



**2023 ANNUAL REPORT** 

# PRESIDENT'S REPORT

"You may encounter many defeats, but you must not be defeated. In fact, it may be necessary to encounter the defeats, so you can know who you are, what you can rise from, how you can still come out of it."

— Maya Angelou

Over the last several years, Farmers' Rice Cooperative (FRC) and the California rice industry have faced many challenges that could have left us defeated, if we had let them. The 2021 drought and resulting crop of 400,000 acres felt like an insurmountable challenge. Then, last summer, specifically July 2022, when the satellite data on planted rice came out at 250,000 acres – 50% below an average crop – it felt like an assured defeat. 'How can an industry survive such an extreme loss of supply?' was the question reverberating across the parched fields of the Sacramento Valley. What would be the impact on our markets, our employees, our business, our environmental partners, and ultimately our communities?

Such a drastic loss of rice production was unprecedented in California. Prevented planting insurance was paramount in offsetting the impact to the producer. However, the ancillary businesses that I often refer to as the "ecosystem" that supports the farmer, were not as fortunate. Suppliers of chemicals, fertilizer, seed, warehouse, trucking, and crop dusters all suffered from the lack of planted acres.

At FRC, with three rice mills and four drying and storage facilities, management was challenged with setting a course to navigate the reduction in overall throughput while also prioritizing our key domestic markets. Fortunately, the diversity of our producers across the entire Sacramento Valley provided enough rice to ensure we could supply our entire North America packaged businesses – a considerable achievement considering our larger domestic demand with the acquisition of FRC PIRMI.

The export market, however, was another story. Going into the 2022-2023 marketing year, we were very concerned that FRC would be unable to supply our core export businesses. FRC has a long history of supplying rice around the world, in particular to our primary markets of Japan and Korea. The prospect of shutting down the export mill in West Sacramento was not an ideal situation. Fortunately, FRC field staff were successful in sourcing enough cash rice to run the export mill on a limited basis and, in the end, provide rice to our key customers in Korea and Japan.

Limited rice supply also resulted in a dramatic increase in rice prices. California rice suddenly became some of the most expensive rice in the world. A long-used adage "the cure for high prices is high prices" came into effect as imports began to flood into domestic demand. Australian rice was brought in at a level never seen before. In fact, over 1.2 million cwt of rice (paddy basis) at much lower prices worked its way into certain domestic markets. Rice from Thailand, Vietnam, and even Japan found its way onto store shelves in the U.S. Overall, FRC's domestic demand decreased approximately 9% due to high prices and import competition – very much in alignment with the whole industry.

As imported rice volume increased along with an incredible winter of rain and snow, rice prices slowly began to decrease in late spring and early summer. However, FRC was able to maintain strong pricing through the end of our marketing year, resulting in the highest final return to our members in almost 80 years of business!

Despite the challenges of the 2022 crop drought, FRC management continued to prioritize the strategic initiative to expand value-add product offerings. Extruded sales have increased 46% annually and 98% since our acquisition of FRC PIRMI. The expansion of research and development capabilities both internally and externally are proving worthy investments as the FRC team is steadfast in exploring all opportunities that result in better production efficiencies and greater value to our members. In this space, we have two very exciting announcements to make.

The first announcement is that efforts to expand our value-add offerings have now led FRC into the rice flour market. A very successful launch has resulted in the design and development of a full-scale flour production facility that will be housed at FRC PIRMI. Construction has commenced and we are hopeful to be fully online in the first quarter of 2024. Overall, FRC's value-add product offerings contributed \$0.23 to the total return to our members.

Realizing the positive results of this market segment along with significant opportunities for the future, I'm also pleased to make a second announcement about the development of a new branded ingredient company, Exceedient Foods. This will be an FRC Company and all of our value-add offerings will be marketed under the Exceedient Foods brand. A concatenation of the words "Exceeds (expectations)" and "Ingredient," Exceedient offers FRC space to grow this market segment beyond rice and into other product lines. One of FRC's core tenets is to maximize overall value to our members and continued focus on this market will do just that.

I often say that the cooperative model is the greatest business model. The model is resilient, and has allowed FRC to muster strength in times of crisis and to "encounter many defeats" without being defeated. Fifteen months ago, it seemed an insurmountable task to navigate the extreme supply challenges of the 2022 crop. Today, we are fortunate to announce the highest return in FRC history as well as the development of new business opportunities that maximize overall value to our members. As we enter our 80th year of business as a cooperative, I am proud to say that the future at FRC is bright. On behalf of management and the board, we are grateful for your continued support and commitment to our mission of offering ownership, value, and stability to all of our growers.

