the primary crops but it provides alternate value to the cropland as a rotation option.

Wheat also has the distinction of being a crop which can be marketed as either a feed crop – as forage to the dairy industry, or as a food crop – as grain to the milling industry. The entire structure of the California Wheat Commission is focused towards California wheat as a food crop and it is moving primarily into the milling industry.

It is important to note that this is our charter - even though in some years it is estimated that upwards of 40% of the acreage planted to wheat goes to forage, primarily to the dairy industry. The use of wheat for forage or for grain is not incompatible, but it is becoming increasingly problematic.

In my Chairman's comments this past Spring, I mentioned that the focus of the Commission and staff this year was to promote California wheat to the California mills. California has the largest wheat milling capacity in the United States and will always be a net importer of milling wheat from other parts of the country – we just cannot grow enough wheat in this state to support the California milling industry, and even if we could it wouldn't make economic sense. However, wheat grown in California has some characteristics which historically have been favorable to millers and some attributes that are beneficial to the end users of the flour. Our Desert Durum® is a preferred quality grain to make superior pasta products, and our wheat varieties developed for baking have historically proved excellent as blending wheats to make superior performing flour when mixed with wheat from other parts of the U.S.

While our durum varieties continue to be considered top of class, we are now experiencing a negative implication for California grown bread wheats which must be addressed quickly. We have seen certain varieties of wheat which were developed as forage wheats moving into the food grain sales channel. These varieties test well by USDA grain standards and often show good protein analysis. When milled into a flour however, these varieties cause significant problems to the end users. The dough is unstable and just does not produce an acceptable finished product. This issue has become bad enough that some of our California mills have totally stopped purchasing wheat grown in California, and many of the others have significantly reduced purchases from our state.

This is an unacceptable situation, we need to establish a means to differentiate these forage varieties from food grain varieties. We cannot condone an attitude of "let the buyer beware" lest we lose that buyer – and the market altogether. The commission is in the process of establishing a task force comprised of all sectors of the California wheat industry to quickly generate an action plan on how best to handle this challenge and regain the confidence of the milling community.

We would love to hear your thoughts, insights and suggestions or comments, please feel free to contact our commission office or drop me an email at:

**[Steven.Windh@Californiawheat.org](mailto:Steven.Windh@Californiawheat.org)**

Thank you for your support of California Wheat and happy holidays.

*Steve Windh*

Chairman, California Wheat Commission

# CALIFORNIA WHEAT

## Looking at the past, present, and future...

**Looking back** before the Commission was established in 1983, Colombia imported about 50,000 tons of California wheat, and shortly thereafter, Colombian millers began to complain about the quality of the wheat that their government had imported for them. Japan refused to import California wheat because it produced low flour yields, flour with high ash content and excessive starch damage. Therefore, it produced a sticky (bucky) dough difficult to handle in a bakery. Back then, Indonesia was our largest consistent foreign customer for Hard Red Winter Wheat, however, California's most consistent customer was the state's domestic milling industry. California's efforts to improve wheat quality were extraordinary. Public and Private Breeders were committed to the development of end-use quality wheats. This commitment brought positive results such as the Hard White variety KLASIC. In durum, we were part of the development of Desert Durum<sup>®</sup>, which is recognized worldwide as a premium durum quality wheat.

**Today**, unfortunately, we face similar challenges we had in 1980. This year, it was brought to my attention by the California mills that they have received California HRW of poor quality. The two major complaints related to quality were: 1) wheat with low test weights with increased amount of shrunken and broken kernels, and 2) wheat with dough stability of less than 5 minutes, both of which are critical wheat quality factors for a mill. California has always been known for high test weights with more than 90 percent of large kernels, a beneficial trait for the mill as they can increase their flour yields. Furthermore, the dough stability is a critical factor for the baker as it is a function of dough strength. If both, test weight and dough stability failed, we would have wheat with no market in the milling and baking in-

dustry. Domestic mills have already expressed their concerns related to the declining of California wheat quality. In effect, one of the domestic mills recently sent a notification to the industry stating that they will not accept forage wheat varieties; due to poor end-use flour quality.

In order to move forward we look at past experiences to understand the situation and to develop new strategies, as we cannot expect different outcomes if we continue the utilizing same approaches.

A potential advantage for the California wheat grower is that his wheat is unique and is usually in short supply. However, suffering from its image as a wheat of poor quality, it generally moves only at a discount and derives no benefit from its short supply situation. On the other hand, if sufficient demand can be generated for the uniqueness of "California wheat," it can rapidly stimulate a premium since our wheat is in such short supply.

Today, our task is to once again stimulate greater demand for California wheat by overcoming the poor image of the product among those who would pay more for our wheat, as they understand its unique properties and how to exploit them. This means that our efforts to continue educating our domestic and international customers is greater today than before, mainly due to rapidly changing world markets. Our commitment to grow and deliver high quality wheat needs to be reinforced by all our industry partners including wheat producers, breeders, wheat merchandisers, and the milling industry.

