



2013/2014 Annual Report



Chairman's Message

In June of 2013 I had the memorable opportunity to take part in a tour hosted by the California Leafy Greens Marketing Agreement (LGMA) in our central coast farming community. For three days, ten representatives of the group STOP Foodborne Illness visited the Santa Maria area, meeting with farmers and shippers of leafy greens. These individuals were victims of foodborne illness outbreaks; several of them had, in fact, been part of the 2006 e coli outbreak that eventually gave rise to the LGMA.



It was humbling and inspiring to talk to these people, most of whom were quite young and some of whom were still dealing with repercussions of their illnesses. Listening to their stories, the other leafy greens growers and I were very moved. To know that the products we grow – among the healthiest produce items in the world – could be linked to such suffering served to remind all of us exactly why we do what we do when it comes to food safety.



As we look back on the 2013/14 leafy greens year, I can report that it was another very solid year for our industry. Government audits for food safety continued at the same high pace, and citations for non-conformities declined. The industry's training and education program is poised to grow by leaps and bounds, thanks in part to a specialty crop block grant obtained by the LGMA in late 2013. And for the third consecutive year, no LGMA signatory members were decertified for non-compliance with the requirement to implement the LGMA's rigorous science-based standards.



But for me, it was the time we shared with the victims of food borne illness that really stood out in my mind. As we look toward the future, I know that we will – as a farming community and as LGMA signatories – continue to do all we can to prevent outbreaks from occurring. That was our pledge to the victims we met last June, and it is our responsibility to the millions who enjoy our leafy green vegetables every single day.

A handwritten signature in black ink, consisting of stylized letters that appear to be 'RT'.

Ryan Talley
Chairman, LGMA Advisory Board



CEO's Message

An important tenet of the California Leafy Greens Marketing Agreement centers on our drive for continuous improvement. This is precisely why, every few years, the LGMA Board takes a brief retreat to consider its long-range Strategic Plan. This past February, the Board met to revisit and update a Strategic Plan that was initially developed in 2010 and revised again in 2012. The 2014 Strategic Plan was approved and accepted by the full Board at its August meeting.

While a few things have changed since 2010, the LGMA's vision of what it hopes to accomplish basically remains unchanged: **To assure safe leafy greens and confidence in our food safety programs.** This vision is not just about the LGMA program, but also encompasses all that individual LGMA member companies do to assure leafy greens food safety.

When it comes to the mission statement that guides the LGMA, a slight shift in language was incorporated into the new Strategic Plan. The mission statement of the LGMA is now: **To protect consumers and our farming communities, the LGMA ensures that leafy greens are produced using the most current science-based food safety practices.**

This is an important shift, because it places an emphasis on the accepted LGMA food safety practices and our effort to ensure they are the best in the industry. With that in mind, the new 2014 Strategic Plan of the LGMA includes a number of priority action items aimed at establishing the LGMA metrics as the marketplace standard for leafy greens. The LGMA will continue to be proactively engaged with state and federal food safety agencies to ensure that our metrics are accepted under the Food Safety Modernization Act. We will seek to maintain a productive relationship with the research community to ensure our metrics are always up-to-date and that we are strong advocates for needed research within the science community. Industry-wide training will be a continuing area of importance for our organization in the coming years and will be greatly enhanced with our new six course LGMA Tech training program.

Mandatory government audits are critical to the success of the LGMA program. But, as many food experts tell us, an audit is only able to determine what is happening on the farm during the "snapshot" in time when an inspector is present. What we all know and recognize is that the most important component of a good food safety program is the food safety standards an audit is based on.



E. Scott Horsfall
CEO, LGMA

→ What we all know and recognize is that the most important component of a good food safety program is the **food safety standards** an audit is based on.

Year in Review

May 2013

Environmental Group Supports LGMA Approach

A study published in the Ecological Society of America's journal concluded that food safety practices can be done in a way that is good for people and nature. The LGMA was specifically recognized by author Sasha Gennet of The Nature Conservancy who said that she would like to see growers, buyers and consumers rely on standards like the LGMA.



June 2013

Connecting with Victims of Food borne Illness

LGMA hosts a field tour that connects growers of leafy greens with victims of food borne illness in collaboration with the advocacy group STOP Foodborne Illness. Those who visited were reassured by the practices that LGMA members take every day to keep food safe. Leafy greens farmers and shippers who were involved in the tour got a powerful reminder of why it is so important to remain vigilant in their efforts to keep food safe.



August 2013

Food Safety Practices (metrics) Updated

The LGMA Board approved changes to its rigorous food safety standards, or metrics, with respect to animal intrusion and composting practices. These actions represent a significant step forward in the evolution of food safety standards for leafy greens and provide an improved system to assess and reduce potential risk in leafy greens fields while reducing the impact of food safety metrics on the environment.

