



California Wheat

Volume 20, Winter 2002

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California Grain Export Facilities up and running. MY2001 has been a turnaround year for California wheat exports. To date this marketing year, 88,000 metric tons of wheat have been shipped from the Port of Stockton and the Port of Sacramento. The reason for this change is that two California companies have invested in the port facilities. Penny-Newman Grain Co. (Fresno) purchased the Continental Grain Facilities located at the Port of Stockton and Adams Grain Co. (Arbuckle) is leasing the bulk grain facility at the Port of Sacramento. Of the wheat shipped, 63,000 mt. went to North Korea and 25,000 mt. went to Mongolia.

New Home for Desert Durum®: Desert Durum® found a home in two new countries this year, Venezuela and the Dominican Republic. These sales were made as a result of direct market development efforts of US Wheat Associates, California Wheat Commission and the Arizona Grains Research and Promotion Council. The sale to Venezuela was initiated after containers of Desert Durum® were shipped to a commercial Venezuelan mill for testing. The Dominican

Republic sale was made after an aggressive buyer pursued the purchase of Desert Durum® after a few years of investigating its qualities. In the case of both of these countries a milling consultant was provided to assist with the first time utilization of Desert Durum®.

Note: The Phrase "Desert Durum®" has been trademarked with the US patent office under the ownership of the Arizona Grains Research and Promotion Council and the California Wheat Commission. Only durum wheat produced in the states of Arizona and California can use the Desert Durum® trademark.

Desert Durum® Export Destinations (metric tons)

Country	MY98/99	MY99/00	MY00/01	MY01/02 (As of 12/11/01)
Algeria	48,771			
Dominican Republic		3,217	3,608	
Germany		17,299		
Italy	292,231	201,129	176,256	104,202
Netherlands				8,399
Nigeria	3,874	3,680	8,000	8,800
Spain		26,250		
Venezuela				5,094
Total	344,876	231,059	204,772	130,103
Production - CA/AZ	840,152	425,473	470,380	446,939

Karnal bunt in four new counties in Texas during 2001, there has been an increase in time and attention spent on this disease by the US wheat industry and United States Department of Agriculture. The atmosphere has changed since 1996 with many organizations now calling for deregulation of the Karnal bunt disease. The difficulty lies in the timing and process that it will take for deregulation.

At this time, the California Wheat Commission is working through the Sanitary/Phytosanitary committee of US Wheat Associates (USW) to deregulate Karnal bunt. USW is a national export market development organization, working in over 100 countries on behalf of America's wheat producers. The Committee is supporting the development of a comprehensive plan by USDA to deregulate Karnal bunt that includes: reviewing the consistency of the domestic KB program, a targeted country-by-country deregulation game plan, and reviewing any US phytosanitary regulations against other wheat producing countries. This will be a huge task.

Karnal Bunt - With the detection of

Karnal bunt cont....Once again California will be requested to participate in USDA's national Karnal bunt survey. Wheat producing states are required to comply with this survey in order to qualify for an export phytosanitary certificate required by importing countries. Counties outside of the regulated areas that were not sampled last year will be sampled this year. The Commission is currently seeking a copy of the targeted areas. California will be obligated to collect 20-25 samples.

Hard White Wheat - USDA Federal Grain Inspection Service expects to publish a call for comments in the Federal Register on a new classification distinction for Hard White Wheat. Presently, USDA is considering two subclasses of Hard white: Hard White Wheat and Hard Amber White. All white wheat will qualify for one of the two categories.

Crop Revenue Coverage - The California Wheat Commission found out this year that the base price and harvest price for California wheat used in the determination of the Crop Revenue Coverage program is based on the Portland Grain Exchange rather than the Kansas City Board of Trade. There does not appear to be any reasoning for the use of this market. The Commission started working on this problem last fall. It appears that it will take a full year for the administration of the Crop Insurance Program to correct this error.