### **Understanding the Existing Market**

In 1988 when California mills produced 20 million cwts. of flour, California mills required about 1,335,000 short tons of wheat. Today California mills are producing about 30 million



Claudia Carter, Executive Director,  
California Wheat Commission

cwts., and California mills require about 1,920,000 short tons of wheat. It is difficult to estimate the amount of California grown wheat which enters local milling channels, but in 1988 the Commission estimated the amount at 500,000 short tons and in recent years, with export markets dry as they are, the California Wheat Commission estimates the amount at about 250,000 short tons. Based on this information, in 1988 California's millers filled about 40% of their needs from California grown wheat and today that percentage is only 13%.

If California millers could, they would use far more California grown wheat in their mills than they do, and transportation costs for their raw material would be much lower. Moreover, wheat grown in California has far less impurities and far lower moisture than that which they receive from other sources.

The principal limiting factor to increased use of California wheat in domestic milling channels is to be found in the quality of the wheat which is produced on California farms. Today, about 60% of the wheat produced in the state is unsuitable to produce the high-quality wheat foods to which California consumers are accustomed. The market for California wheat rests upon three areas:

1. Domestic flour milling,
2. Domestic livestock feeding,
3. And, export.

# CALIFORNIA WHEAT

Domestic flour milling is the best potential market for California's wheat producers.

California mills currently depend on outside suppliers for a significant portion of its wheat supply. If California growers planted acceptable wheat quality varieties, growers would receive premium equal to the cost of importing similar quality by rail. In addition, since California is a deficit state in feed grains, California wheat growers can always price their wheat in relationship to corn and barley and find a market.

The export market provides an alternative for it can offer an outlet immediately after harvest for both premium and "lowest price" wheat. Domestic industry will absorb wheat gradually throughout the year, buying it as needed, but the cost and

risk of carrying the inventories is shouldered by the grower.

## California Wheat and the Future

As we move forward, there are solutions to our problems, the constantly changing customer's quality expectations are shifting, and the export market and domestic buyers are making greater efforts to understand where and how the wheat is grown. Moreover, wheat buyers are paying more attention to specific wheat varieties and their quality. WHY? Because, wheat buyers predict that it will become more difficult to source good quality wheat than before. The mills are anticipating a shortage (which was more evident this year than in previous years) of high quality wheat grown in the United States.

Finally, I am fortunate to be working for all California wheat producers,

and to be part of the important responsibility to help you in the process of creating better wheat tomorrow, and to excel in marketing your wheat today.

I encourage all our growers to consider the resources the California Wheat Commission has to offer you, and the resources we help to put together with the collaboration of the University of California. We are here to help you and my phone line is always open to answer any concerns or questions you might have. Thank you for your continued support to the mission of the California Wheat Commission.

Sincerely,

*Claudia Carter*  
Executive Director

## WHEAT QUALITY LAB

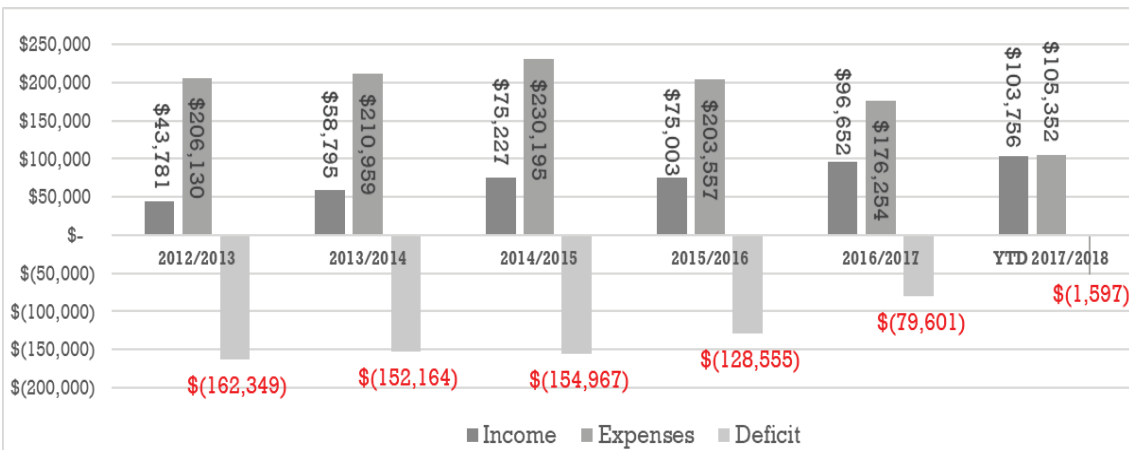


In 1990 the California Wheat Commission inaugurated its analytical laboratory for wheat and end-products. The lab has equipment necessary for evaluation of wheat milling quality and chemical analysis of wheat and flour, physical dough testing and end-product evaluation.

The CWC Quality Lab, is the only wheat quality lab on-site owned by a state wheat Commission. We continue to perform end-product evaluation work for the wheat breeding and testing programs at the University of California, Davis. Every year, the lab analyzes thousands of samples. The wheat quality lab is essential to test wheat quality suitability for bread, pasta, noodles, cookies, tortillas, and many other wheat products. The Lab services continue to expand to create additional sources of income. The lab operates as a fee-for-service and is capable for testing not only wheat but also barley, oats, corn, sorghum, and several other crops.