Rick Rhody President & CEO

## FRC FARM FAMILY OF THE YEAR



Margaret Ann Cole fell in love with the Willows Ranch when she was just seven years old and from the drive in, it's easy to see why. When you turn off the main road onto the long, straight gravel driveway, you are overwhelmed with the surrounding beauty. Snow-capped mountains bleeding into fields of rice to the left, an old white mule barn from the early 1900s filled with hooting owls straight ahead, and an antelope or two running across the driveway towards the rice fields to the right, all greet you before you arrive at her welcoming front porch.

Meg (Williamson) Cole is the first rice farmer in her family and the only farmer in her direct lineage since her great-grandfather who farmed in lowa. In the early 1900s her grandparents left lowa by wagon to make the long and slow trek west, settling in Bend, Oregon in 1916.



Margaret "Meg" Cole

Meg grew up in Bend where her father, Eddie Williamson, was a successful Chrysler Dealer. According to Meg, he was a "car dealer with a side addiction for ranches." When Meg was seven years old, her father made a decision that would impact her future in farming and as an FRC member. In 1947 when selling the Priday Ranch in Oregon, he received the Willows Ranch as the down payment and leased it to John Baker (an early founder of FRC) and the Baker Brothers farming operation. Meg loved visits to the Willows Ranch as a young girl, and though she remained in Oregon through the rest of her childhood and into college and graduate school, a piece of her heart was always down on the farm in Willows.

At Oregon State University, Meg graduated with a Masters in General Studies (unaware that her lifelong career in farming was in the not-so-distant future) and met her then-husband Elvin. Shortly after graduating, they got married in Oregon and a year later moved down to Willows in 1965.

After six years in Willows, Meg's 52-year (and counting!) career in farming rice took off. In 1971 she and Elvin celebrated their first crop of rice. The next year, they became FRC Members and Meg hasn't looked back since. Meg often refers to farming – and farming rice in particular – as "the good life" and "the best thing if you love it, and the worst if you don't." She recalls happy memories of her kids growing up on the farm and having the flexibility to raise them by day and do bookwork by night. The balance and the freedom that she has enjoyed on the farm all these years has been "second-to-none."

Because Meg forged a different career path than her father (and the generations before him), she was adamant that her own children go to college and figure out for themselves what they wanted to do with their lives. Thankfully, the pull that her son Lee had towards the farm before heading off to college only grew stronger during his time away. In 1992 at the young age of 22, Lee came back to the Willows Ranch and officially took over farming. Since then, Lee and Meg have enjoyed a strong and successful mother-son farming partnership for over 30 years and what started as a 500-acre operation in 1971 has grown to 900 acres. Meg credits her son for the growth and success of their operation. "Lee has done a magnificent job," says Meg. "He is the one who deserves all of the credit for where our farming operation is today and I could not be prouder of the hard work he has done over the last 30+ years."



Lee and Meg Cole

When it comes to FRC, the Cole family believes firmly in the cooperative model. Over the course of Meg's 51 years of FRC membership, she has seen FRC withstand the test of time. "I believe in the co-op system and think that cooperatives are the best way to go in the long-term," says Meg. "A cooperative brings consistency, access to markets, and strength in times of crisis."

Lee and his wife Stephanie (second generation) have two children – Meggie and Banks (third generation). While it remains to be seen if Meg's grandchildren will take over the farming operation, Meg is just as adamant that her grandchildren seek out what they are truly passionate about in life and chase after it.

When asked how she would describe "the good farming life" to younger generations, her response



The Cole Family - Stephanie, Meggie, Meg, Lee, and Banks

is a resounding endorsement: "Farming gives you a certain sense of freedom. You have to be willing to risk it all every year, but seeing the growth from seed to harvest is so satisfying. You know what you've done and have concrete evidence of whether you have succeeded or failed." Looking out her large office window at the stunning view of the snow-capped mountains, old white barn, and long, straight driveway, Meg adds: "At almost 83, I can say that my life has been truly satisfying. I think I won, and there's not many jobs [like farming rice] you can say that about."

Farmers' Rice Cooperative is proud to recognize the Cole Family as the 2023 FRC Farm Family of the Year. They are a shining example of hard work, dedication, and "owning your future." We are grateful for their commitment to FRC and to spreading the word about "the good farming life" to future generations!



