

California Warehouse Association  
Standard Operating Procedures (SOP)  
2023 Crop, Effective September 1, 2023

Purpose of the Standard Operating Procedures Document:  
This document governs the handling of paddy rice movement and quality settlements  
between the warehouses and the marketers.

**I. RICE DELIVERIES**

**A. MOISTURE CONTENT OF RICE**

1. The maximum moisture content limit of rough rice for delivery to mills for each type of official moisture tester is as follows:

<u>Rice Class</u>	<u>Dickey-John 2500 Standard or Above Meters</u>	<u>Perten 5200 Meter</u>
Medium Grain	14.0%	14.0%
Short Grain	14.0%	14.0%
Long Grain	14.0%	14.0%

A tolerance of 0.5% moisture will be allowed on individual truckloads of rice exceeding the maximum moisture content limit if the average moisture of all loads received on a given day is within class limits.

2. Moisture meters at the destination rice mill/handler shall be official.

The warehouse will be notified immediately of all loads exceeding the maximum moisture content limit. The rice mill/handler shall have the option of accepting rice exceeding limits and tolerance or rejecting such loads. The shipping warehouse shall pay destination and return freight if rejected.

Rice accepted by a mill/handler, which exceeds the maximum moisture content limit on a daily average, will have a shrinkage adjustment made to adjust to the maximum permitted moisture. Individual loads which exceed the maximum moisture content limit plus the .5% tolerance (example: medium grain exceeding 14.5% with Dickey-John 2500 or above meter), when accepted by the mill, will be separated from the daily average and shrunk on a load-by-load basis. The adjustment, at the option of the shipping warehouse, may be settled by a weight adjustment or in cash, based on USDA Price Support Loan Value on the date of shipment, at the warehouse's option.

3. It is required that moisture meters be serviced annually by a certified calibrating technician to ensure they are in proper working order.

**B. LIVE INSECTS**

1. Rice shall not contain any live insects(s) that are considered a pest in stored grain according to Federal Grain Inspection Service (FGIS) standards.
2. A single live insect shall be considered an infestation.
3. The destination rice mill/handler will be the point of determination for examination for infestations. The shipping warehouse shall be notified immediately of all infested loads.
4. If an infestation is found, the mill/handler shall have the option of fumigating the load if possible, at their stated tariff rate or returning the load to the shipping warehouse. In either instance, the expenses will be for the account of the shipping warehouse subject to the CWA appeal process results as outlined in Exhibit A.

**C. FOREIGN MATERIAL**

1. Paddy rice contaminated with excess foreign material may be rejected. Foreign material is generally described as anything other than paddy rice including but not limited to glass, beverage containers, metal, warehouse screens, wood, and allergens (corn, wheat, nuts, etc.). The nature and extent of the foreign material will be determined by the mill/handler. The shipping warehouse will be notified immediately of all loads determined to have excess foreign material.
2. The shipping warehouse shall be responsible for destination and return freight for such rice.

**D. MILLING APPRAISAL/GRADE**

1. The shipping warehouse is obligated to deliver the quantity, milling appraisal, and grade as designated on warehouse receipts issued by such warehouse.
2. The rice mill/handler will provide the submitted sample for determination of delivered milling appraisal and grade within 2 weeks of shipping. It is recommended that the mill/handler put the weight and shipping date on the submitted samples to California Agri Inspection Co. Ltd. The California Agri Inspection Co. Ltd. shall mail appraisal certificate to the rice mill/handler upon completion of the appraisal certificate. The rice mill/handler will hold a representative back-up sample for a minimum of 45 days from date of the appraisal certificate(s). The shipping warehouse will have 45 days from the date on the appraisal certificate to request a reappraisal.
3. Mills/handlers shall have the right to re-submit samples taken from shipping warehouse(s) for appraisal subject to the terms in Section 1, sub-section D, paragraph 2 and this paragraph. Mills/handlers shall notify shipping warehouse(s) prior to submitting the sample for appraisal. Mills/handlers shall only submit samples for reappraisal in a total number not to exceed the number of requested reappraisals by each shipping warehouse.
4. Appraisals and Grades shall be based on USDA Standards for Rough Rice. The Federal Grain Inspection Service or its authorized California representative, California Agri Inspection Co. Ltd., shall be the official grading agencies for USDA Standards.