CONSIDERATIONS IN ASSESSING POTENTIAL HAZARDS & RISKS



FREQUENCY OF ANIMAL SIGHTINGS & SIGNS



SPECIES LIKELY TO AGGREGATE



SPECIES WITH SEASONAL MIGRATIONS

September 2013

Training Program Receives Federal Funding

The LGMA was awarded \$247,445 as part of the California Specialty Crop Block Grant program to enhance food safety training programs. The LGMA requires food safety training for workers and all LGMA members must be in compliance with this requirement. Over the past few years the LGMA has provided training for hundreds of leafy greens personnel and harvest crews; this grant will allow the organization to expand and build on its existing program.



Year in Review

September 2013

FDA & USDA Officials Visit Leafy Greens Farms

A group of federal officials and staffers who are working to create new food safety laws spent two days touring leafy greens fields in the Salinas area to learn more about the rigorous food safety practices required by LGMA members, view a USDA audit of leafy greens farming operations, discuss compliance and enforcement issues, and participate in a training workshop to ensure leafy greens farm employees are up-to-date with the required food safety practices.



October 2013

Federal Government Shuts-down, LGMA Audits Continue

Many federal government operations were shut-down due to fiscal constraints, but government food safety audits on leafy greens farms continued uninterrupted. The LGMA audit program is fully funded by the leafy greens community through mandatory government assessments and does not rely on tax dollars to operate.



November 2013

LGMA Shares Years of Experience with FDA

Along with thousands of others, the LGMA submitted its official comments on the Food Safety Modernization Act's proposed Produce Safety Rule. Comments from the LGMA focused on a number of suggestions to strengthen the proposed rule, but the most important point provided presented the FDA with a solution that would expedite its regulation of 90 percent of the leafy greens produced in the United States at no cost to the public.



February 2014

Strategic Plan Revisited

The Board met in Santa Cruz to revisit and update a Strategic Plan that was initially developed in 2010 and revised again in 2012. While a few things have changed since 2010, the LGMA's vision of what it hopes to accomplish basically remains unchanged. It is as follows:

→ To protect consumers and our farming communities, the LGMA ensures that leafy greens are produced using the most current *science-based food safety practices.*

How the LGMA Works

Food Safety Practices

Based on sound science and designed to reduce risk of contamination when growing and harvesting greens.

Government Audits

Multiple announced and unannounced audits are conducted annually by State of California auditors.



Continuous Improvement

Corrective actions and industry-wide training drive advancement.

Enforcement

Each citation is reviewed by the Compliance Officer and must be corrected. Corrections are verified by the auditors.

Audit Results

AUDITS

During active crop production, LGMA member companies have one scheduled audit every two months. They are also subject to one unannounced audit annually. On average LGMA members are audited more than four times each year.

| | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|---------------------|------------|------------|------------|------------|
| <i>Scheduled</i> | 498 | 469 | 452 | 413 |
| <i>Unannounced</i> | 91 | 90 | 94 | 88 |
| Total Audits | 589 | 559 | 546 | 501 |

CITATIONS

The LGMA Compliance Officer reviews all audits and assigns a citation level to any non-conformity cited by auditors. All citations must be corrected in order for LGMA members to maintain their certified status.

| | 2010/11 | 2011/12 | 2012/13 | 2013/14 |
|--------------------------|-------------|------------|------------|------------|
| <i>Flagrant</i> | 1 | 0 | 0 | 0 |
| <i>Major Deviations</i> | 43 | 39 | 17 | 15 |
| <i>Minor Deviations</i> | 685 | 503 | 396 | 319 |
| <i>Minor Infractions</i> | 274 | 301 | 289 | 209 |
| Total Citations | 1003 | 843 | 702 | 543 |

COMPLIANCE

There were 543 audit citations issued in the current year and they represented less than one percent of all audit checkpoints giving the industry an impressive compliance rate of:

99.8%

CITATION TYPES

Flagrant Violation

A flagrant violation is a violation where the preponderance of evidence shows that the member company knew or should have known exercising reasonable diligence, that the practice did not conform to the measurable practices established in the LGMA, and the violation significantly increased the risk of delivering unsafe product into commerce.

Penalties can range from temporary to permanent decertification. Any action resulting in decertification will be publicized on the LGMA website. Per the request of the produce buyer, e-mails are also sent to alert the buyer to any decertification actions.

Major Deviation

A major deviation is a violation of the LGMA practices that may inhibit the maintenance of food safety, but does not necessarily result in unsafe product. Those cited are required to submit a corrective action plan to the LGMA within five business days of notification. They are then subject to an on-site inspection within three business days.

A third major deviation within a 12-month period will result in elevation of the deviation to a flagrant violation.

Minor Deviation

A minor deviation is a deviation from the LGMA practices which can be addressed within 5 days of the inspection. This type of deviation does not necessarily increase the risk of a food-borne illness.

Upon multiple violations of the same type within a 12 month period, the violation may move up to a major deviation.

Minor Infraction

A minor infraction is an infraction from the LGMA practices that does not necessarily increase risk of a food borne illness. The infraction can be corrected before the inspector leaves the premise.

Multiple minor infractions will lead to a minor deviation.