### **GROWER PROFILES**

FRC growers are the life-blood of our co-op. With an eye on the sustainability of agriculture and the rice industry, FRC is proud to highlight two multi-generational farming operations that make our co-op strong and ready to take on the future.

#### THE DONATI FAMILY BUTTE COUNTY



Nico, Gemma, Lisa, Rocky, Leo, Sally, and Tom Donati

Tom and Sally Donati come from strong family histories of farming and ranching. The two met at Cal Poly, San Luis Obispo while studying agricultural business management and got married shortly after in 1975. While both grew up in commercial beef production, it was Sally's father, George Boeger, and her uncles August and Ed (known as the "Boeger Brothers") who were the first in the family to farm rice in the late 1930s. The brothers also built the Boeger Rice Dryer in 1952, which is still in operation today. Since then, farming rice has continued to be passed down through the generations and today, three generations of Donatis

operate Donati Ranch together as a family-owned and operated business.

Like Tom and Sally, their son Daniel "Rocky" Donati met his wife Lisa (a self-professed city girl from Fresno) at Cal Poly while studying agribusiness and nutritional science, respectively. After graduating and getting married, the pair moved to Gridley and joined Tom and Sally in running Donati Ranch. Rocky and Lisa have three wonderful children – Nico (High School Senior), Gemma (High School Sophomore), and Leo (7th Grade) – who make up the fourth generation and have grown up helping their parents and grandparents with Donati Ranch. When asked about their hopes for the future, all three kids express genuine interest in remaining in agriculture and working on the family farm.



The Donatis have been FRC members since 1986 and Rocky is a graduate of the 2018 FRC Leadership Program. When asked what he appreciates most about FRC, Rocky explains that it's the role FRC plays to protect the whole rice industry. "FRC isn't just a company out for themselves," says Rocky, "they are in it to make sure the California rice industry is around for the next 100 years." FRC is grateful for the Donati family's deep roots in agriculture and their emphasis on keeping generational family farming around for decades to come!



### THE MILLER FAMILY COLUSA COUNTY



Jeff and Brenda Miller

Jeff and Brenda Miller are fourth generation farmers with a rich family history. Most of Jeff's ancestors came to the United States from Germany and Ireland and settled on the east coast. The Miller family was made famous in U.S. Civil War history when the 1862 Battle of Antietam was fought in the "Miller cornfield" owned by Jeff's great-great-grandfather D. R. Miller. After the war, Jeff's great-grandfather J. M. Miller who was just 13 at the time, made his way west and eventually became the first of the Miller family to settle in California. In 1878 he established the J. M. Miller Ranch, which began mainly as a wheat and cattle operation but included some rice as well. By

the second generation (Jeff's grandfather), the Miller Ranch was all in on rice and has been ever since.

Jeff and Brenda met at Chico State where Jeff graduated with a degree in agronomy and Brenda with a degree in finance – foreshadowing the makings of a perfect farming operation duo! Shortly after graduating and getting married, they returned to Miller Ranch to put their complementary skills to work. In 1985, they had their first big break in farming, became members of FRC, and haven't looked back since. With 41 years of marriage, 42 years of farming, two kids (fifth generation), and three grandchildren (sixth generation), Brenda and Jeff are focused on making sure that Miller Ranch is solid for generations to come. Today's operation of 1,300 acres of rice is run by Jeff and his brother John with the next generations in mind. Jeff and Brenda's daughter Lauren helps with the office work, son Samuel helps with planting, and their three young grandchildren are growing up seeing and experiencing all that life in family farming involves.

When thinking back on their decision 38 years ago to join FRC, Jeff says: "FRC is unlike many other companies. FRC puts their growers in the driver's seat and is always open and honest about sharing information." For Brenda, the FRC programs are second-to-none, but what she values most about the cooperative is that "they always listen, answer questions, and truly incorporate grower feedback." Farmers' Rice Cooperative is thankful to have the Millers and their rich agricultural history as part of our strong, multi-generational cooperative family!



## FRC 500 CLUB



Farmers' Rice Cooperative is blessed with growers who understand the importance of being politically engaged on behalf of our cooperative, the rice industry, and the production agriculture industry at large. While a very important part of FRC's political engagement takes place in the halls and offices of Congress in Washington, D.C. and the California State Legislature in Sacramento, perhaps the most meaningful part takes place right here in rice country among our growers.