Claudia Carter, and Teng Vang, Lab Manager. Photo credit: Matt Salvo, California Farm Bureau Federation



## MARKET DEVELOPMENT

Market development efforts in promoting lab services has been a success as you can see in this chart. Over the last five years, the Commission has been able to increase its customers' base and that has allowed the lab to sustain itself, and further eliminating the deficit trend.

# WHEAT RESEARCH

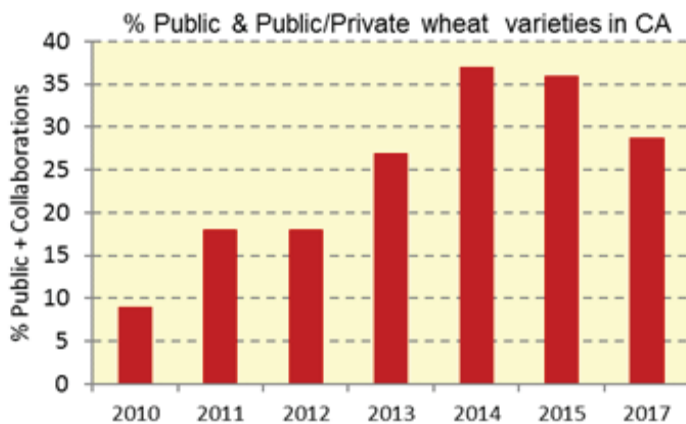


## 20 YEARS OF WHEAT BREEDING AT THE UNIVERSITY OF CALIFORNIA, DAVIS

In 1997, Dr. J. Dubcovsky started his position as Wheat Breeder at UCD, so this is a good time to make a 20 years review of the contributions of his program to the California wheat growers.

The partnership between UCD and California wheat industry has been very productive, and has fueled improvements and innovations in California wheat. The wheat growers' support has helped Dr. Dubcovsky's breeding program to raise more than \$50 million in grants for wheat research.

**By Dr. Jorge Dubcovsky, Wheat Breeder,  
University of California, Davis**



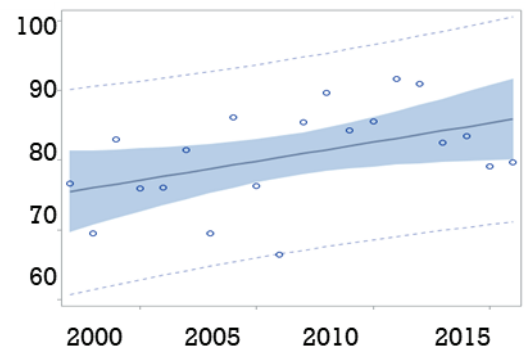
## ACREAGE

In the last 20 years, the UCD wheat-breeding program released nine common and five durum varieties. It also introgressed useful genes in six common and two durum wheat varieties released by industry. During the last five years, these varieties have been covering one quarter to one third of the wheat area in California.

## YIELD

During the last 20 years wheat grain yields have increased ~10 bushels per acre (~1/2 a bushel per year). This includes improvements made by both the public and private breeding programs and improvements in agronomic practices.

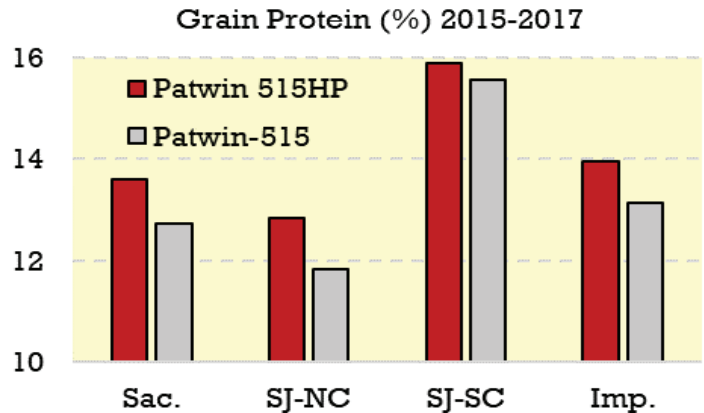
The UCD program has discovered genes to improve grain size and grain number, and is introducing them into California varieties.



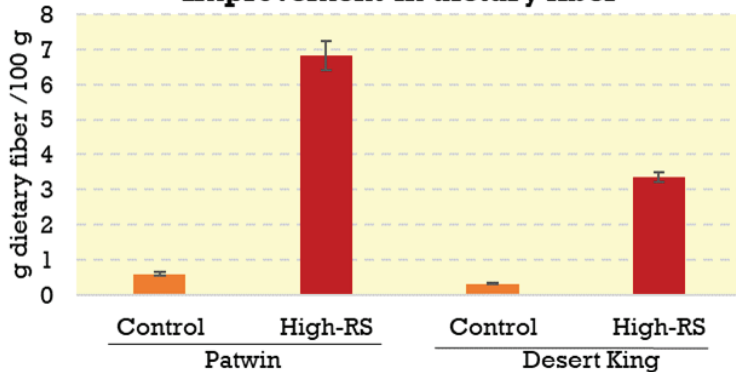
# WHEAT RESEARCH

## GRAIN PROTEIN

The incorporation of the high grain protein content *GPC-B1* from wild-wheat into California varieties has increased grain protein content by 5-10%. Varieties including this gene include Lassik, Patwin 515-HP, Desert King-HP, Westmore and others. These varieties transport more nitrogen from the leaves to the grains.