Individual loads shall be delivered within reasonable tolerances of the original obligation stated on the warehouse receipt. Final settlement of differences between actual shipment and obligation will be according to the settlement procedures outlined in Section III.

Rice received by the mill may be rejected if the grade is determined to be lower than the grade indicated on the warehouse receipt. The shipping warehouse will be notified immediately of delivery of any such off-grade rice.

If off-grade rice is accepted by the mill, at its option, such rice will be subject to negotiated penalties. If rejected by the mill, the shipping warehouse is responsible for destination and return freight. If the shipping warehouse is not notified immediately and the mill/handler accepts off-grade rice, then it shall be accepted as US #1.

5. If official samples are used for SOP settlement purposes then Federal appeal appraisal results shall replace the original appraisal results using the same procedures in this section.
6. All lots officially sampled by California Agri Inspection Co., Ltd. or lots that have been Federally appealed will supersede the submitted samples as by law.

#### **E. CWA APPEAL PROCESS**

1. The shipping warehouse may appeal the rejection of rice for live insects, grade, and foreign material.

On any delivery for which such appeal is made, the shipping warehouse will direct the load to be returned and route such load through the closest “appeal warehouse” (see attached Exhibit A). An appeal warehouse will draw an appeal sample of any rice in question and submit such sample to California Agri Inspection Co., Ltd. Appeal warehouses will render a final determination regarding moisture content and existence of live insects or foreign material. The determination of the final grade shall be based on submitted appeal sample to California Agri Inspection Co., Ltd.

2. Appeal warehouses shall post rates for their appeal services. Charges for services will be billed to the losing party. Telephone confirmation of results, followed by a written report, shall be directed to both parties.

Should rice upon which an appeal is requested be found to be within specifications as defined in these procedures, the mill will pay all freight and appeal charges for the load in question. If the rice mill/handler still wishes to send the rice back to the warehouse, such load may be subject to the warehouse’s in and out charges per their posted tariff.

## II. MILL/WAREHOUSE PRACTICES

### A. CERTIFIED WEIGHTS

All shipping weights should be certified origin weights unless otherwise agreed to between shipping warehouse and mill/handler.

### B. MILL SAMPLING

Sampling at a mill destination will be by mechanical probe or hand probe approved by FGIS. Equal representative samples will be taken from each trailer. The sample shall be thoroughly mixed and mechanically split to the proper size for testing. The minimum sample size shall be 2500 grams.

### C. MILL LOT DETERMINATION

Mill lots will be determined by shipping location, by day, not to exceed 25 truck loads unless mutually agreed upon by shipper and mill/handler.

### D. CWA APPEAL SAMPLING

Sampling at appeal warehouse shall be basis FGIS standard procedures consisting of a minimum of two probes in each trailer unit with a mechanical probe or hand probe approved by FGIS. The sample shall be thoroughly mixed and mechanically split to the proper size for testing.

### E. MOISTURE METER TESTING

An official Dickey-John or Perten may be utilized. Moisture meters shall be tested every year by a competent professional calibrator.

### F. ALUMINUM AERATION TUNNEL SCREEN

To help limit unacceptable foreign material in rice, aluminum aeration tunnel screen wire must not be utilized in rice warehousing.

### G. CHEMICAL USE/FUMIGATION

**Prior to applying any chemicals listed below, we advise you to coordinate with the marketers for country specific limitations. In particular, Centynal's MRL for Japan has been lowered to almost zero. Given this is our biggest customer, please use extreme caution with this insecticide.**

Carbon dioxide, aluminum or magnesium phosphide compounds, profume, ecofume, diatomaceous earth, DIATECT V, Diacon, EverGreen, IGR, and Centynal are the only approved fumigation methods. Only California approved pesticides may presently be used according to label for fogging and crack and crevice treatment. All of these treatment methods can be utilized provided the user strictly follows the proper label instructions. Other chemicals shall not be applied directly to rice, regardless of label instructions. Approved fumigants and pesticides may change due to regulatory or environmental reasons.