Eight years ago, FRC created the FRC 500 Club as a way for growers to support FRC's political engagement in five key areas (Farm Policy, Tax, Trade, Water, and Regulation) and to engage directly with our political leaders. Membership to the 500 Club is open to any FRC grower who contributes

\$500 or more to the FRC Fund\* in a given year. The \$500 contribution is used to directly support FRC's strategic political efforts in the five key areas listed above.

FRC 500 Club members have the unique opportunity to participate in special events where they can directly raise their concerns and questions to the men and women who make decisions in Washington, D.C. and Sacramento. And, as issues get more complex and legislators become more out of touch with what happens in our fields and on our farms, these inperson events are especially critical.

This April, FRC hosted Congressman Tracey Mann of Kansas as the special guest for our 6th Annual FRC 500 Club PAC event. During the dinner event in Yuba City, Congressman Mann visited with the 65 FRC growers in attendance, answered their questions, and spoke candidly about the top issues facing our growers and our nation. He was also presented with the 2022 FRC Legislator of the Year award by FRC Chairman Charley Mathews and CEO Rick Rhody due to his unwavering support of California rice and the issues that impact our bottom dollar.

#### CONGRESSMAN TRACEY MANN (KS-01)

- Farm kid from Quinter, KS
- Former Lt. Gov. of Kansas
- Elected to U.S. House of Representatives in 2020
- Subcommittee Chairman on the House Committee on Agriculture
- Serves on House Committee on Transportation & Infrastructure
- Serves on House Committee on Small Business



As a result of this year's FRC 500 Club participation and overall PAC support, growers donated more than \$86,000 towards our targeted efforts to advance our top five priorities – the most grower donations the FRC Fund has ever received in a single year! It is because of your engagement and generosity that we have one of the strongest and largest PACs in the rice industry and that we are poised to tackle some of the big issues that confront us today – like an expired Farm Bill and a consequential upcoming election.

THANK YOU to all of our FRC 500 Club Members and stay tuned for next year's Annual FRC 500 Club PAC event!

\*If you are interested in learning more about the FRC Fund – including how to contribute or how to join the FRC 500 Club – talk to one of our Board Members or email Kristina Harder at **kharder@farmersrice.com**.

# THE FRC LEADERSHIP PROGRAM "DEVELOPING THE NEXT GENERATION"

Farmers' Rice Cooperative is always looking ahead. FRC understands that our members are the co-op's lifeblood and the future leaders of both FRC and the rice industry at large. The purpose of FRC's Leadership Program is to prepare grower-owners for the future by educating them now. We want our growers to understand all aspects of how their cooperative works and how they can be involved. It is worth noting that four Leadership Class graduates have served on FRC's Board.

The FRC Leadership Program first began in the spring of 2017 and is currently training the sixth class of growers. The program consists of



three day-long sessions covering the following areas: Milling Operations, Domestic and International Sales, Marketing, Business Operations, Field Services, Communications, and Government Affairs. Together, these sessions give class members an in-depth, behind-the-scenes look at all that FRC does for our co-op and the industry – from seed to storage and milling to marketing. Class members also have the opportunity to attend an FRC board meeting and spend time at the California State Capitol advocating for the rice industry.

