

ARKANSAS RICE RESEARCH AND PROMOTION SPECIAL CALLED BOARD MEETING
Zoom Only

Minutes

January 17, 2024
8:30 a.m.

Members Present via Zoom: Joe Christian, David Gairhan, Roger Pohlner, Scott Matthews, Jeff Rutledge, Jim Whitaker, Charles Williams

Members Absent: Jay Coker, John King

Chair Jim Whitaker called the special called meeting to order and welcomed all members and guests. He recognized the new board members: Charles Williams, replacing David Petter; and Scott Matthews, replacing Wayne Wiggins.

Chair Whitaker gave an overview of the Board's purpose which is to facilitate research and promotion of the Arkansas rice industry. He explained the money collected and paid by the farmer in the amount of 1.35 cents per bushel of rice is used for research. The money collected and paid by the first purchaser in the amount of 1.35 cents per bushel is used for promotional efforts.

Minutes of the November 2, 2023 Rice Research and Promotion Board meeting were presented for review and approval.

Moved by Rutledge, seconded by Pohlner to approve the November 2, 2023 minutes as presented.

Williams asked about the action of the Board voting to keep Wayne Wiggins as the Columbia Rice Export Quota, Inc. (COL-RICE) representative for the next two years. Chair Whitaker stated Wiggins has served as the Columbian Tariff-Rate Quotas (TRQ) representative for years and has extensive knowledge and expertise. There was a request from the Board to confirm that it is acceptable for Wiggins to continue to serve as the representative of the Board even though he no longer serves as a member of the board. Cynthia Edwards, Deputy Secretary of Agriculture and Administrator of the Board, stated the Arkansas Department of Agriculture would review this issue and report back to the Board.

Motion carried.

Fred Wiedower, Deputy Chief Fiscal Officer presented the financial report. Wiedower also stated the Joint Legislative Audit Committee reviewed the Arkansas Rice Research and Promotion Board's Annual Financial Report for the two years ending June 30, 2023 with no audit findings. **Attachment 1.**

Moved by Gairhan, seconded by Rutledge to approve the financial report as presented.

Christian stated he would like to have more time to review the financial report.

Motion carried. Christian voted no.

Moved by Christian, seconded by Pohlner to approve board travel reimbursement for 2024.

Motion carried.

Moved by Christian, seconded by Rutledge to approve the Legislative Audit report as presented.

Motion carried.

Chair Whitaker presented draft bylaws for the Board's review. **Attachment 2**

The Board decided to table this item until the next meeting. Edwards will send out another draft before the next review.

Chair Whitaker presented a draft of Funding Guidelines. **Attachment 3**

Moved by Rutledge, seconded by Christian to adopt the Funding Guidelines as presented.

Motion carried.

Election of Secretary/Treasurer. **Moved by Christian, seconded by Gairhan to nominate Jeff Rutledge as Secretary/Treasurer replacing David Petter.**

Moved by Williams for nominations to cease.

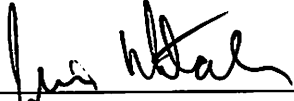
Motion carried.

Doralee Chandler and Michael Lewis, Attorney General's Office, presented ethics training for the Board and answered questions from Board members.

Chair Whitaker stated the next Arkansas Rice Research and Promotion Board meeting will be February 1, following the Arkansas Rice annual meeting in Jonesboro. This will be a promotional funding meeting. There will be another Arkansas Rice Research and Promotion Board meeting on February 8 in Little Rock to review research proposals.

Moved by Pohlner, seconded by Christian to adjourn.

Meeting adjourned.