## Improvement in dietary fiber



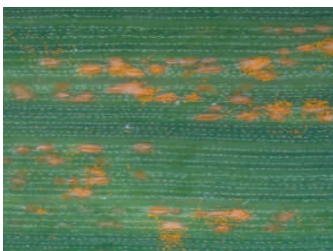
## WHEAT QUALITY

Genetic studies at UCD have contributed significant improvements in pasta and breadmaking quality, and improved wheat nutritional value. Genes were identified to increase grain protein, iron, zinc, and carotenoid pigments and to reduce cadmium. Recently UCD developed novel pasta and bread wheat varieties with 10-fold increases in dietary fiber (see figure).

## DISEASE RESISTANCE

Virulent races of stripe rust arrived to California in 2000 and generated large yield losses. The resistance genes *Yr5* and *Yr15* were introgressed into multiple varieties, which are still resistant (Patwin-515, Blanca Grande 515, Summit-515, New Dirkwin, etc.). New stripe and stem rust resistance genes are being deployed to be ready for new pathogen races.

Susceptible



Resistant

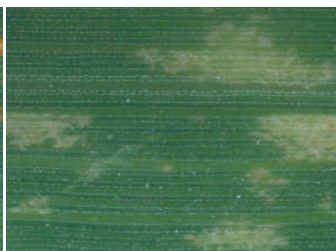


Photo: UCD Wheat Breeder, Oswaldo Chicaiza showing our Executive Director variety Yecora Rojo susceptible to Stripe Rust.

# WHEAT RESEARCH

## WHEAT TESTING AT THE UNIVERSITY OF CALIFORNIA, DAVIS

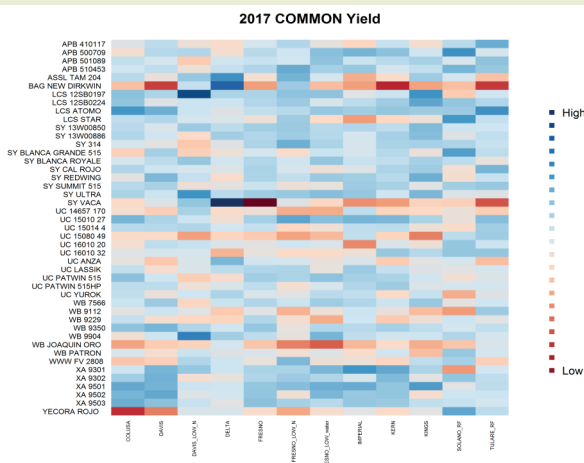
Heading into another growing season, I'd like to take the opportunity to point out some information resources that are currently available to growers to help make management decisions related to wheat and other small grains in California. The products themselves and the research that enables them have been developed at UC with the support and cooperation of the California Wheat Commission, which means they are funded by you!

The Commission is the largest single supporter of the UC statewide variety testing program, which compares the productivity, quali-

ty, disease resistance and agronomic traits of commercial and advanced varieties of common wheat, durum wheat, triticale, and barley. These tests are conducted under field conditions in diverse environments throughout the state. We summarize both single-year and multi-year results on an annual basis and make them available ahead of the planting season on the UC Agronomy Research and Information Center website: <http://smallgrains.ucanr.edu/Variety/>.



Dr. Mark Lundy, Assistant Cooperative Extension Specialist, University of California, Davis



## NEW TOOLS AVAILABLE

Over the past two years, we have been working to expand the presentation of these results to include user-friendly visualizations of single-year variety performance across multiple sites (see picture— larger image available at above weblink) and to emphasize variety summaries that are regionally sensitive and comprised of multiple years (and when appropriate multiple sites) of data.

In addition to the tables available on our website, we have developed and recently released an interactive tool for variety selection:

(<http://smallgrainselection.plantsciences.ucdavis.edu/>).

The tool is designed to help growers pinpoint small grain varieties that have performed well in particular regions and environments of California using data from multi-year, multi-location field trials. The main features of the tool are a series of selection menus that interact with a map to give the user real-time feedback on how particular crop selections are represented geographically in the trial data, and a custom table that is returned based on these selections and can then be modified based on a series of additional selections available to the user.



Roy Motter, Imperial Valley Wheat Grower

# WHEAT RESEARCH

## UC SMALL GRAINS BLOG

Beyond variety selection, we have also developed a UC small grains blog over the past season (<http://ucanr.edu/blogs/smallgrains/>) to be a place for field notes, announcements, and discussions of interest to growers, consultants, agronomists and others involved in the California small grain industry.