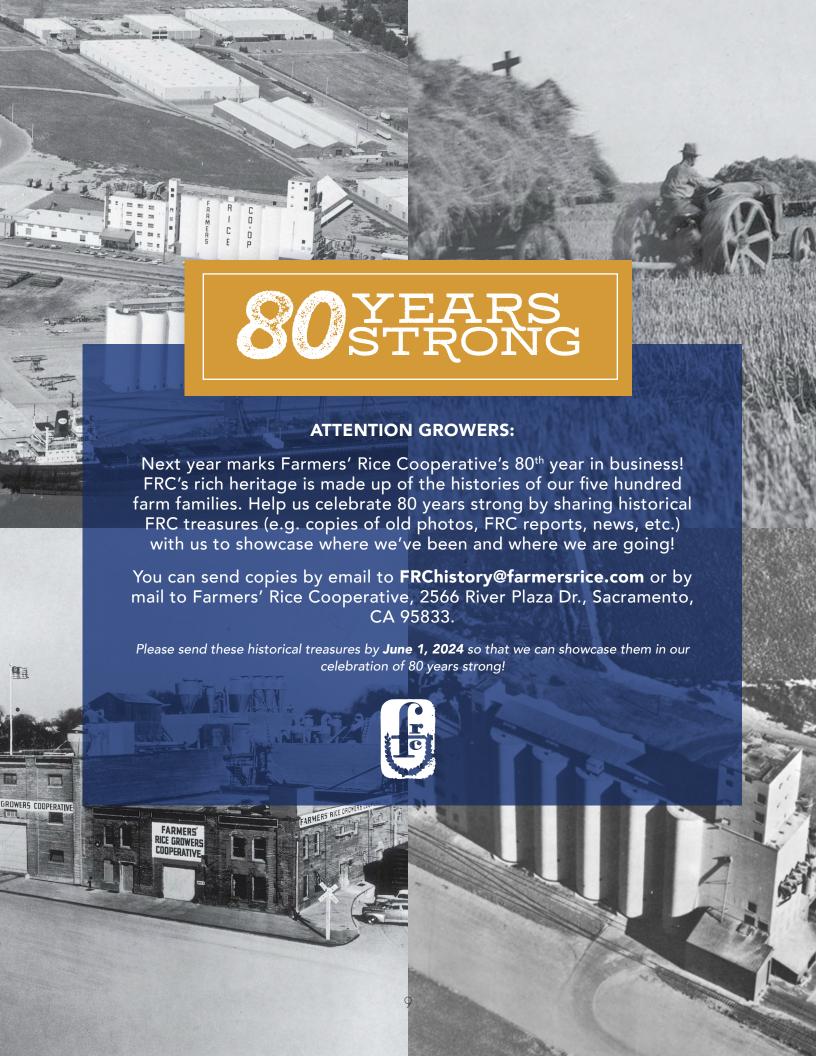
If you would like more information on the FRC Leadership Program, you can contact Brice Lauppe. We are excited about the next generation of FRC leaders. Investing now will create a stronger company in the future.

#### The 2023 Class:

Anders Lund (Yuba-Sutter) Bill Hawkins (Yuba-Sutter) Brad Cuquet (Yuba-Sutter)

Eli Voelz (Yolo) Nick Sopwith (Central-San Joaquin) Thomas Deniz (Butte)







## A COOPERATIVE OF FAMILY FARMS

**SINCE 1944** 

We are pleased to present the highlights of our 2022 crop marketing year.

Farmers' Rice Cooperative growers receive many benefits as members of the Cooperative. As a cooperative, FRC is able to distribute significant tax benefits to its grower-members to help increase their net returns. FRC also offers an interest free early season advance or early final payment to its members.

Active members receive an annual cash dividend on their equity, a Federal Income Tax Deduction (Section 199a), and additional tax benefits from an Interest-Charge Domestic International Sales Corporation (IC-DISC).

FRC FISCAL YEAR FINANCIAL HIGHLIGHTS (in thousands)						
	2023	2022	2021	2020	2019	
SALES & SERVICES	\$382,235	\$356,962	\$354,908	\$281,008	\$242,218	
NET MARKETING POOL PROCEEDS	\$223,933	\$278,456	\$250,140	\$219,626	\$227,822	
NET PROCEEDS	\$136,384	\$186,465	\$164,223	\$141,469	\$153,458	
SECTION 199/199A	\$2.50	\$1.50	\$1.30	\$1.20	\$1.15	
MEMBER ROI FROM EQUITY	56%	47%	54%	57%	55%	
CURRENT RATIO	1.26	1.20	1.23	1.66	1.24	
WORKING CAPITAL	\$21,015	\$22,779	\$20,687	\$28,070	\$16,758	

# FRC BALANCE SHEETS

ASSETS	<b>2023</b> YE	AR ENDED AUG 31 2022
CURRENT ASSETS		IN THOUSANDS —
CASH	\$2,068	\$2,596
ACCOUNTS RECEIVABLE	\$35,970	\$35,627
MEMBER ADVANCES	\$27,380	\$15,440
INVENTORIES	\$36,098	\$78,542
PREPAID EXPENSES & OTHER CURRENT ASSETS	\$331	\$3,329
TOTAL CURRENT ASSETS	\$101,847	\$135,534
INVESTMENTS & OTHER ASSETS	\$3,947	\$3,792
PROPERTY, PLANT AND EQUIPMENT- NET	\$47,355	\$45,695
	\$153,149	\$185,021