Jim Whitaker, Chairman

Attachment 1

ARKANSAS RICE RESEARCH AND PROMOTION BOARD INCOME, EXPENSES, AND ACCUMULATED REVENUE JULY 1, 2023 THROUGH DECEMBER 31, 2023

REVENUE:

| | | |
|------------------------------|----|-----------|
| Beginning Fund Balance | \$ | 503,914 |
| Gross Collections | \$ | 3,362,570 |
| Producer | \$ | 1,680,044 |
| Buyer | \$ | 1,680,044 |
| Audit penalties and interest | \$ | 2,482 |

DEDUCTIONS:

| | | |
|--------------------------------|----|------------------|
| Less Revenue and Treas. (3.1%) | \$ | 104,240 |
| TOTAL AVAILABLE REVENUE | \$ | 3,762,244 |

EXPENDITURES:

Administrative Expenses:

| | | |
|-----------------------------|----|-------|
| Board Member Travel Lodging | \$ | 1,521 |
| Board Member Travel Mileage | \$ | 384 |
| Board Meeting Food Purchase | \$ | 1,948 |
| Postage | \$ | - |
| Website | \$ | - |
| Total Administrative | \$ | 3,853 |

Program Expenses:

| | | |
|------------------------|----|-----------|
| USA Rice Council | \$ | 1,348,608 |
| University of Arkansas | \$ | - |
| Producer Information | \$ | - |
| Rice Foundation | \$ | - |
| Coop. Ext. Service | \$ | - |
| Total Program | \$ | 1,348,608 |

| | | |
|---------------------------|----|------------------|
| TOTAL EXPENDITURES | \$ | 1,352,461 |
|---------------------------|----|------------------|

| | | |
|-----------------------------|----|------------------|
| ACCUMULATED REVENUE: | \$ | 2,409,783 |
|-----------------------------|----|------------------|

| | | |
|-----------------------------|----|-----------|
| Contingency Reserve | \$ | 50,000 |
| Payable to Rice Foundation | \$ | - |
| Payable to USA Rice Council | \$ | 359,930 |
| Payable to UofA | \$ | - |
| Unallocated Balance | \$ | 1,999,854 |

Arkansas Rice Research and Promotion Board
Projection of Collections
As of December 31, 2023

| | Actual 2023-2024 | Projected 80% 2023-2024 | Projected 95% 2023-2024 |
|---|-----------------------------|------------------------------------|------------------------------------|
| PROJECTED: (Based on Draft USDA NASS Forecasted October 1, 2023 Numbers) | | | |
| Production (bu.) | 236,734,444 | 236,734,444 | 236,734,444 |
| Rate | 0.027 | 0.027 | 0.027 |
| Max. Gross Collections (MGC) | \$6,391,830 | \$6,391,830 | \$6,391,830 |
| | | | |
| ACTUAL COLLECTIONS: | | | |
| Producer Collections | \$1,680,044 | \$2,876,324 | \$3,036,119 |
| Buyer Collections | \$1,680,044 | \$2,876,324 | \$3,036,119 |
| Audit Settlements (Penalties and Interest) | \$2,482 | \$0 | \$0 |
| TOTAL COLLECTIONS | \$3,362,570 | \$5,752,647 | \$6,072,239 |
| Percent of MGC Realized | 53 | 90 | 95 |
| | | | |
| Less: | | | |
| Revenue and Treasury (3.1%) | \$104,240 | \$178,332 | \$188,239 |
| Administrative Expenses | \$3,853 | \$5,000 | \$5,000 |
| Total | \$108,093 | \$183,332 | \$193,239 |
| NET COLLECTIONS | \$3,254,477 | \$5,574,315 | \$5,883,999 |
| | | | |
| Beginning Balance | \$503,914 | \$503,914 | \$503,914 |
| Due USA Rice from Previous Year | \$81,296 | \$81,296 | \$81,296 |
| Unallocated Beginning Balance (Research) | \$422,618 | \$422,618 | \$422,618 |
| | | | |
| PROMOTION/MARKET DEVELOPMENT: | | | |
| AVAILABLE FUNDS | \$1,708,535 | \$2,865,954 | \$3,020,796 |
| USA Rice Council | \$1,708,537 | \$2,863,454 | \$3,018,296 |
| | | | |
| RESEARCH: | | | |
| AVAILABLE FUNDS | \$2,049,856 | \$3,207,275 | \$3,362,117 |
| 2024 Research Funding | \$0 | \$0 | \$0 |
| | | | |
| Contingency Reserve | \$50,000 | \$50,000 | \$50,000 |
| Unallocated Balance | \$1,999,854 | \$3,157,275 | \$3,312,117 |

Internal Control and Compliance Assessment

Arkansas Legislative Audit

Arkansas Rice Research and Promotion Board

For the Two-Year Period Ended June 30, 2023



INTRODUCTION

This report is issued to inform the Legislative Joint Auditing Committee of compliance with state fiscal laws and regulations as well as deficiencies in internal controls for the Arkansas Rice Research and Promotion Board. Assessment procedures disclosed no reportable items of noncompliance.

