

SUMMER 2015

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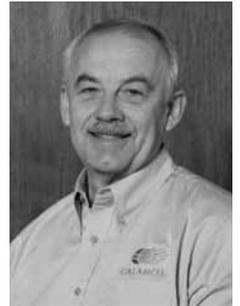
Darron Page

MESSAGE TO SHAREHOLDERS

We have been experiencing a slight reprieve in nitrogen pricing for the summer months. Lower prices during the slower demand period typically tend to be short-lived, as fall demand creates pressure on the supply/demand balance, forcing pricing back up as the demand outlook increases. Indications are that the world market has hit the bottom and prices may slowly start inching up once again for fall. That said, we anticipate nitrogen prices to remain stable for the next couple of months.

As expected, overall sales continue to be impacted as a result of the persisting drought we are experiencing throughout California. Though many acres have remained fallow due to lack of water, we are fortunate to be experiencing a decent year despite the reduction in revenue. Sales are down on all products, however with only a few months remaining in our fiscal year, we are looking forward to ending the year on a positive note.

Many of you have expressed an interest in purchasing additional stock to cover your nitrogen needs, which is extremely encouraging. It is evidence of the confidence and commitment our members have placed in the future of our industry and this company. Thank you for your continued support.



BOB BROWN
PRESIDENT/CEO



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CALAMCO Awards \$1000 Scholarship to Jillian Raycraft



Jillian Raycraft from Dixon

We would like to congratulate Jillian Raycraft from Dixon for being the 2015 recipient of CALAMCO's \$1000 Scholarship. Jillian is a 2015 graduate of Dixon High School, graduating with a 4.48 grade point average! She plans to attend California Polytechnic State University in San Luis

Obispo this fall, majoring in Agricultural Business with the goal of either becoming a sales representative in an ag-related commodity, or in lobbying for agriculture.

Because our top contenders for this year's scholarship were all so deserving, we decided to award a second scholarship for \$500. The recipient of this scholarship went to **Amelia Harlan** of Woodland. Amelia is a 2015

graduate of Woodland High School, graduating with a 4.42 grade point average! Amelia plans to attend California Polytechnic State University in San Luis Obispo this fall, majoring in Agricultural Business, with a minor in political science. She is very interested in being an advocate for agriculture and making a difference in the industry.

We would like to thank all of the students that applied to CALAMCO for this year's scholarship. They have all worked very hard throughout their academic career, and plan to further their education in agriculture. Our industry is extremely fortunate to have so many bright and ambitious students pursuing careers in our industry!



Amelia Harlan of Woodland

California Drought in 2015 and its Economic impact on Agriculture

by Dan Kowalski

Director, Knowledge Exchange, CoBANK

Leonard Sahling

Vice President, Knowledge Exchange, CoBANK

California is now heading into its fourth year of severe drought. All Californians face significant water restrictions during 2015. For urbanities, the restrictions will represent an inconvenience, including brown lawns and empty swimming pools. For growers, ranchers and agribusinesses, the restrictions pose a threat to their livelihoods. The primary purpose of this report is to assess the drought's potential economic impact on California's agriculture sector.

Following are our four key takeaways:

- The damages wrought by the drought in 2015 will be worse than those in the previous year, but far from catastrophic. With each successive year of drought, the underground water tables decline further, boosting the cost of pumping groundwater to the surface and increasing the likelihood of well failure.
- Not all commodities will be impacted equally. Those yielding the highest returns on investment will be affected least by the drought because growers will redirect the limited water supply to these plants and away from those yielding the lowest returns. California's highest yielding crops are its permanent plantings, including nuts, citrus and other tree fruits, and vine-grown fruits and vegetables.

- Growers will again fallow some of their land and redirect the water that would have been used to irrigate those acres toward more profitable crops grown in other fields. They are expected to fallow 550,000 to 600,000 acres this year, about 6-7 percent of total irrigated acreage and 30 percent more than they fallowed in 2014. The resulting losses in revenue will fall most heavily on field crops such as corn, wheat, cotton, rice, hay, pasture, and beans.
- Agriculture lenders will experience some deterioration in the credit quality of their California-based borrowers, but it will be modest in scope. The borrowers connected with the permanent-plantings will be least affected, whereas those connected with field crops and dairy production will bear the brunt of the continuing drought.