LIABILITIES & MEMBERS' EQUITY	2023	YEAR ENDED AUG 31 2022
CURRENT LIABILITIES		
LINES OF CREDIT	\$45,500	\$67,300
CURRENT PORTION OF LONG-TERM OBLIGATIONS	\$3,333	\$3,333
ACCOUNTS PAYABLE & ACCRUED EXPENSES	\$8,494	\$7,622
CURRENT AMOUNTS DUE MEMBERS	\$22,494	\$33,502
CURRENT EQUITY RETIREMENT & DIVIDENDS PAYABLE	\$1,011	\$998
TOTAL CURRENT LIABILITIES	\$80,832	\$112,755
LONG-TERM OBLIGATIONS, NET OF CURRENT PORTION	\$28,443	\$28,895
MEMBERS' EQUITY	\$43,874	\$43,371
	\$153,149	\$185,021

# STATEMENTS OF NET PROCEEDS & COMPREHENSIVE INCOME

<b>2023</b> YEAR EN	NDED AUG 31 2022
IN THOUSANDS	
\$382,235	\$356,962
(\$73,710)	(\$44,043)
\$30,793	\$73,710
\$339,318	\$386,629
\$115,385	\$108,173
\$223,933	\$278,456
\$72,268	\$79,981
\$9,458	\$9,053
\$6,004	\$2,757
(\$181)	\$200
\$136,384	\$186,465
\$224	\$1,406
\$136,608	\$187,871
	\$382,235 (\$73,710) \$30,793 \$339,318 \$115,385 \$223,933 \$72,268 \$9,458 \$6,004 (\$181) \$136,384

Moss Adams, LLP expressed an unmodified opinion on the balance sheets of Farmers' Rice Cooperative as of August 31, 2023 and 2022 and the related statements of net proceeds and comprehensive income, members' equity and cash flows for the years then ended. Upon request by any FRC member, detailed financial statements and footnotes are available for review at FRC's Corporate headquarters.

### **OWN YOUR FUTURE.**

Too many rice growers are not maximizing the value of their crop. Farmers' Rice Cooperative offers ownership, value, and stability so growers can look forward to long-term growth and prosperity.

FRC MEMBERS OWN THEIR FUTURE!

# **BOARD MEMBERS**



CHARLEY MATHEWS, JR.\*

CHAIRMAN

YUBA-SUTTER DISTRICT



DENNIS CLARK\*0
VICE CHAIRMAN
GLENN DISTRICT



RALPH WILKERSON\*0
VICE CHAIRMAN
BUTTE DISTRICT



RICK NELSON\*0
YUBA-SUTTER DISTRICT



PAUL BAGGETT\*0
YUBA-SUTTER DISTRICT



CHRIS ALVES
GLENN DISTRICT



ANDY COLLINS
BUTTE DISTRICT



MIKE DEWIT
CENTRAL-SAN JOAQUIN DISTRICT



SEAN DOHERTY
COLUSA DISTRICT



KIM GALLAGHER
CENTRAL-SAN JOAQUIN DISTRICT



DREW RUDD
BUTTE DISTRICT



GEORGE TIBBITTS<sup>0</sup>
COLUSA DISTRICT



CHRISTINE WYLIE LEWIS
GLENN DISTRICT



JOHN JEX<sup>0</sup>
ADVISORY DIRECTOR



JOHN WHETTEN®
ADVISORY DIRECTOR

- \* Member of Executive Committee
- <sup>o</sup> Member of Audit & Finance Committee



# **EXECUTIVE TEAM**



RICK RHODY
PRESIDENT & CEO



BILL TANIMOTO

SR. VICE PRESIDENT

CFO & COO



STEVEN MICHEL
VICE PRESIDENT
MARKETING



LAURA KLOTZ

ASSISTANT VP

CONTROLLER



BRICE LAUPPE

ASSISTANT VP

FIELD SERVICES



DEREK ALARCON
DIRECTOR
EXPORT SALES



ADAM McCALISTER
DIRECTOR
DOMESTIC SALES



PAUL GHIGLIERI
GENERAL MANAGER



# FARMERS' RICE COOPERATIVE OWN YOUR FUTURE

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### FRC West Sacramento Mill 2224 Industrial Boulevard West Sacramento, CA 95691 (916) 373-5500

### FRC PIRMI Mill 845 Kentucky Ave. Woodland, CA 95695 (530) 666-1691

### FRC Hi & Dry

1551 Acacia Ave. Sutter, CA 95982 (530) 755-0081

### FRC Stegeman 4937 Hwy 45 Colusa, CA 95932 (530) 439-2244