SCOPE AND METHODOLOGY

We performed an internal control and compliance assessment of the Arkansas Rice Research and Promotion Board, a board of Arkansas state government, as of and for the two-year period ended June 30, 2023, and have issued our report dated November 15, 2023. Management of the Agency is responsible for establishing and maintaining internal controls and complying with applicable laws and regulations.

The assessment included cash on deposit, cash receipts, accounts receivable, investments, expenditures, liabilities, and data entry to the Arkansas Administrative Statewide Information System (AASIS). The assessment consisted principally of inquiries, observations, analytical procedures, and selected tests of internal control policies and procedures, accounting records, and other relevant documents. We relied on financial data in AASIS recorded by the Agency and audit work conducted in the fiscal years 2022 and 2023 State Annual Comprehensive Financial Reports (ACFR) and Single Audit Reports.

RESULTS OF ASSESSMENT

Assessment procedures did not disclose instances of noncompliance considered reportable.

ENABLING LEGISLATION AND ORGANIZATIONAL STRUCTURE

The Arkansas Rice Research and Promotion Board was established by Act 725 of 1985 to enable improvement of the rice industry. The nine-member Board is appointed by the Governor based on nominations from certain rice-related organizations. The Board is tasked with planning and conducting a program of research, extension, promotion, and market development to foster growth and development of the Arkansas rice industry. An employee of Arkansas Farm Bureau fills the role of Administrator.

The initial legislation established a producer-paid assessment of 2 cents per bushel of rice produced in Arkansas, with an automatic escalation of 3 cents per bushel after a specified period of time. Subsequently, Act 344 of 1995 provided for a referendum of producers on reducing the producer-paid assessment to a rate not more than 1.5 cents per bushel, instituting a buyer-paid assessment of 1.35 cents per bushel, and making both assessments nonrefundable. Producers overwhelmingly ratified the proposed changes in February 1996, and the changes became effective August 1, 1996. Prior to the referendum, the Board made a commitment to the producers to set the producer-paid assessment rate at 1.15 cents per bushel for a minimum of two years. Act 16 of 1999 provided for equal assessment of 1.35 cents per bushel for both the producer and the buyer portions of the program. The Board's organizational chart in place at June 30, 2023, is presented in Exhibit I on page 2.

ARKANSAS LEGISLATIVE AUDIT
500 Woodlane Street, Suite 172, Little Rock, AR 72201
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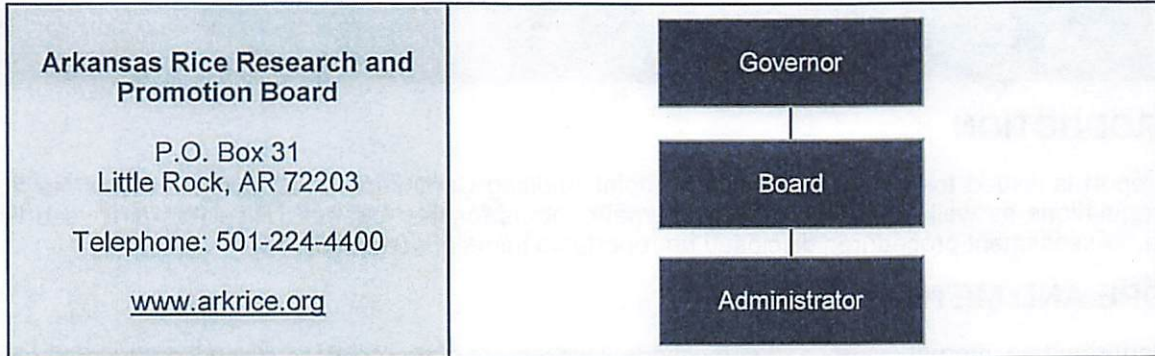
Report ID: SR0932623

Report Date: November 15, 2023



Exhibit I

Arkansas Rice Research and Promotion Board
Organizational Chart



Source: Arkansas Rice Research and Promotion Board

As a result of Act 712 of 2023, effective July 1, 2023, the Board was transferred to the Arkansas Department of Agriculture. Arkansas Farm Bureau continued to assist with the administration of the Board until July 31, 2023.