Examples of blog posts from last season are:

- 1) a series of posts on in-season N planning and management;
- 2) the results from an industry survey; and
- 3) announcements of extension meetings, events, and the release of results from our statewide testing program.

## UC SMALL GRAINS BLOG

California Small Grain Production



### Announcing an Interactive Webtool for Small Grain Variety Selection

Author: Mark Lundy  
Contributor: Gabe Rosa  
Contributor: Charlie Turner  
Contributor: Nicholas Alexander George

Published on: October 9, 2017

In addition to the new blog feature, we have more enhancements, additions and decision support tools in store for our main program website:

[\(http://smallgrains.ucanr.edu/\)](http://smallgrains.ucanr.edu/).

## FIELD DAYS & COLLABORATOR MEETING



UC Davis Field Day

In addition to these web-based information products, we continue to host an annual field day in Davis (<http://smallgrains.ucanr.edu/Variety Results/2017 Field Day Presentations/>) and participate in field days held by the UC Research and Extension Centers located throughout the state as well. In addition, we partner with the California Wheat Commission and the California Grain Foundation to host the California Wheat Collaborator Meeting (<http://www.californiawheat.org/news/collaborator-meeting/>) and produce the experimental samples that underpin the quality evaluations conducted by the participating labs.

In summary, we produce a variety of information products and outreach events related to wheat and other small grain crop productivity and quality that are supported by the investments made by the growers in the state of California into agronomic research. I am proud to be a part of this partnership, and I look forward to maintaining and improving the practical research information necessary for growers to effectively produce wheat and other small grains in the state of California in the years ahead.

Mark Lundy, Assistant Cooperative Extension Specialist  
Grain Cropping Systems  
University of California

# CALIFORNIA WHEAT

## Growing and marketing California Wheat in a Global Market

By Nick Matteis, Executive Director, California Association of Wheat Growers



The California Association of Wheat Growers (CAWG) provides to all wheat growers governmental relations and advocacy service on the state and federal levels. In this capacity, the board and staff work on policy

priorities that impact the ability of California farmers to continue to grow and market wheat in a competitive global market. Those policy priorities are Trade/Market Development; Research; State and Federal Regulation and Farm Bill. In the coming year we have identified in each of those issue areas key legislation and regulation of interest to the California wheat farmer which are highlighted below:

### **TRADE/MARKET DEVELOPMENT:**

CAWG supports trade market development as it is vital to the strength of both export and domestic markets. Given the strength of the US dollar and the current state of wheat prices, the support of existing and development of new markets is extremely important to assist in stabilizing prices. Recently CAWG has advocated through our National Association of Wheat Growers (NAWG) and directly to our California Congressional delegation and the current Administration the importance of the North American Free Trade Agreement and its positive impact on US agriculture. Wheat is a world traded commodity and thus export markets are critical to maximizing returns to the growers.

Though California wheat does not contribute significant global export volume, the priority rests on advocating for development and support of all US wheat exports which keeps the domestic market viable.

**RESEARCH:** CAWG promotes federal support of wheat research; we are a member of the USDA-ARS' Western Region stakeholder's council. We also work with the National Wheat Improvement Committee, which advocates for the wheat industry within the federal research structures. CAWG has actively supported research funding through ARS and is engaged in the support for wheat biotechnology to promote the development of new disease, drought and salt resistant wheat varieties

and increased yields. We also partner with the California Wheat Commission to ensure that California's regional wheat trials are maintained. The CAWG executive team also presses the importance of the National Institute of Food and Agriculture (NIFA), Agricultural Research Food Initiative (AFRI) competitive grant process to Congress. The CAWG Executive team's most recent efforts in Washington D.C. helped increase the total possible requested funding amount from \$5 million to \$10 million. This effort has benefited both California and national wheat industry as it has funded our California Wheat breeding program through a \$9.7 million research grant lead by the wheat breeder, Jorge Dubcovsky (UC Davis). We supported this new grant application led by Jorge Dubcovsky that will include collaboration with over 30 U.S. universities to continue wheat research efforts with a focus on increased yields.

### **STATE LEGISLATION & REGULATION:**

CAWG is actively engaged in addressing legislative and regulatory issues that range from water discharge permitting in both the Central Valley and Central Coast to groundwater regulation, tax reform, and labor legislation. CAWG supports sound groundwater management policy and progress in developing the state's surface storage capacity. We continue to track the various groundwater regulation bills currently moving through the legislature and will support or oppose those bills that help or hinder the farming of California wheat respectively. CAWG has brought to issue of the seemingly broad application of the Waters of The United States regulations, which have been ordered by the Trump Administration to go back to the EPA rulemaking process and include the active consult of stakeholders in the agriculture industry.

### **Labor**

As Congress advances to conference on legislation to reform the H-2A guest worker program through the Ag Act, CAWG is engaging with an ag coalition to relay the need for further amendment in order that the new H-2C programs can address the unique challenges to California farmers' ability to hire sufficient labor for their operations. Those amendments include: raising the visa cap from 450,000 to 750,000 per year nationally, extends the

timeline for enactment should the legislation pass, authorizes the Secretary to make an adjustment to the visa cap in times of emergency, not counting unauthorized workers against the visa cap, reduction of time required to be spent out of the country by participants, allowing for at will or contractual employment, allowing self-petitioning by a participant, allowing for digital application, requires notification to employers of deficiencies, requires notification of approval or denial to applicants, grants 5 years of eligibility, refinement of inadmissibility and deportability for a green card and unauthorized workers.