Citation Analysis

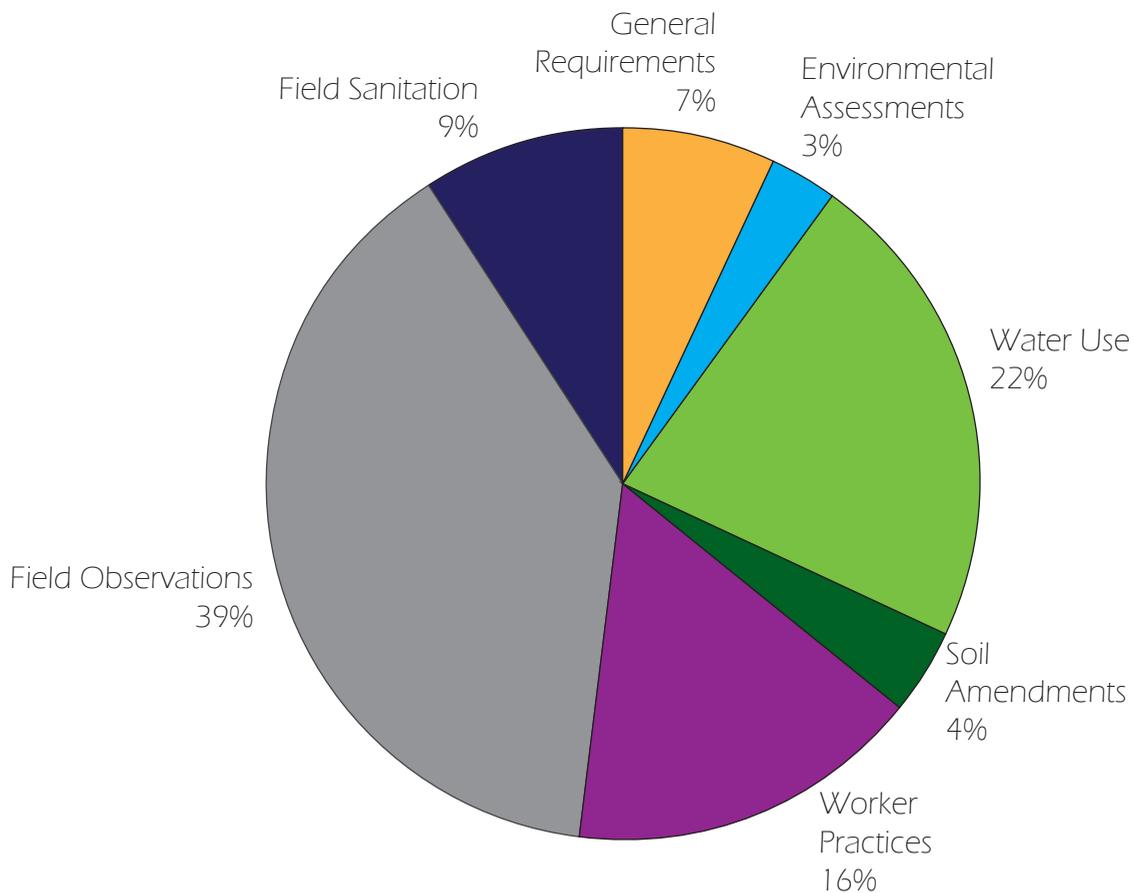
Overall Citations

The chart below breaks down all current year audit citations by audit area. In the following pages we will look into each of these areas in greater detail.

Field Observations and Water Use are the most cited areas of the audit. This is in large part because these food safety practices are most dependent on people. This fact underscores the need for constant and comprehensive training programs that are industry-wide. The LGMA Advisory Board has outlined training as top priority for the organization through its LGMA –Tech Program.

One of the continuing planks in the LGMA’s strategic plan from 2014 is to **Drive Continuous Improvement Through Enhanced Training and Education**. Our vision of success in this area entails developing and implementing training programs that ensure the accepted, science-based metrics are being followed on all farms, and that growers, harvesters and handlers are kept current on the requirements and are trained on their implementation.