FISCAL ANALYSIS

Revenues, Expenditures, and Transfers

Agency revenues, expenditures, and transfers for fiscal years 2019 through 2023 are illustrated in **Exhibit II on page 3**. The Agency reported \$6.3 million and \$6.1 million in total revenues for the fiscal years ended June 30, 2022 and 2023, respectively. The changes in revenue directly related to crop production and bushels sold annually, which fluctuate from year to year. The Tariff-Rate Quota (TRQ) proceeds generated through the export of rice to certain European Union countries have existed since 1999. TRQ proceeds associated with exports to Columbia began in fiscal year 2013. These proceeds are further illustrated in **Exhibit IV on page 5**.

Agency expenditures totaled \$2.7 million and \$2.3 million for the fiscal years ended June 30, 2022 and 2023, respectively. Expenditures for the Agency mainly consisted of promotion and marketing development costs that were approved by the Board.

Net transfers totaled \$2.6 million and \$7.0 million for the fiscal years ended June 30, 2022 and 2023, respectively. The transfers represent payments to the University of Arkansas, Fayetteville, for rice research and extension program.

Assets and Liabilities

Asset and liability balances for fiscal years 2019 through 2023 are presented in **Exhibit III on page 3**. The Agency reported assets totaling \$12.0 million and \$8.7 million at June 30, 2022 and 2023, respectively. Deposits in State Treasury were reconciled without exception. Investments at the Rice Foundation were satisfactorily confirmed and consisted of cash, money market funds, certificates of deposit, and accrued interest receivable.

No liabilities were reported at year-end in fiscal years 2022 and 2023.

Exhibit II

**Arkansas Rice Research and Promotion Board
Revenues, Expenditures, and Transfers
For the Years Ended June 30, 2019 through 2023**

| | Fiscal Year | | | | |
|----------------------------------|-----------------------|-----------------------|-----------------------|------------------------|-----------------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| Revenues | | | | | |
| Rice assessment fees, net | \$ 4,548,921 | \$ 5,360,011 | \$ 5,766,679 | \$ 5,130,166 | \$ 5,516,695 |
| Tariff Rate Quota (TRQ) proceeds | 1,345,354 | 1,192,348 | 204,738 | 7,043,002 | 3,427,249 |
| Investment Income (loss) | 173,092 | (213,835) | 4,449 | 254,130 | 380,342 |
| Total Revenues | \$ 6,067,367 | \$ 6,338,524 | \$ 5,976,066 | \$ 12,427,298 | \$ 9,324,286 |
| Expenditures | | | | | |
| Assistance, grants, and aids | \$ 2,304,200 | \$ 2,744,464 | \$ 2,806,329 | \$ 2,683,804 | \$ 2,834,614 |
| Other expenses | 11,226 | 1,919 | 964 | 4,430 | 6,002 |
| Total Expenditures | \$ 2,315,426 | \$ 2,746,383 | \$ 2,807,293 | \$ 2,688,234 | \$ 2,840,616 |
| Net Transfers In (Out) | \$ (7,010,958) | \$ (2,629,000) | \$ (2,842,830) | \$ (14,588,243) | \$ (6,031,500) |

Source: Arkansas Administrative Statewide Information System Trial Balance (unaudited by Arkansas Legislative Audit)

Exhibit III

**Arkansas Rice Research and Promotion Board
Assets and Liabilities
For the Years Ended June 30, 2019 through 2023**

| | Fiscal Year | | | | |
|---|---------------------|----------------------|----------------------|----------------------|----------------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| Assets | | | | | |
| Cash and cash equivalents | \$ 503,914 | \$ 626,890 | \$ 332,154 | \$ 270,283 | \$ 458,869 |
| Investments held by the Rice Foundation | 8,280,800 | 11,366,841 | 10,698,436 | 10,524,249 | 14,836,006 |
| Total Assets | \$ 8,784,714 | \$ 11,993,731 | \$ 11,030,590 | \$ 10,794,532 | \$ 15,294,875 |
| Liabilities | | | | | |
| Accounts payable | \$ 0 | \$ 0 | \$ 0 | \$ 90,160 | \$ 185,671 |