Loan Deficiency Program - Last summer the California Wheat Commission and the California Association of Wheat Growers, along with elected officials, growers and many in the wheat industry, worked to correct the miscalculations of the Loan Deficiency Program. These miscalculations included USDA's use of the Portland market as a terminal market in the calculation of the Posted County Price, and their use of bids supplied by end-users rather than actual prices received by growers for determining market rates. A correction was made during the harvest period, but by the end of September the original calculations were put back in place. This is a very important issue. USDA has guaranteed the California wheat industry that they will work with the industry to fairly determine calculations for the 2002 crop year.

Section 301 Investigation Into the Canadian Wheat Board - In September 2000, the North Dakota Wheat Commission filed a petition under Section 301 of the Trade Act of 1974 with the United States Trade Representative ("USTR") seeking an investigation into the noncommercial and unfair wheat trading practices of the Canadian Wheat Board (CWB). In October 2000, the USTR initiated an investigation which has gained the support of US wheat and farm organizations and a large bipartisan group of Senators and Congressman. Lawmakers and industry are strongly recommending that the Administration impose limits on unfairly traded imports of Canadian wheat (through tariff rate quotas or other appropriate measures) until and unless a longer-term agreement can be reached to discipline the anti-competitive practices for the CWB. The USTR will announce a decision on February 15, 2002.

The US International Trade Commission released a report in late December, 2001 that confirms the trade-distorting impact of several government-bestowed CWB privileges, including:

- Monopoly buying and selling
- Pricing pooling (allowing for the financing of price discounts in select markets or to select customers)
- Guaranteed financing on loans to customers and initial payments to Canadian producers
- A veil of secrecy over operations and pricing
- Preferential transportation rates, and
- Non-tariff import barriers.

For the past decade, the California Wheat Commission and the California Association of Wheat Growers have supported the efforts of US Wheat industry to resolve the unfair trading practices of the CWB in the US and abroad.

Do not overlook the Trade Title of the Farm Bill. With over 50% of the US wheat crop exported each year, Title III-Trade within the Farm Bill is extremely important to this industry. This section of the Farm Bill covers foreign market development funding, i.e., Market Access Program (MAP), Foreign Market Development Program (FMD) of which the US Wheat industry is a recipient. It also covers food aid, the Export Enhancement Program as well as the Export Credit Guarantee Programs. Over the past four years, all importers of California Hard Red Wheat have participated in these programs.

March 26, 2002 - California Wheat Collaborator Meeting, Sacramento, CA. Please call the California Wheat Commission office (530-661-1292) for more information on this industry-wide meeting.

ANNUAL FINANCIAL REPORT

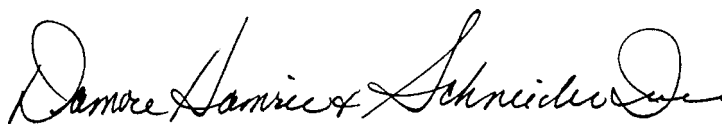
Report of Independent Certified Public Accountants

To the Board of Commissioners
of California Wheat Commission

We have audited the balance sheet of the **California Wheat Commission** as of April 30, 2001 and 2000, and the related statements of revenues, expenses and changes in retained earnings and cash flows for the fiscal years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Wheat Commission as of April 30, 2001 and 2000, and the results of its operations and cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.



DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants
June 8, 2001

CALIFORNIA WHEAT COMMISSION

Balance Sheets

April 30,

<u>ASSETS</u>		2001	2000		
CURRENT ASSETS:				PROPERTY AND EQUIP., net of Accumulated Depreciation of \$412,436 in 2001 and \$387,501 in 2000	
Cash and cash equivalents	\$ 123,155		\$ 22,766	\$ 364,869	400,367
Short term investments	\$ _____		197,038	DEPOSITS	
Receivables:				\$ 526,697	1,285
Assessments	\$ 19,055		10,632		\$ 650,482
Other	\$ 13,812		11,652	<u>LIABILITIES AND RETAINED EARNINGS</u>	
	\$ 32,867		22,284		
Prepaid expenses	\$ 5,806		6,742		
				2001 2000	
Total current assets	\$ 161,828		248,830	CURRENT LIABILITIES:	
				Accounts Payable	\$ 6,379 \$ 7,372
				Contracts Payable	25,000 25,000
				Profit Sharing Contribution Payable	20,638 18,944

