

Dear Member,

We hope this letter finds you in good health and as cautiously optimistic about the prospects for FRC and California rice as we are. The purpose of this letter is to give you a brief update on your cooperative and the California rice industry as you prepare to plant your 2007 rice crop.

Marketing

As we reach the mid-way point in our marketing year, we are pleased to report that our marketing program is progressing well. All segments of our marketing mix, or “mutual fund” are priced at higher levels relative to the past few years. Consumer Products sales volume has remained stable in light of several price increases. Sales volume to Food Processors is up slightly at very strong prices. In the export market, we have focused our attention on high value commercial sales while supplementing with the more generic sales to North Asia. Although it is way too early to be projecting return prospects for the 2007 crop, basic supply and demand fundamentals appear in balance and support firm pricing as we move forward.

Field Services

Good weather has allowed for field preparation to be well under way as of the 1st of April. As you further develop your cropping plans for this year, we want to remind you of several programs that you may find beneficial to your operation. Attached is a list of our programs that is highlighted by the Early Season Advance, which provides \$200 per acre upon receipt of your signed acreage survey.

Seed season is underway and FRC Stegeman is again providing excellent seed and service. We are offering several financing seed packages, including interest free seed until harvest. Please contact Stegeman at (530) 439-2244 or your field representative for details.

March 1 Acreage/Stocks

USDA's National Agriculture Statistic Service (NASS) is forecasting 2007 crop California rice acreage at 532,000 acres, up one percent from last year. According to the report, Southern U.S. rice plantings will be down 8 percent. We believe the estimate for California is probably reasonable given the loss of acreage to permanent crops, land development and the attractiveness of competing crops. The planting estimate for the south may be optimistically high, especially in view of competing crops and the GMO incident that has restricted the availability of rice seed for the 2007 crop. A minimal increase in production in California and a decline in production in the South support a continuation of firm market dynamics.

As for rice stocks, the March 1 report shows 24,129,000 cwts paddy in California, up about 2 million cwts from a year ago. We believe the reason for a higher stocks inventory on March 1 is largely the result of the delay in shipments of rice to the North Asian markets of Taiwan, Korea and Japan when compared to last year.

Washington Update

Congress has been preoccupied with the supplemental appropriation for the war effort in the Middle East and the controversy over the firing of several U.S. attorneys' among

other issues. As for the Farm Bill, the House and Senate Agriculture Committees are awaiting the “budget baseline” number they will be using to draft the next Farm Bill. We now expect that the budget numbers will be finalized in April and the first draft of a proposed 2007 Farm Bill will be available in late May, at the earliest.

As we reported at our February grower meeting, the budget is going to be the critical element in the development of the next Farm Bill. It is clear there will be fewer Federal dollars available for agriculture for this Bill than was available when the 2002 Farm Bill was developed. With higher commodity prices for most crops, the Congressional Budget Office (CBO) baseline projections will be much lower, which creates a challenge for the policy committees that will write the next Farm Bill.

Producer payments, however, are another story. Intense pressure is building in Congress to reduce/restrict producer payments. A new “means test” to reduce the adjusted gross income (AGI) threshold for program eligibility from \$2.5 million to just \$200,000 has been proposed by the Bush Administration. Virtually every commodity group opposes that proposal and many members of Congress, who understand accounting and farming, are saying the Administration’s proposal will not work. Other proposals are pending to eliminate the three-entity rule, eliminate generic certificates, and reduce payments to growers with direct attribution to individual tax identification numbers.

The U.S. rice industry continues to support renewal of the existing rice program with no changes in the direct payment, counter-cyclical payment, and marketing loan program. These programs have worked well for our industry these past five years.

Farmers’ Rice Cooperative Fund and the California Rice Fund will be hosting Collin Peterson, Chairman of the House Agriculture Committee, April 11th in Sacramento for a meeting and fundraiser. We expect to learn more from Chairman Collin Peterson about the real budget situation and what that might mean for commodity programs as well as other issues of importance to FRC members.

For our members who don’t get enough Washington news in the conventional press, Bill Huffman provides an update on most Fridays on the FRC website. If you’re still not satiated, give Bill a call for the additional “scoop.”

California Rice Commission GMO Policy

The California Rice Commission has taken a strong stand supporting a moratorium on the field testing of all genetically modified (GM) rice cultivars in California, effective immediately. It is the industry’s position that a moratorium on GM field testing in California is appropriate until there has been a complete evaluation of Federal regulations to safeguard the rice industry from the accidental release or contamination of commercial rice production in this state.

In an effort to further insure that California rice remains free from any GM contamination, the AB 2622 Advisory Board, as authorized by the California Rice Certification Act, has adopted a requirement that all California commercial rice seed, both public and private, be tested and certified non-detected of GM contamination prior to being sold and planted for the 2007 crop year.

Farmers’ Rice Cooperative applauds the actions of the California Rice Commission and the AB 2622 Advisory Board and encourages all California rice growers to only purchase

and plant rice seed this year that has been tested and certified to be non-detected of any GM material. Our industry can ill afford a train wreck like the Southern rice industry is experiencing due to the contamination from GM material.

In a further effort to ensure the purity of California rice, industry discussions are now occurring that may require growers to provide evidence that they used certified GMO non-detected tested seed in their planting before a rice drying facility would accept the rice for drying and storage this fall. We can't emphasize enough the seriousness of this issue and the importance that FRC members only plant rice seed that has been tested and certified to be non-detected of GM material.

FRC Labor Negotiations Underway

Our labor contract with ILWU Local 17 expires June 1. Formal negotiations with Local 17 will begin within the next several weeks. We continue to believe a new contract which reflects the many contributions of our employees and the fiercely competitive environment we operate in is an achievable goal.

Elaine Brazeal Retires After 35 Years At FRC

Elaine Brazeal, our grower accounting coordinator, retired March 30 after a 35 year career with Farmers' Rice. She is highly regarded by the hundreds of FRC members who received their checks and documentation through all the years that Elaine managed our grower accounting program. Elaine is also widely recognized and appreciated by the many warehousemen who dealt with her over her career here at FRC. The good news is that Elaine plans to stay in the Sacramento area taking care of her parents and has "volunteered" to come back during harvest to help with the rush of business in grower accounting that occurs that time of the year.

Kathie Constantine, who has worked with Elaine for the past 17 years, has been promoted to assume the position.

Farmers' Rice Cooperative is very fortunate to have the quality of people working here, like Elaine and Kathie, providing quality service to our members.

The Board of Directors and staff offer their best wishes to Elaine and thanks for her many years of loyal and dedicated service and look forward to seeing her this fall.

We wish you the best of fortune with the planting of your rice crop. If you have any questions or comments, please feel free to give me a call.

Best Regards,



Michael Sandrock
President & CEO