Our bottom line conclusion is that most California-based growers, ranchers and agribusinesses will remain in the black in 2015, albeit with a few outliers posting modest losses and slight deteriorations in credit quality, but their financial stress will worsen if the drought persists into 2016. This is much the same conclusion that we reached last year at this time in assessing the drought damages in 2014.

Excerpt from COBANK Knowledge Exchange.

To see the complete article, visit their website at

<http://www.cobank.com/Knowledge-Exchange> - June 2015

Board of Directors Tour Simplot's New Processing Plant in Caldwell, Idaho



The Board of Directors held their June Board meeting at J.R. Simplot's corporate office in Boise, Idaho. In conjunction with their meeting, they were able to tour Simplot's new, 420,000 square foot state-of-the-art potato processing plant located in Caldwell, Idaho that integrates innovative energy-efficient technologies to achieve dramatic energy efficiency improvements of up to 25% while producing hundreds of millions of pounds of frozen potato products per year. The new plant reduces operating cost and contributes to its goal of reducing energy intensity.

The new mega-factory consolidates the operations of three aging facilities (located in Caldwell, Aberdeen, and Nampa, Idaho) to achieve economies of scale in the production of frozen French fries, formed, and shredded potatoes. J.R. Simplot invested large amounts of capital in this facility to adapt to the changing requirements for maintenance, environmental compliance, and modernization. After breaking ground in 2012, the new factory became fully operational in 2014. The new plant is expected to be about 25% more energy efficient on average than the three plants it replaced.

According to Mark McKellar, Simplot Food Group president, the new plant is far more efficient than the plants it replaced. It also has a smaller carbon footprint, uses considerably less water, and is more energy-efficient. "The new plant produces the same output as the three older plants, and allows us to remain competitive in the marketplace," he said. "It cost about as much to build the new plant as it would have to

renovate the three existing plants, and that renovation would have provided fewer gains in terms of long-term, sustainable production. Unfortunately, our older Idaho plants lacked the flexibility, processing capability, and energy efficiency that we needed to be sustainable."

McKellar said the Caldwell site was chosen for a number of reasons. "The Caldwell location affords excellent access to rail and road transportation, water, raw potatoes, and the skilled labor force that will be necessary to operate and maintain such an advanced facility," he said. "In addition, the selection of Caldwell pays tribute to the fact that our founder chose the site for his first dehydrating operation and subsequently expanded into potato processing there."

Excerpt from: <http://www.prnewswire.com/news-releases/j-r-simplot-company-plans-to-build-state-of-the-art-processing-plant>

CALAMCO Receives Safety Award

We are proud to announce that CALAMCO was selected for the 2015 Terra Safety Award. Terra is the name of the insurance captive of which we are members; a group of 27+ other companies connected to agriculture and light industry. We were selected for our continued focus on safety, evident by completing 2014 without a recordable accident or injury. We would like to take this opportunity to congratulate each member of our team for a job well done!

Have a plan!! *Heat Illness Prevention Plan*

The employer must develop, put in writing, and implement effective procedures for complying with the requirements of T8 CCR 3395. The Heat Illness Prevention Plan includes the following:

- Procedures for providing sufficient water
- Procedures for providing access to shade
- High-heat procedures
- Emergency response procedures
- Acclimatization methods and procedures

The Heat Illness Prevention Plan must be written both in English and in the language understood by the majority of employees. It must be available to employees at the worksite, as well as to representatives of Cal/OSHA upon request. It may be integrated into the employer's Injury and Illness Prevention Program.

Source - <https://www.dir.ca.gov/dosh/etools/08-006/>

Download the Phone App!! *Heat Safety Tool*

By U.S. Department of Labor (DOL), Occupational Safety and Health Administration (OSHA)

The App allows workers and supervisors to calculate the **heat index** for their worksite, and, based on the heat index, displays a risk level to outdoor workers. Then, with a simple "click," you can get reminders about the **protective measures** that should be taken at that risk level to protect workers from heat-related illness, reminders about drinking enough fluids, scheduling rest breaks, planning for and knowing what to do in an emergency, adjusting work operations, gradually building up the workload for new workers, training on heat illness signs and symptoms, and monitoring each other for signs and symptoms of heat-related illness.

Select the link below or type the address into your browser to download the application to your phone.

Source - https://www.osha.gov/SLTC/heatillness/heat_index/heat_app.html

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be forwarded to CALAMCO
at (800) 624-4200
www.Calamco.com

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CALAMCO
P.O. Box 7275
Stockton CA 95267-9901