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

ANNUAL FINANCIAL REPORT

Accrued Vacation	27,981	24,742
Mortgage Payable, Current Portion	3,038	2,774
Total Current Liabilities	\$ 83,036	\$ 78,832
MORTGAGE PAYABLE, Net		
of Current Portion	143,244	146,411
Total Liabilities	266,280	225,243
RETAINED EARNINGS		
	\$ 300,000	425,239
	\$ 526,697	\$ 650,482

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS: YEAR ENDED APRIL 30,

	2001	2000
Assessments Revenue, Net of Refunds of \$25,293 in 2001 and \$35,221 in 2000	\$ 477,841	\$ 525,401
Laboratory Revenue:		
Crop Quality	\$ 12,467	\$ 10,060
Laboratory Analysis	57,355	50,221
Training Programs	1,000	9,952
	\$ 70,822	70,233
Other Income:		
Cooperative Projects	1,449	909
Vessel Surveys	-----	4,294
Miscellaneous	6,302	2,437
	\$ 7,751	\$ 7,640
Total Operating Revenue	\$ 556,414	\$ 603,274
Expenses:		
General and Administrative	\$ 334,683	\$ 340,176
Research Projects	117,023	115,059
Market Development	61,977	114,252
Laboratory	164,112	175,142
	\$ 677,795	\$ 744,629
Operating Expenses Over Revenues	\$ (121,381)	\$ (141,355)
Other Income (Expense):		
Interest Income	\$ 10,095	\$ 17,752
Interest Expense	(13,536)	(7,404)
	\$ (3,441)	\$ 10,348
Excess of Expenses Over Revenues	\$ (124,822)	\$ (131,007)
Retained Earnings, Beginning of Year	\$ 425,239	\$ 556,246
Retained Earnings, End of Year	\$300,417	\$425,239

**STATEMENTS OF CASH FLOWS
YEAR ENDED APRIL 30,**

	2001	2000
Cash Flows from Operating Activities:		
Excess of Expenses over Revenues	\$(121,381)	\$(141,355)
Adjustments to Reconcile Expenses over Revenues to Net Cash Used by Operating Activities:		
Depreciation	37,426	42,633
(Increase) Decrease in:		
Receivables	(10,583)	7,668
Prepaid Expenses	937	77
Other Assets	1281	(565)
Increase (Decrease) in:		
Accounts Payable	(990)	(83)
Contracts Payable	-----	15,000
Profit Sharing Contrib. Payable	1,694	(1,813)
Compensated Absences	3,239	811
Net Cash Used by Operating Activities	\$(88,377)	(77,627)
Cash Flows from Capital and Related Financing Activities:		
Purchases of Property and Equipment	\$(1,928)	\$(63,507)
Payments on Mortgage Payable	(2,903)	(815)
Interest on Mortgage Payable	(13,536)	(7,404)
Net Cash Used by Capital and Related Financing Activities	\$(18,367)	\$(71,726)
Cash Flows from Investing Activities:		
Investment in Short-term Invest., Net	197,038	\$(81,962)
Interest Income	10,095	17,752
Net Cash Provided by Investing Activities	\$ 207,133	\$ 99,714
Net Increase/(Decrease) in Cash & Cash Equiv.	100,389	(49,639)
Cash & Cash Equiv., Beginning of Year	22,766	72,405
Cash & Cash Equiv., End of Year	\$ 123,155	\$22,766
Non Cash Transactions:		
Purchase of Condominium Suite		\$200,000
Amount Financed		150,000
Cash Used for Down Payment		\$ 50,000

**NOTES TO FINANCIAL STATEMENTS
April 30, 2001 & 2000**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of California Wheat Commission conform to generally accepted accounting principles as applied to government units. The following is a summary of significant accounting policies.

A. Organization and Description of the Commission - The California Wheat Commission (Commission) is a nonprofit, nontaxable instrumentality of the State of California operating within the authority of Chapter 10, Division 22 of the Food and Agriculture Code. It was formed in 1982

for the purpose of managing a research and market development program for the California wheat industry. The Commission also conducts research into the development of wheat varieties more suitable to the domestic and export trade, as well as varieties more productive under California growing conditions.