Source: Arkansas Administrative Statewide Information System Trial Balance (unaudited by Arkansas Legislative Audit)

Tariff-Rate Quota (TRQ) Activity by Year

A summary of TRQ activities and balances from their inception until June 30, 2023, is included in Exhibit IV on page 5. TRQ proceeds are deposited periodically into the investment account maintained by the Rice Foundation. Investment income is also deposited into the account, and disbursements from the account have only been for Board-approved projects. The Colombia TRQ agreement spans 20 years. In years 1-10, proceeds can only be used for direct research projects. In years 11-20, proceeds can be used for direct projects. At no time can proceeds be used for general administrative purposes.

Exhibit IV

Arkansas Rice Research and Promotion Board
 Tariff-Rate Quota (TRQ) Activities and Balances
 For the Years Ended June 30, 1999 through 2023

| Fiscal Year | European Union | | | | | Colombia | | | | | Combined Total |
|---------------|---------------------|-------------------|-----------------------|--------------------------------|---------------------|------------------------|---------------------|------------------------|--------------------------------|---------------------|---------------------|
| | Deposits from AARQ | Interest | Research Projects | To-Date Unrealized Gain/(Loss) | Balance | Deposits from COL-RICE | Interest | Research Projects | To-Date Unrealized Gain/(Loss) | Balance | |
| FY1999 | \$ 896,185 | \$ 11,939 | | | \$ 908,124 | | | | | | |
| FY2000 | 883,571 | 50,101 | \$ (222,904) | | 1,618,892 | | | | | | |
| FY2001 | 657,301 | 85,262 | (135,328) | | 2,226,127 | | | | | | |
| FY2002 | 588,284 | 34,486 | (362,471) | | 2,486,426 | | | | | | |
| FY2003 | 715,915 | 13,360 | (1,443,638) | | 1,772,063 | | | | | | |
| FY2004 | 873,478 | 8,625 | (200,000) | | 2,454,166 | | | | | | |
| FY2005 | 270,263 | 31,231 | (200,000) | | 2,555,660 | | | | | | |
| FY2006 | 102,008 | 71,300 | (200,000) | | 2,528,868 | | | | | | |
| FY2007 | 49,347 | 127,284 | (200,000) | | 2,505,599 | | | | | | |
| FY2008 | 44,466 | 114,006 | (200,000) | | 2,464,071 | | | | | | |
| FY2009 | 111,854 | 86,927 | | | 2,662,852 | | | | | | |
| FY2010 | 142,199 | 5,281 | (2,300,000) | | 510,332 | | | | | | |
| FY2011 | 143,164 | (2,838) | | | 650,658 | | | | | | |
| FY2012 | 159,980 | 2,118 | | | 812,756 | | | | | | |
| FY2013 | 93,793 | 3,170 | | | 909,719 | \$ 1,444,599 | \$ 2,758 | | | \$ 1,447,357 | \$ 2,357,076 |
| FY2014 | 75,178 | 1,231 | | | 986,128 | 5,257,588 | 5,661 | \$ (527,000) | | 6,183,606 | 7,169,734 |
| FY2015 | 51,664 | 2,264 | | | 1,040,056 | 7,814,998 | 17,049 | (4,033,703) | | 9,981,950 | 11,022,006 |
| FY2016 | 48,889 | 6,629 | | | 1,095,574 | 7,534,075 | 81,166 | (613,177) | | 16,984,014 | 18,079,588 |
| FY2017 | 52,954 | 9,934 | | | 1,158,462 | 6,082,545 | 146,746 | (5,169,000) | | 18,044,305 | 19,202,767 |
| FY2018 | 83,319 | 13,783 | (89,000) | | 1,166,564 | 1,381,630 | 192,261 | (4,000,000) | | 15,618,197 | 16,784,760 |
| FY2019 | 97,681 | 23,309 | (30,000) | | 1,257,554 | 3,302,440 | 292,573 | (5,544,331) | | 13,668,879 | 14,926,433 |
| FY2020 | 19,541 | 23,373 | (65,500) | | 1,234,968 | 7,363,032 | 224,897 | (11,987,482) | | 9,269,326 | 10,504,294 |
| FY2021 | | 3,653 | (35,000) | | 1,203,621 | 204,738 | 27,793 | | | 9,501,857 | 10,705,477 |
| FY2022 | | 2,302 | (35,000) | | 1,170,923 | 765,206 | 19,238 | (275,108) | | 10,011,193 | 11,182,115 |
| FY2023 | | 13,956 | | \$ (27,340) | 1,157,538 | 1,772,495 | 111,128 | (4,654,487) | \$ (167,066) | 7,073,261 | 8,230,800 |
| Totals | \$ 6,161,034 | \$ 742,686 | \$ (5,718,841) | \$ (27,340) | \$ 1,157,538 | \$ 42,923,347 | \$ 1,121,269 | \$ (36,804,288) | \$ (167,066) | \$ 7,073,261 | \$ 8,230,800 |