### **Tax Reform and PAYGO**

The House of Representatives has passed its version of the tax reform bill, **H.R. 1 the Tax Cuts and Jobs Act**, on a **227-205 vote**. On Friday, December 1, the Senate passed their version of tax reform with a party-line vote of 51-49 (Sen. Bob Corker, Tennessee, was the sole Republican who voted no due to issues he had with how the bill would impact the deficit). Several amendments were made over the final hours to get the last few Republican Senators with concerns on board. Most of these amendments are positive developments on the bill for agriculture, however, there still are concerns as the bill moves into conference.

### **PAYGO Update**

NAWG's Josh Tonsager joined with a few other ag groups in meeting with senior staff for House Speaker Ryan and Senate Majority Leader McConnell, as well as the House and Senate Ag Committee staff directors, about the PAYGO situation in tax reform. They take the issue very seriously and we've received assurances from them that the Leaders will seek a waiver of PAYGO requirements as part of an end of year package; additionally, the Speakers office released a fact sheet about PAYGO waiver issues and said sequestration "will not happen." They noted several issues that will have to be taken up before the end of the year including FY18 appropriations, a supplemental disaster spending bill, budget caps, CHIP reauthorization, etc., and have committed to us that they will move to address the issue. Their position is that the politics of waiving PAYGO requirements change after tax reform is complete.



# CALIFORNIA WHEAT

**FARM BILL:** A new Farm Bill process is underway and has prompted CAWG leadership to provide feedback to our National Association of Wheat Growers advocates on what programs in the 2014 Farm Bill worked or did not work and would benefit from revision. We support doubled funding of the Market Access Program funding of 200 million dollars and FMD funding of 34.5 million dollars,

consideration of a base acres assessment on which the Title 1 safety net program payments are based, a more local trigger for safety net programs, and continued tie into the Supplemental Nutrition program. Other issues brought forth in initial Farm Bill hearing are the need for greater support of the Price Loss Coverage (PLC) program as low prices in the future are projected to

drive farmers signed up for the Agricultural Risk Coverage (ARC) programs to shift to the PLC program. Finally, we will continue to support the efforts for the advancement of wheat research including the maximum funding available to fund a NIFA AFRI grant program for wheat research and maximum funding for USDA ARS labs.

## CALIFORNIA WHEAT COMMISSION



**OUR MISSION:** The California Wheat Commission (CWC) was established in 1983, expressly to support research that improves California wheat quality and marketability and to develop and maintain domestic and international markets for California wheat.

**OUR BOARD:** The California Wheat Commission is comprised of nine wheat producers, two handlers, two at-large members, and one public member -- each with alternates.

### Would you like to be part of our Board?

Several of our Districts have openings for both, Commissioner and Alternate positions. Involvement in the California Wheat Commission enables California producers to set the priorities for how growers' assessment dollars are spent and to be active in national wheat organizations. For more information, please contact the Commission's office or your local Commission member.

District	Commissioner	Alternate
1. Del Norte, Humboldt, Lassen, Modoc, Plumas, Shasta, Sierra, Siskiyou, Trinity	John Walker (2024)	Bryce Crawford (2024)
2. Butte, Colusa, Glenn, Lake, Marin, Mendocino, Napa, Sonoma, Sutter, Tehama, Yolo, Yuba	Bill Cruickshank (2025)	Larry Hunn (2025)
3. Amador, El Dorado, Placer, Nevada, Sacramento, Solano	VACANT	VACANT
4. Alameda, Alpine, Calaveras, Contra Costa, Madera, Mariposa, Merced, Mono, San Joaquin, Stanislaus, Tuolumne	Dennis Pelucca (2027)	Augie Scoto (2023)
5. Monterey, San Benito, San Francisco San Luis Obispo, San Mateo, Santa Barbara, Santa Cruz, Santa Clara, Ventura	Nathanael Siemens (2029)	VACANT
6. Fresno	Scott Schmidt (2025)	VACANT
7. Inyo, Kings, Tulare	Mike Carlisle (2027)	Jordan Parsons (2027)
8. Kern, Los Angeles, Riverside, San Bernardino	Jim Parsons (2029)	Kirk Elholm (2029)
9. Imperial, Orange, San Diego	Ron Rubin (2028)	Roy Motter (2028)
Handler 1	Chris Spurlock (2028)	Mark Mezger (2028)
Handler 2	VACANT	Edgar (2028)
At-Large Member	Lee Jackson (2022)	VACANT
Public Member	Steve Windh (2018)	Damon Sidles (2024)

### IMPORTANT ANNUAL PUBLICATIONS and RELEASE DATES:

- ◆ **Wheat Variety Survey:** Release on the first week of May.
- ◆ **Wheat Certified Seed Buying Guide:** Release in September.
- ◆ **Wheat Crop Quality Reports:** Hard Red Winter/ Hard White wheat, Desert Durum (AZ/CA combined), and San Joaquin Valley Durum. Release on September.
- ◆ **California Small Grain Variety Testing Data:** Release in September

# FINANCIAL STATEMENTS

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Commissioners  
California Wheat Commission

We have audited the accompanying financial statements of the 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 cash flows for the years then ended, and the related notes to the financial statements.