## H. MINERAL OIL USE

The use of mineral oil may be used for dust suppression on paddy rice. Only FDA approved food grade oil as set forth in U.S. FDA regulation 21 CFR 172.878 may be used by SOP participants. According to those regulations, the application of mineral oil can be used as outlined in the following two sections of 21 CFR 172.878(c):

Use	Limitation
15. As a dust control agent for wheat, corn, soybean, barley, rice, rye, oats, and sorghum	Applied at a level of no more than 0.02 percent by weight of grain.
16. As a dust control agent for rice	ISO 100 oil viscosity (100 centistokes (cSt) at 100 deg. F) applied at a level of no more than 0.08 percent by weight of the rice grain.

If a CWA member wishes to use mineral oil for dust control, **it is imperative that each SOP participant clearly follow label directions** and that each company that wishes to supply the CWA members supply a product data sheet that defines usage rates for their product.

As of now, three suppliers have come forward. STE Oil Company, which supplies the Duoprime RD-H Oil, Ramos Oil Company, which supplies a product from Renkert Oil and is identified as RENOIL 485-W and Fuchs Lubricants Co./Fuchs Lubritech Division, which supplies the Superla White Oil.

CWA does not and will not make recommendations to its members as to product usage. However, stewardship of our industry is paramount, and we strongly urge each member to follow label instructions.

## I. SHIPPING CONTAMINATION

Warehouses/mill handlers shall use their best efforts to ensure that trucks are clean and free of foreign matter prior to loading. Warehouses may, at their option, reject trucks deemed unsuitable for loading.

## J. GLASS POLICY

Warehouses should adopt a policy to minimize the potential of contaminating paddy rice with glass. The policy should include the following considerations:

Use and possession of glass containers in storage and processing areas is prohibited at all times.

Other glass items such as windows, gauges, sight glasses, and light fixtures must be properly and adequately guarded to prevent breakage and possible contamination of the rice.

A program should be implemented to replace windows and other glass objects in or near storage or processing areas with shatterproof plastic materials such as Lexan or acrylic.

All other reasonable means must be taken to prevent the introduction of glass and other foreign material into the rice. Rice found to be contaminated or adulterated with glass shall be subject to rejection at the expense of the warehouse.

**K. SCHEDULING AND REPORTING OF SHIPMENT OF PADDY RICE TO MILLS**

Over the marketing year, rice mills/handlers will prorate as closely as possible the shipment of rice among warehouse facilities supplying the mill.

Rice mills/handlers shall notify warehouses of the total volume of each type of rice and weighted average appraisal the warehouse is obligated to deliver to a given mill. It is understood that this obligation will change periodically with the warehouse being notified of such adjustments, including transfer among mills, on a timely basis.

Mills/handlers shall report the current period's deliveries, appraisals, and grades including a year-to-date comparison of weighted average appraised deliveries to obligations by the 15<sup>th</sup> of the following month upon any activity. Activity is defined as any adjustment, shipping, posting of appraisals, etc. If timely shipping summaries are not received or year-end settlements not completed, shipping warehouse reserves the right to refuse further shipments until the account is reconciled. Warehouse shall make a reasonable attempt to follow up with mill/handler on outstanding grades or shipments.

**III. SETTLEMENT OF GRADE AND MILLING APPRAISAL DIFFERENTIALS**

**A. COVERED VARIETIES**

The following classes and varieties of rough rice are covered under the CWA SOP:

- Medium grain varieties: M105, M206, M209, and M210, M211
- Long grain varieties: L205, L206, L207, L208
- Short grain varieties: S102, S202
- Premium medium grain varieties: M401
- Sweet Rice: CM101, CM203

**B. DISCOUNTS FOR GRADE**

1. The discounts for grade applied to rice accepted by the mills for processing to a white milled basis will be as follows:

<u>USDA Grade</u>	<u>Discount/Cwt.</u>
#1	None-Standard
#2 and below	to be negotiated

Warehouse and mills may settle based on mutually agreed discounts at any time.

### **C. APPRAISAL SETTLEMENT PROCEDURES**

Any mill, handler, or broker who is a SOP participant is liable for settlement to storing warehouse for any transaction that results in transfer of warehouse liability to another party who is not a SOP participant.