B. Cash and cash equivalents - For purposes of the statement of cash flows, the Commission considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Commission maintains cash balances in several financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. There were no uninsured cash bank balances at April 30, 2001. In addition to bank accounts, the Commission has funds in a money market account with an investment broker. The balance as of April 30, 2001 was \$99,693. These funds are not insured under FDIC.

C. Short-term investments - The Commission can invest in certificates of deposit and treasury bills. These instruments are classified as short-term investments if they have maturity dates at the time of purchase of over three months and up to one year. The Commission held no short-term investments as of April 30, 2001.

D. 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.

E. Assessments Revenue - Commission operations are financed principally by assessments to wheat growers based on pounds of wheat handled. The current assessment rate is three cents per hundred weight of wheat handled.

F. Property and Equipment - 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	5-10 Years
Condominium Suite	40 Years

G. Use of Estimates - In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Post Retirement Benefits: - The Commission provides no post retirement benefits other than pensions (see Note 5) for its employees.

I. Compensated Absences:

The Commission accrues a liability for unpaid vacation in accordance with GASB 16. Vacation pay is accumulated at various rates depending on length of service.

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment at April 30 consists of:

	2001	2000
Leasehold Improvements	\$ 155,955	\$ 155,955
Laboratory Equipment	348,686	361,177
Office Equipment	72,664	70,736
Condominium Suite	200,000	200,000
	777,305	787,868
Less Accumulated Depreciation	412,436	387,501
	\$ 364,869	\$ 400,367

NOTE 3 OPERATING LEASES

The Commission leased office space under an operating lease. In October 1999, the Commission exercised an option to purchase the property for \$200,000 from the lessors.

Rental expense for all operating leases (except those with terms of one month or less that were not renewed) for the year ending April 30, 2001 and 2000 was \$0 and \$11,881 respectively.

NOTE 4 MORTGAGE PAYABLE

Mortgage note payable to bank at 9.02% per annum; payable in monthly installments of \$1,370 through October 5, 2009. A final installment of \$106,811 is due November 5, 2009. The condominium suite is pledged as collateral for the note.

	\$146,282
Less: Portion due within one year	3,038
Long-Term Portion	143,244

Year ending April 30

2002	\$ 3,038
2003	3,631
2004	3,940
2005	4,346
2006	4,756
Thereafter	126,571
Total min. payments required	\$ 146,282

NOTE 5 PENSION PLAN

The Commission sponsors a defined contribution profit sharing 401(k) plan. 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 for the years ended April 30, 2001 and 2000 was \$20,243 and \$22,048, respectively. Employees may also elect to make additional individual contributions.

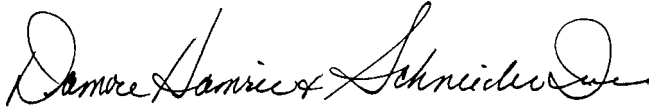
NOTE 6 COMMITMENTS:

The Commission has entered into contract commitments whose terms exceed the Commission's year end. As of April 30, 2001 and 2000, remaining commitments totaled \$58,000 and \$73,653, respectively.

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

Board of Commissioners
California Wheat Commission


Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of the **California Wheat Commission** as of and for the year ended April 30, 2001, which is presented in the preceding section of this report. The statement of general and administrative expenses shown below is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants
June 8, 2001

STATEMENT OF GENERAL AND ADMINISTRATIVE
EXPENSES FOR THE FISCAL YEAR ENDED APRIL 30,

	2001
Salaries	\$ 134,903
Payroll Taxes and Employee Benefits	21,872
Publications	17,544
California Association of Wheat Growers	33,500
Staff Expenses	14,820
Commissioners' Expenses	15,430
Office Expenses	10,343
Insurance	15,138
Utilities	7,138
Occupancy	12,280
Legal and Accounting	7,607
California Dept. of Food and Agriculture	6,682
Depreciation	37,426
	\$ 334,683



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