2013/14 Citations by Audit Category

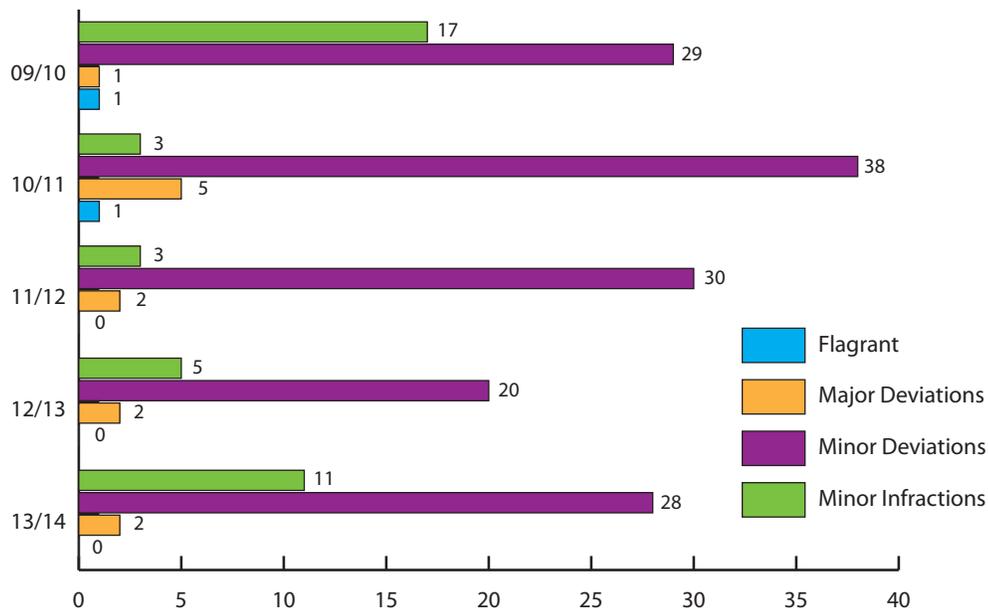


Citation Analysis

General Requirements

LGMA members are required to meet specific requirements related to their food safety management program; these include having a written compliance plan in place, an up-to-date growers list, a traceability process and the identification of individuals who are available 24/7 to oversee their food safety program. There are 14 checkpoints for General Requirements in the LGMA audit.

General Requirement Citations



Details on Major Deviation Citations

In 2013/14 two Major Deviations were cited in the area of General Requirements. Both citations were issued because handlers did not have a written Leafy Greens Compliance Plan which specifically addresses the Best Practices of the LGMA available for review.

In the first instance, the auditor was unable to schedule an unannounced audit, then after making contact, the handler would not agree to schedule an audit because of workload and lack of crop to harvest. It was later determined that the handler was harvesting a crop but that it was unclear if the crop was leafy greens. Procedures to schedule audits were reviewed and a subsequent audit was scheduled and conducted.

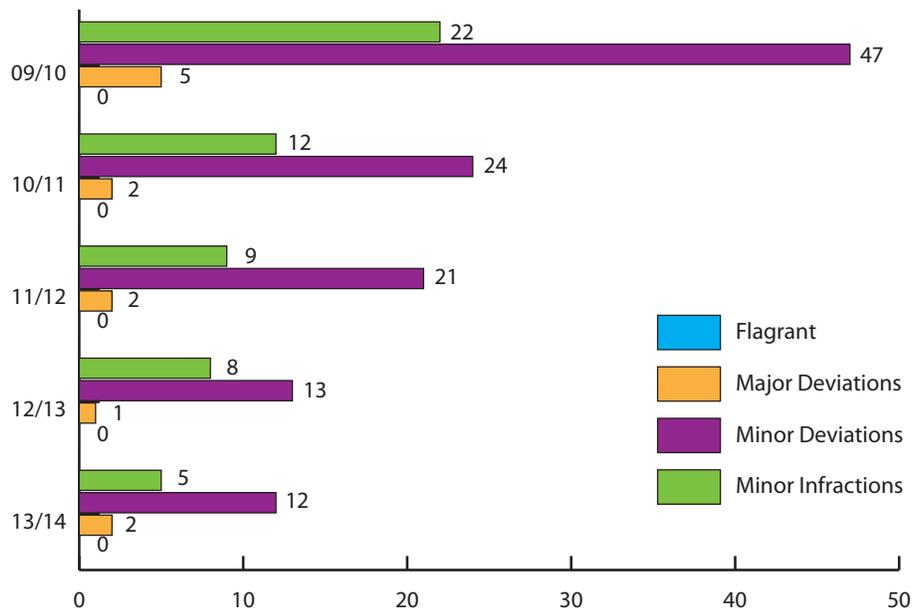
In the second instance, the handler refused to schedule an audit. The individual noted that he was too busy, partially due to the fact that the former food safety contact had retired. Subsequently, the audit was scheduled and conducted within a couple of days of the incident and the new food safety contact was trained on the requirements for scheduling audits.

Citation Analysis

Environmental Assessments

Under Environmental Assessment, LGMA members are required to conduct pre-planting, pre-harvest and daily harvest assessments of all their leafy green fields. These assessments are reviewed on the LGMA audit, and compliance with the requirements is verified. There are 35 Environmental Assessment checkpoints in the LGMA audit.

Environmental Assessment Citations



Details on Major Deviation Citations

In 2013/14 two Major Deviations were cited in the area of Environmental Assessments. The first citation was issued because the adjacent land area was not free from any septic leach fields within 30' of the edge of the crop. The second citation was issued because the assessment did not indicate that the production area was free from evidence of animal intrusion.