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California Wheat Commission as of April 30, 2017 and 2016, and the results of its operations, and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

*Damore, Hamric + Schneider Inc*

Sacramento, California  
August 25, 2017

### STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION: For the Years Ended April 30, 2017 and 2016

	2017	2016
Assessments Revenue, Net of Refunds of \$0 in 2017 and \$2,167 in 2016	\$ 765,850	\$ 850,694
Laboratory Revenue:		
Crop Quality	\$ 6,635	\$ 9,418
Laboratory Analysis	87,517	59,584
	\$ 94,152	\$ 69,002
Other Income:		
Miscellaneous	\$ 7,606	\$ 6,166
Total Operating Revenue	\$ 867,608	\$ 925,862
Expenses:		
General and Administrative	\$ 274,323	\$ 287,151
Research Projects	284,275	344,586
Market Development	89,500	78,832
Laboratory	176,254	203,557
Depreciation	15,873	16,764
Total Operating Expenses	\$ 840,225	\$ 930,890
Operating Income (Loss)	\$ 27,383	(\$ 5,028)
Other Income:		
Interest Income	\$ 4,063	\$ 3,671
Total Other Income	\$ 4,063	\$ 3,671
Changes In Net Position	\$ 31,446	(\$ 1,357)
Net Position, Beginning of Year	1,010,453	1,011,810
Net Position, End of Year	\$ 1,041,899	\$ 1,010,453

The accompanying notes are an integral part of the financial statements.

### STATEMENTS OF NET POSITION April 30, 2017

ASSETS	2017	2016
Current Assets:		
Cash and Cash Equivalents	\$ 306,639	\$ 371,628
Investments-Short-term	\$ 560,000	\$ 450,000
Receivables:		
Assessments	\$ 12,167	\$ 54,029
Other	9,750	7,681
	\$ 21,917	\$ 61,710
Prepays:		
Contracts	\$ 29,992	\$ 4,846
Expenses	16,238	8,703
	\$ 46,230	\$ 13,549
Total Current Assets	\$ 934,786	\$ 896,887
Other Assets:		
Property and Equipment, Net of Accumulated Depreciation	\$ 153,169	\$ 157,472
Total Non-Current Assets	\$ 153,169	\$ 157,472
Total Assets	\$ 1,087,955	\$ 1,054,359
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts Payable	\$ 9,948	\$ 11,018
Pension Payable	22,831	26,754
Accrued Vacation	13,277	6,134
Total Current and Total Liabilities	\$ 46,056	\$ 43,906
Net Position:		
Invested in Capital Assets, Net of Related Debt	\$ 153,169	\$ 157,472
Unrestricted	888,730	852,981
Total Net Position	\$ 1,041,899	\$ 1,010,453
Total Liabilities and Net Position	\$ 1,087,955	\$ 1,054,359

### STATEMENTS OF CASH FLOWS: For the Years Ended April 30, 2017 and 2016

	2017	2016
<b>Cash Flows from Operating Activities:</b>		
Receipts from Handlers	\$ 907,402	\$ 886,687
Payments to Employees	(\$337,975)	(\$371,710)
Payments to Suppliers	(\$516,909)	(\$513,763)
Net Cash Provided by Operating Activities	\$ 52,518	\$ 1,214
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition of Capital Assets	(\$11,570)	(\$22,110)
Net Cash Used in Capital and Related Financing Activities	(\$11,570)	(\$22,110)
<b>Cash Flows from Investing Activities:</b>		
Interest Income	\$ 4,063	\$ 3,671
Purchase of Investments	(\$110,000)	
Sale of Investments		\$ 248,000
Net Cash (Used in) Provided by Investing Activities	(\$105,937)	\$ 251,671
Net (Decrease) Increase in Cash and Cash Equivalents	(\$64,989)	\$ 230,775
Cash and Cash Equivalents, Beginning of Year	\$ 371,628	\$ 140,853
Cash and Cash Equivalents, End of Year	\$ 306,639	\$ 371,628
	2017	2016
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 27,383	(\$5,028)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	\$ 15,873	\$ 16,764
(Increase) Decrease in:		
Receivables	\$ 39,793	(\$39,175)
Prepaid Expenses	(\$32,681)	\$ 42,323
Increase (Decrease) in:		
Accounts Payable	(\$1,070)	\$ 5,011
Pension Payable	(\$3,923)	(\$4,764)
Accrued Vacation	\$ 7,143	(\$13,917)
Net Cash Provided by Operating Activities	\$ 52,518	\$ 1,214

# FINANCIAL STATEMENTS

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

**Basis of Accounting/Measurement Focus** - The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Operating revenues are those revenues that are generated from primary operations. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to primary operations. All other expenses are reported as non-operating expenses.