Abbreviations:

AARQ - Association for the Allocation of Rice Quotas, Inc.
 COL-RICE - Colombia Rice Export Quota, Inc.

Source: Spreadsheet provided by Arkansas Rice Research and Promotion Board Administrator (summarized and unaudited by Arkansas Legislative Audit)

Attachment 2

Rules for the Conduct of Business of the Arkansas Rice Research and Promotion Board

Article 1. Name and Statutory Creation

The statutory authority of the Arkansas Rice Research and Promotion Board is codified at A.C.A 2-20-501 et. al.

Article 2. Officers

Section One: The members of the Board are appointed as set forth in statute and subject to the limitations imposed therein.

Section Two: The officers shall include a Chair, Vice-Chair, and a Secretary-Treasurer. All members are eligible to hold office.

Section Three: Officers shall be elected for one-year terms. The annual election shall be held at the summer meeting. All officers shall continue to hold their respective offices until their successors are elected.

Section Four: The Chair shall preside at all meetings of the Board. The Chair is authorized to execute all documents on behalf of the Board, and generally performs all duties associated with that office. The Chair shall ensure that a record of Board actions shall be kept as required by law. The Vice-Chair, in the event of the absence or disability of the Chair or of a vacancy of that office, shall assume and perform all duties and functions of the Chair.

Article 3. Board Meetings

Section One: The Board shall meet as necessary to conduct business, with the date, hour, and place set by the Board. Special meetings may be called by the Chair, or the Vice-Chair if he or she is, for any reason, the acting Chair. Special meetings may also be called upon the written request of at least five members.

Section Two: All meetings shall be conducted in accordance with the Arkansas Freedom of Information Act and the Arkansas Administrative Procedure Act, as applicable.

Section Three: A quorum is defined by law as a majority of the members of the board. All rules and actions of the Board must be voted on affirmatively by a majority of the members present before they can become effective. Voting by proxy is not allowed in board meetings.

Section Four: Board members may participate and vote in Board meetings by telephone conference or online methods.

Article 4. Miscellaneous

Section One: These Bylaws shall be interpreted to establish orderly, equitable, and efficient procedures. For any procedural issues, as a guide, the Board may refer to the latest edition of Robert's Rules of Order, Newly Revised.

Section Two: The provisions of these rules are severable. Any provision determined to be contrary to law shall be void and the remaining provisions shall not be affected.

Section Three: The Secretary of the Department of Agriculture, or his or her designee, shall be the official custodian of Board records.

DRAFT

Attachment 3

Funding Guidelines

Proposals for promotional activities should:

- State the goals and objectives of the promotional activity.
- State the expected benefits to the Arkansas rice industry from the proposed promotional efforts
- Seek to promote generic rice and non-specific business entities
- Explain how the entity will be accountable for its use of the requested funds
- Present audited financial statements

Funds cannot be used to duplicate activities funded by other programs.

Rice research proposals should:

- State the goals and objectives of the proposed research
- State the expected benefits to the Arkansas rice industry from the proposed research
- Explain how the entity will be accountable for its use of the requested funds
- Present audited financial statements