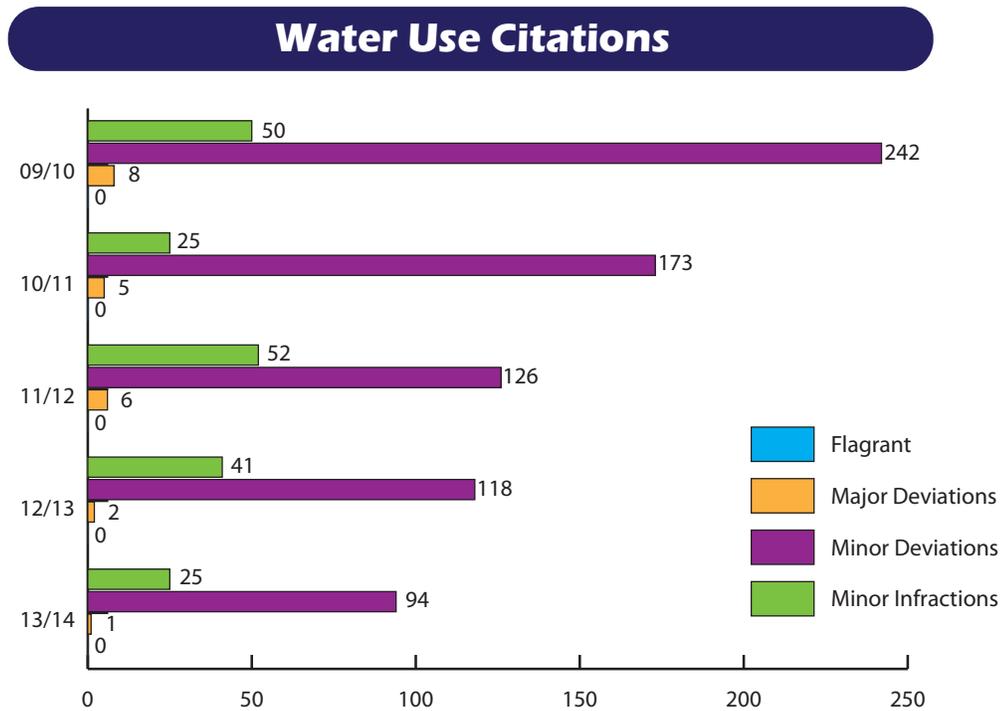
In the first instance, the auditor observed evidence that a septic leach line had failed, resulting in waste water pooling near a harvested field. The grower arranged for the septic system to be repaired. After the repair, soil where the waste water had pooled was removed and a 30 foot buffer was reestablished out and away from the septic tank. The foreman was retrained on how to properly conduct daily harvest assessments.

In the second instance, August 2013 changes to metrics regarding animal intrusion and risk assessment had not been implemented by the handler. Specifically Standard Operating Practices (SOPs) had not been written. SOP's were written to address the change and personnel were trained in the new requirements.

Citation Analysis

Water Use

The LGMA metrics include specific water sampling and testing requirements for all water used in the production and harvest of leafy greens. The LGMA audit includes 24 water use checkpoints.



Details on Major Deviation Citations

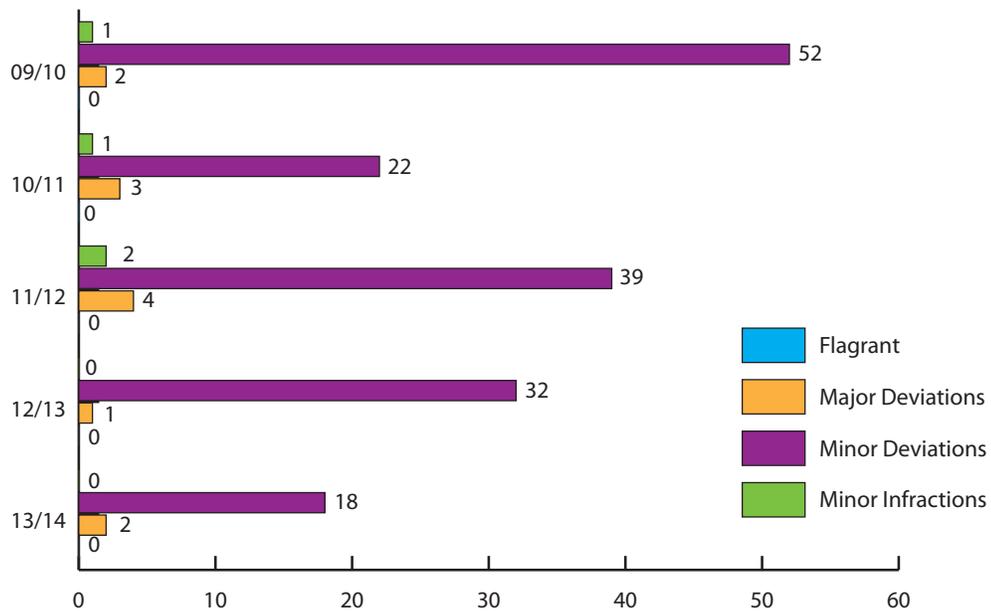
In 2013/14 there was one Major Deviation cited in the area of Water Use. The citation was issued because it could not be verified that the water was from a source that meets the USEPA MCLG for microbial quality (Negative per 100ml (<2.2 MPN/100ml)). Test records for municipal water used for single pass cooler were not available from the handler for review. Handler subsequently provided testing records showing the water complied with LGMA standards.