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, the Commission considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Investments** - The Commission can invest in certificates of deposit and treasury bills. Short-term investments as of April 30, 2017 consisted of various certificates of deposit with maturity dates ranging from May 2017 through September 2017.

Short-term investments as of April 30, 2016 consisted various certificates of deposit with maturity dates ranging from May 2016 through August 2016.

The certificates of deposits are recorded at carrying value.

**Assessments Receivable** - The Commission's receivables consist of assessments to wheat growers located throughout California. The Commission considers assessments receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

**Assessments Revenue** - Commission operations are financed principally by assessments to wheat growers based on pounds of wheat handled. The assessment rates were 7.5 cents per hundred weight of wheat handled in the fiscal years ended April 30, 2017 and 2016.

**Property and Equipment** - The Commission generally capitalizes all property and equipment expenditures with original cost of \$500 or more. Property and equipment are stated at cost. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on a straight-line basis. Leasehold improvements are amortized over the lives of the respective leases, including renewal options, or the service lives of the improvements, whichever is shorter. The estimated lives used in determining depreciation and amortization are:

Leasehold Improvements	23 years
Machinery and Other Equipment	3-10 years
Condominium Suite	40 years

**Use of Restricted/Unrestricted Net Assets** - When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Commission's policy is to apply restricted net assets first.

**Operating/Non-Operating Revenue and Expenses** - Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. The principal operating revenues of the Commission are assessments to wheat growers. Operating expenses of the Commission include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### NOTE 2 DEPOSITS WITH FINANCIAL INSTITUTIONS:

The Commission maintains cash balances in financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest-bearing and \$250,000 for noninterest-bearing accounts. During the years ended April 30, 2017 and 2016, the Commission was investing in Certificates of Deposit with Edward Jones with a balance of \$560,000 and \$450,000, respectively, all of which were fully insured.

The total carrying values of amounts on deposit with financial institutions as of April 30, 2017 and 2016 were as follows: cash and cash equivalents - \$306,639 and \$371,628, respectively; investments - \$560,000 and \$450,000, respectively.

**Custodial Credit Risk** - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a depositor will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a depositor will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Commission maintains its cash balances within insurance limits as a means of limiting its exposure to custodial credit risk.

**Interest Risk** - The Commission diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer as a means of limiting its exposure to interest rate risk. The Commission also varies investment maturity dates to ensure the Commission is able to change investment vehicles in response to changes in interest rates.

### NOTE 3 RELATED PARTY TRANSACTIONS:

The California Department of Food and Agriculture (CDFA) provides marketing and supervision to the Commission. The Commission paid CDFA \$17,803 and \$13,356 for these services for the fiscal years ended April 30, 2017 and 2016, respectively. As of the end of the 2017 and 2016 fiscal years, amounts owed to CDFA for these services were \$2,184 and \$1,252, respectively.

### PENSION PLAN:

The Commission sponsors a defined contribution profit sharing 401(k) plan that was administered by Employee Fiduciary. Employees who are at least 20 years of age and have completed 1,000 hours of service are eligible to participate in the Plan. Participants vest in the Plan as follows:

Years of Service	Percent Vested
1	33.33%
2	66.67%
3	100.00%

The Plan provides that the Commission make annual contributions at 10% of total annual compensation paid to all participants. Total pension expense was \$22,831 and \$26,754 for the years ended April 30, 2017 and 2016, respectively. Employees may also elect to make additional individual contributions.

### BUDGETERY CONTROL:

The Commission adopts an operating budget at the beginning of each year. The following is a summary of the budgets and results for 2017 and 2016:

	2017			
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenues	\$ 677,100	\$ 677,100	\$ 871,671	\$ 194,571
Expenses	894,360	894,360	840,225 *	54,135

\* Includes depreciation expense (unbudgeted item) of \$15,873.

	2016			
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenues	\$ 877,100	\$ 877,100	\$ 929,533	\$ 52,433
Expenses	979,942	979,942	930,890 *	49,052

\* Includes depreciation expense (unbudgeted item) of \$16,764.

# California Wheat Commission Referendum

As required by the California Food and Agriculture Code, a reapproval referendum is to be conducted every five years. If a majority of the wheat producers voting in the referendum favor reapproval, the California Wheat Commission will continue for another five years.

Ballots will be mailed by the California Department of Food and Agriculture's Marketing Branch in mid-January to California wheat growers to determine the continuation of the California Wheat Commission. If a grower has not received a ballot by the end of January, please contact the Marketing Branch at (916) 900-5018 to request a ballot.

The Commission's authorizing statute directs the Commission to conduct research, market development and promotion activities and provides for an assessment on all grain grown in California. The statute also defines the makeup of the Commission, which is comprised of elected growers and handlers and appointed at-large and public members. The Commission sets the assessment, currently at \$.075 per hundred weight, and determines the priority for funding these activities.

For more information, please call the Commission at (530) 661-1292 or email: [info@californiawheat.org](mailto:info@californiawheat.org).

RETURN SERVICE REQUESTED

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