Warehouse and mill/handler choosing to settle warehouse obligations in cash may utilize the appraisal settlement procedure.

All settlements, including any payment due, shall be completed by December 1, 2024 subject to carryover storage preventing closing of pool settlement. However, if the warehouse is not notified of an obligation due, then the obligation is null and void. Any outstanding balance due after January 1, 2025 shall accrue interest at the rate of 1% of the outstanding balance per month from January 1, 2025 until paid in full.

Settlement factors will be the respective USDA Price Support Loan Value for the marketing year. Pool deliveries will not be subject to a tolerance. See attached Exhibit B for settlement form. In order to cover pool deliveries completed through September 30<sup>th</sup>, warehouses and mills agreeing to settle deliveries under these procedures will make such settlements no later than December 1<sup>st</sup> of each year. Carryover inventories beyond September 30<sup>th</sup> may be settled at an agreed quality or as shipped based on factors computed for the crop marketing year in question, with such settlements occurring within thirty days of the completion of delivery.

Specialty premium varieties, (e.g. organic, etc.) not covered in Subsection A, are specifically excluded from the settlement terms of this agreement. Settlement terms for M401 can be done on a negotiated basis between the mill/handler and the warehouse. Settlement for differences between the original warehouse receipt obligation and actual shipments will be between the shipping warehouse and the mill. Warehouses that deal with such specialty varieties should contact mills prior to harvest delivery.

Settlement shall be on a white rice basis only.

### **IV. NON-BINDING ARBITRATION**

In the event that a dispute or disagreement arises from the implementation or interpretation of the California Warehouse Association "Standard Operating Procedures" members can apply for non-binding arbitration. All parties subject to the dispute must agree to non-binding arbitration. The CWA Board will appoint a five (5) member Committee, three (3) of which will be the Arbitration Committee, two (2) of which are alternates. These members will be representative of both mill/handlers and warehouses. The Committee appointments will be for two years, and run concurrently with the President's term. All Committee members must be members in good standing with CWA. Each party to the arbitration may challenge one member of the standing committee to be replaced by a like kind alternate. The members of the arbitration Committee shall meet at their earliest convenience to hear all information from the disputing parties. The decision of the panel shall be considered a recommendation for the solution of the dispute.

**CWA RULES AND TIMELINE  
NON-BINDING ARBITRATION**

1. Arbitration Proceedings Commence - Demand submitted by Initiating Party is received by the California Warehouse Association (“Association”) (“Submission Date”).
2. Within five (5) days of submission of an arbitration demand to the Association by the initiating party, the Association shall serve a copy of that demand upon the other party(ies) to the dispute. Such copy shall indicate the date of submission to the Association, which shall be the date of receipt by the Association.
3. Within five (5) days of submission of an arbitration demand to the Association, the initiating party also shall serve upon the other party(ies) to the dispute a copy of the arbitration demand, along with a statement setting forth the following:
  - A) The nature of the dispute;
  - B) The amount involved; and
  - C) The remedy sought.
4. Each party has the option to dismiss one Arbitrator from the CWA Arbitration Committee.
5. Within fifteen (15) days of submission of an arbitration demand to the Association, each party shall submit to the Association a written statement of fact and argument outlining that party’s position in the dispute. It shall be the duty of the Executive Vice President of the Association to deliver promptly such written statements to the arbitrators.
6. Arbitrators have the ability to request clarification of information from parties which could include personal appearance (individual party appearance).
7. Arbitration of a trade dispute shall be subject to a \$500.00 administrative fee to be deposited with the Association by the initiating party concurrently with the arbitration demand. If the initiating party prevails, he/she shall be entitled to the return of his/her deposit and the party against whom the award is made shall be assessed the \$500.00 administrative fee; provided, however, that the arbitrators, in their discretion, may assess fees to be paid by either or both parties.
8. A decision shall be rendered by the arbitrators within sixty (60) days of submission of an arbitration demand to the Association. A copy of the written decision shall be delivered to each party no later than five (5) days after having been signed by each arbitrator.