Citation Analysis

Soil Amendments

The LGMA metrics have specific requirements for the soil amendments used in the production of leafy green crops, the treatment processes such amendments must receive and the sampling and testing requirements for pathogens. The LGMA audit includes 18 checkpoints on soil amendments.

Soil Amendment Citations



Details on Major Deviation Citations

In 2013/14 two Major Deviations were cited in the area of Soil Amendments. The first citation was issued because the auditor was not able to verify that no soil amendment containing fully composted animal manure was applied to the field within the last year. The second citation was issued because process validation records were not available at the time of the audit.

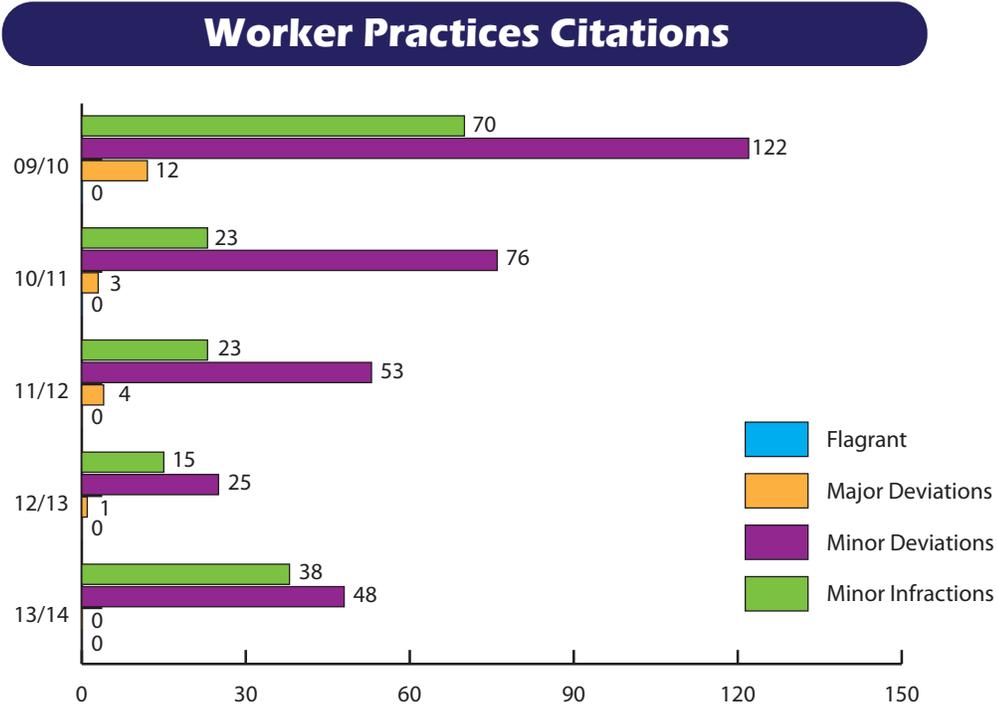
In the first instance, records linking compost applied to field were not available for review. Subsequently, it was determined that the compost was made on-site, but records were not clear as to production and application. The product was tested and found in compliance with LGMA, and new procedures were implemented by the handler to improve record keeping and storage of same.

In the second instance, composting records documenting time, temperatures and number of turns were not available at time of the audit. The handler was able to provide the records after contacting the compost supplier. Refresher training was provided to the handler food safety staff on the requirements for documentation and records for compost applied to leafy greens.

Citation Analysis

Worker Practices

The LGMA Metrics require a range of standard operating procedures (SOPs) related to worker practices in the field. These include having written visitor policies, a documented sanitary facility program and a worker health practices program. The LGMA audit includes 32 checkpoints on worker practices.



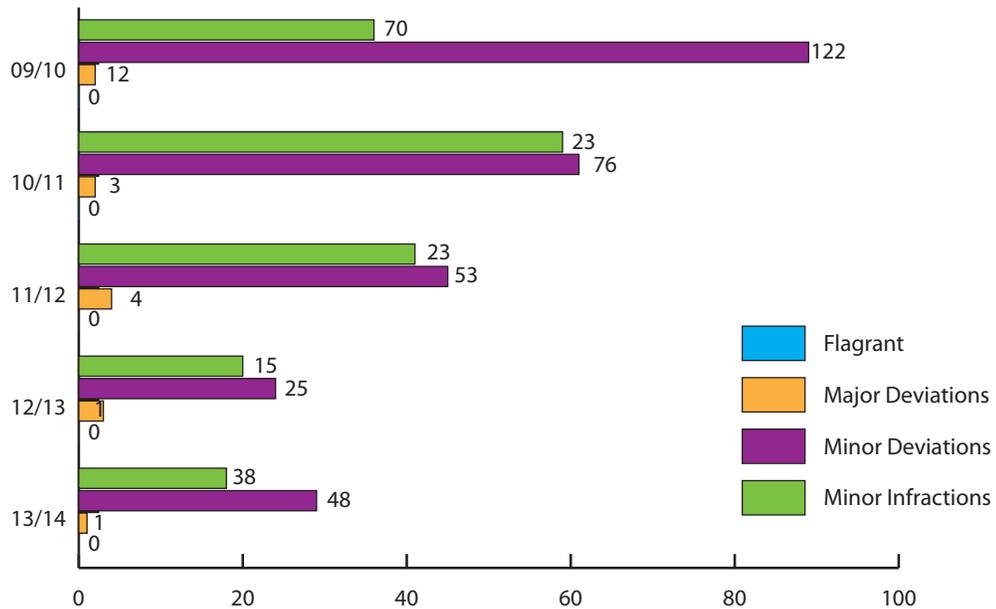
No Major Deviations were issued for Worker Practices non-conformities in 2013/14.

Citation Analysis

Field Sanitation

The LGMA metrics include specific requirements for cleaning and sanitizing farm equipment. These requirements include having a written policy for sanitation SOPs and a daily food safety harvest assessment. There are 12 checkpoints for Field Sanitation in the LGMA audit.

Field Sanitation Citations



Details on Major Deviation Citations

In 2013/14 one Major Deviation was cited in the area of Field Sanitation.

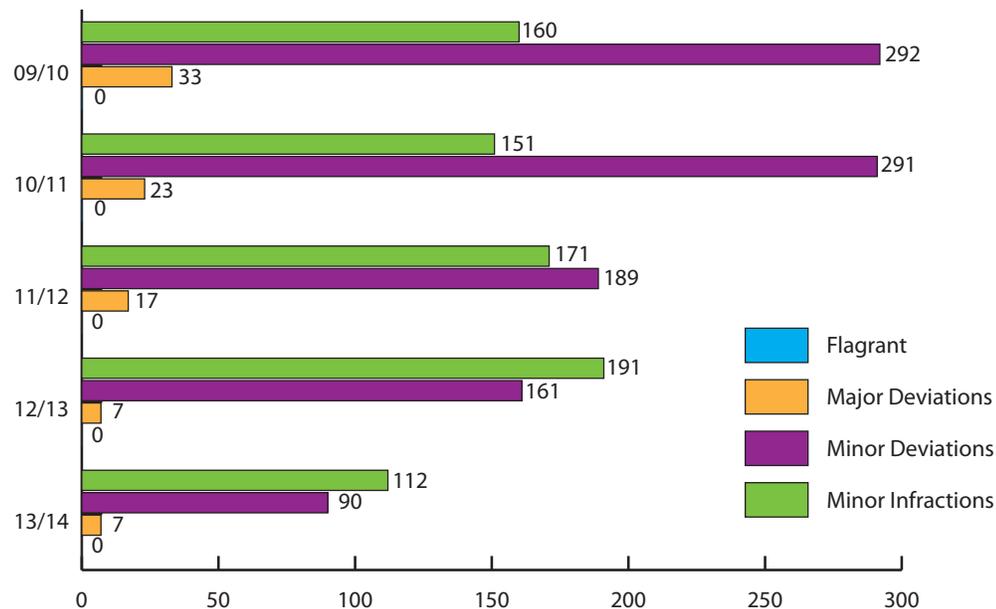
The citation was issued because a documented daily food safety harvest assessment was not available for review at the time of the audit. The auditor subsequently verified that assessment was completed in reviewing the requirements of the CAP.

Citation Analysis

Field Observation

The LGMA audit checklist includes a visual farm inspection element. This section of the audit includes an auditor assessment of proper water and soil amendments used on the farm and employee hygiene and hand washing. The auditor also surveys the ranch for any sources of fecal contamination. There are 29 checkpoints for Field Observation in the LGMA audit.

Field Observation Citations



Details of Major Deviation Citations

In 2013/14 seven Major Deviations were cited in the area of Field Observations.

Of the seven Major Deviations assessed, four were issued for animal feces and droppings near leafy green fields and water distribution systems. In all cases, there was no direct contamination of product and the auditor verified that all material was removed by the handler. In all cases, personnel responsible for conducting environmental assessments were retrained. In one case, the grower opted not to grow leafy greens on a field with significant wild and domestic animal activity.

In the other instances, one citation was issued for insufficient traceback: data was not correctly transferred from field tags to log sheets at the cooler. The error was corrected and all personnel involved in the process were retrained. The other two citations were assessed for not following SOP's for testing of pH and chlorine in the field and a field sanitary unit not being cleaned and properly stocked. In these instances, the foreman was immediately retrained on procedures and the unit was pulled out of service until properly cleaned and stocked by the sanitation company.

Independent Auditors Report

I have audited the accompanying financial statements of the enterprise activities of California Leafy Green Products Handler Marketing Agreement (LGMA) as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the LGMA's management. My responsibility is to express an opinion on these financial statement based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Controller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the LGMA's internal control over financial reporting. Accordingly, I express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for opinion.