CWA Arbitration Committee:  
Joe Tauscher – Warehouse  
Brian Reines – Warehouse  
Joey Hutchins – Warehouse Alternate  
Dan Squires – Mill  
Dave Lohman – Mill Alternate



**EXHIBIT A**  
Appeal Warehouses

California Agri Inspection Co., Ltd. 2895 Industrial Blvd. West Sacramento, CA 95691	916/374-9700
Butte County Rice Growers Association 1193 Richvale Highway/P.O. Box 128 Richvale, CA 95974-0128	530/882-4261
Colusa Rice Company, Inc. P.O. Box 238 Colusa, CA 95932	530/458-8291
DePue Warehouse Company, Inc. 618 "E" Street/P.O. Box 490 Williams, CA 95987	530/473-5361
Red Top Rice Growers Assn. 3200-8th Street, P.O. Box 477 Biggs, CA 95917	530/868-5975
Sutter Basin Growers Cooperative P.O. Box 355 Knights Landing, CA 95645-0355	530/735-6295

**Conditions Applicable To The "Appeal Warehouse"**

- 1) Appeal warehouses shall maintain normal hours and days of work (i.e. 5 days/week, 8 hours/day).
- 2) Appeal warehouses agree to maintain personnel qualified and equipped to draw official samples and to detect the existence of live insects or foreign material.
- 3) The appeal warehouse shall post the charge for appeal sampling which includes drawing the sample, inspecting the sample, or submitting the sample for FGIS grade and/or appraisal. The charge shall also include the cost of required telephone notifications and a written report.
- 4) The written report shall include the date and time of sampling, original shipping and destination points, trucker, weight certificate number of origin warehouse, subject of appeal, and appeal warehouse determinations.
- 5) An appeal warehouse may not be a party to the appeal.

**EXHIBIT B**

*All calculations will be truncated to four (4) decimal places until the final dollar value which shall be rounded to two (2) decimal places.*

Warehouse: \_\_\_\_\_

Mill: \_\_\_\_\_

Crop Year: \_\_\_\_\_ Variety: \_\_\_\_\_

**INITIAL POOL YIELD:**

Total			=	
Head	X	CWA Factors	=	Head Value
Broken	X	CWA Factors	=	Broken Value
*Pool Quantity	Cwt. X \$	Total Value	= \$	Initial Pool Value

**DELIVERED POOL YIELD:**

Total			=	
Head	X	CWA Factors	=	Head Value
Broken	X	CWA Factors	=	Broken Value
*Pool Quantity	Cwt. X \$	Total Value	= \$	Delivered Pool Value

- If the delivered pool value is more than the initial pool value, the difference is OWED to the warehouse.
- IF the delivered pool value is less than the initial pool value, the difference is OWED to the mill.
- Pool quantity should be the same unless otherwise negotiated.

**EXAMPLE:**

Initial Pool Yield (Truncate)

$$\begin{array}{r} . \underline{6} \underline{8} \underline{2} \underline{2} | \underline{6} \underline{1} \\ \text{Total} \\ . \underline{5} \underline{7} \underline{7} \underline{9} | \underline{0} \underline{1} \\ \text{Head} \\ . \underline{1} \underline{0} \underline{4} \underline{3} | \underline{6} \underline{0} \\ \text{Broken} \end{array}$$

$$\begin{array}{r} \text{Loan Factor} \qquad \qquad \qquad \text{(Truncate)} \\ . \underline{5} \underline{7} \underline{7} \underline{9} \text{ X } \underline{10.49} = \$ \underline{6} \underline{.0} \underline{6} \underline{2} \underline{1} | \underline{71} \\ \text{Head} \\ . \underline{1} \underline{0} \underline{4} \underline{3} \text{ X } \underline{6.47} = \$ \underline{0} \underline{.6} \underline{7} \underline{4} \underline{8} | \underline{21} \\ \text{Broken} \end{array}$$

Round → \$ 6.7369

Pool Quantity (Cwt.)	Initial Pool Value
<u>10,555.28</u>	X \$ <u>6.74</u> = \$ <u>71,142.59</u>

NOTES:

- Truncate means to “cut off” – so under SOP Rules, all calculations shall be truncated to four (4) decimal places until the final dollar value, which shall be rounded to two (2) decimal places.
- Same procedures to be applied to Delivered Pool Yield.

“2023 Crop USDA Loan Values”