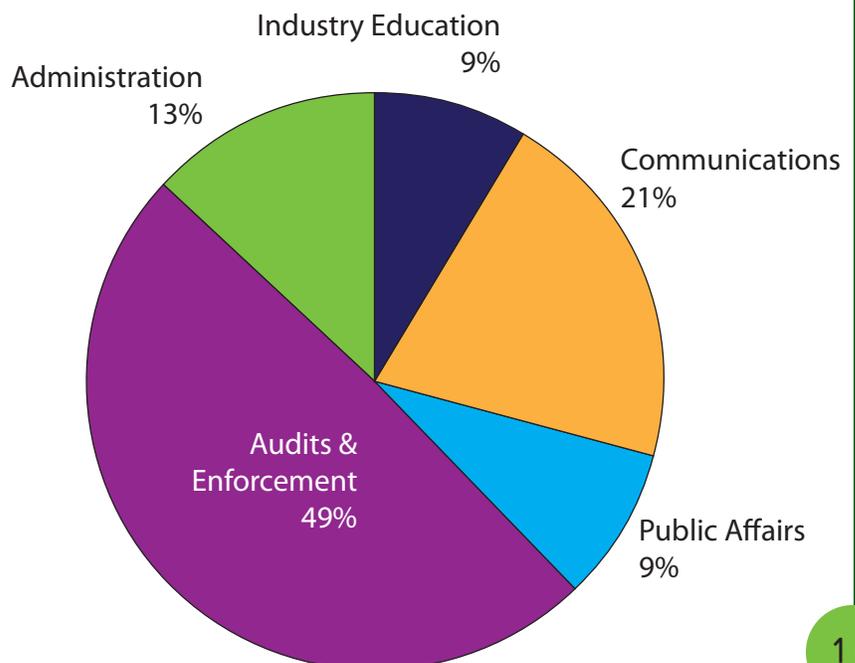
The financial statements are special-purpose regulatory presentations for the California Department of Food and Agriculture. The basic financial statement do not include management's discussion and analysis.

In my opinion the financial statements above referred to above present fairly, in all material respects, the financial position of California Leafy Green Products Handler Marketing Agreement as of March 31, 2014 and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Keith C. Rood
Certified Public Accountant

2013/14 Expenses by Category



About the Leafy Greens Industry

Farming Leafy Greens

California produces a vast amount of the leafy green products that Americans enjoy each year. According to the United States Department of Agriculture, in 2012 California farmers contributed the following amounts of leafy green products to the U.S. food supply:



Leaf Lettuce



Romaine Lettuce



Iceberg Lettuce



Spinach



Cabbage

LGMA Members

Only leafy green handlers can be members of the LGMA program. A handler is: A person or company that handles or ships leafy green product for market. Handlers voluntarily sign up for the LGMA program; however once they sign up the program's requirements are mandatory. A grower is a person or company that produces leafy green products for commercial sale. A handler will usually have several growers; however a handler can only have one grower, or even be their own grower.

It is estimated that 99% of California leafy greens production is handled by LGMA members.

Service Mark



The LGMA Service Mark provides assurance for grocery stores, restaurants and other institutions that their leafy greens suppliers are certified members in good standing and that their products have been grown according to the food safety practices accepted by the LGMA.

Growing Regions



Advisory Board & Staff

Advisory Board

Salinas, Watsonville, San Joaquin Valley, Kern County

| Members | Alternates |
|----------------------------------|---|
| Tom Nunes The Nunes Company | Tom Russell Pacific International Marketing |
| Joe Pezzini Ocean Mist Farms | Mike Costa Mann Packing |
| Jamie Strachan Growers Express | Tom Mack Dole Fresh Vegetables |
| Mark Borman Taylor Farms | Bardin Bengard Bengard Ranch |
| Steve Church Church Bros. | Phil Adrian Coastline/Sunridge |
| John D'Arrigo D'Arrigo Bros. | Courtney Parker Fresh Express |
| Ron Ratto Ratto Bros. | Will Daniels Earthbound Farm |

Oxnard, Santa Maria

| Members | Alternates |
|--|---|
| Jan Berk San Miguel Produce | Dan Sutton Pismo Ocean Vegetable Exchange |
| Ryan Talley Talley Farms | John Jackson Beachside Produce |
| Victor Tognazzini Gold Coast Packing | Mitch Ardantz Bonipak |

Blythe, Imperial Valley

| Members | Alternates |
|----------------------------------|---------------------------------|
| Jack Vessey Vessey and Company | Megan Chedwick Church Bros. |
| Eric Wexler Tanimure and Antle | Todd Brendlin Crystal Organic |
| Larry Cox Sunridge Farms | Lorri Koster Mann Packing |

Public Member

| Member | Alternate |
|------------------|-----------|
| Barbara Matthews | Vacant |

Staff



Scott Horsfall
Chief Executive
Officer



April Ward
Communications
Director



Mike Villaneva
Technical
Director



Amarachi Okemiri
Member Services
Coordinator



Jonathan Field
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