

Grain Inspection Advisory Committee

May 4-5, 2004

Summary of Meeting WESTIN TABOR – DENVER, COLORADO

Contents

WELCOME	2
ACCEPTANCE OF MEETING MINUTES FROM NOVEMBER 4-5, 2003	2
REVIEW AND ACCEPTANCE OF MAY 4-5, 2004, MEETING AGENDA	2
MEETING ATTENDEES	2
OPENING REMARKS	4
USDA INFORMATION TECHNOLOGY.....	4
STATUS OF NOVEMBER 2003 RESOLUTIONS	4
FGIS ISSUES UPDATE.....	6
REAUTHORIZATION	8
OFFICIAL AND UNOFFICIAL INSPECTIONS	9
PROCESSED COMMODITY TESTING	9
WHEAT END-USE FUNCTIONALITY	10
BARLEY PROTEIN	11
SOYBEAN PROJECTS	12
INTERNATIONAL ISSUES	13
MARKETING VALUE-ENHANCED GRAINS AND OILSEEDS	14
REMARKS BY UNDER SECRETARY HAWKS.....	16
BIOTECH TESTING	16
GENERAL DISCUSSIONS.....	17
RESOLUTIONS	21
ELECTION OF VICE CHAIR.....	22
NEXT MEETING.....	22

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WELCOME

Tim Paurus, Chairperson, opened the meeting with a welcome and introductions.

ACCEPTANCE OF MEETING MINUTES FROM JUNE 12-13, 2007

The Committee approved the minutes of the June 12-13, 2007, meeting as presented.

REVIEW AND ACCEPTANCE OF NOVEMBER 28-29, 2007, MEETING AGENDA

The Committee accepted the agenda as presented.

MEETING ATTENDEES

Committee Members

Tim Paurus, CHS Inc.

Chester Boruff, Association of Official Seed Certifying Agencies

William J. Cotter, Port of Corpus Christi

William Crockett, Mound Bayou Public Schools

William Dumoulin, Producer, Illinois

Kenneth L. Dalenberg, Production Agriculture Farmer, Illinois

Curtis Engel, The Scoular Company

Mark Fulmer, Lincoln Inspection Service

Nicholas Friant, Cargill

Jerry Gibson, Bunge North America

John Hewitt, California Farm Bureau Federation

Edgar Hicks, Hurley/FC Stone LLC

Daniel Kidd, Producer, Montana

Dutt Vinjamoori, Martek Biosciences

GIPSA

James E. Link, Administrator, Grain Inspection, Packers and Stockyards Administration (GIPSA)

David Shipman, Deputy Administrator, Federal Grain Inspection Service (FGIS), GIPSA

John Sharpe, Director, Technical Services Division (TSD), FGIS, GIPSA

John Giler, Director, Field Management Division (FMD), FGIS, GIPSA

Pat Donohue-Galvin, Director, Budget and Planning Staff (BPS), GIPSA

Marianne Plaus, Chief, Market and Program Analysis Staff (MPAS), FGIS, GIPSA

John Pitchford, Director, Office of International Affairs, FGIS, GIPSA

Terri Henry, Management Support Staff, GIPSA

Monica Alexander, Management Support Staff, GIPSA

Bob Lijewski, Assistant Director, Policies and Procedures Branch, FMD, FGIS, GIPSA

John Barthel, Director, Western Regional Office, Packers and Stockyards Program, GIPSA

Cleve Ellis, Portland Field Office, FMD, FGIS, GIPSA

Ron Hill, Union Representative

Other Attendees

David Ayers, Champaign-Danville Grain Inspection
Larry Kitchen, Missouri Department of Agriculture
Randy Deike, Washington State Department of Agriculture
Tom Dahl, Sioux City Inspection and Weighing Service Company
Tom Meyer, Kansas Grain Inspection Services, Inc.
Robert Peterson, American Association of Grain Inspection and Weighing Agencies
Fraser Gilbert, SGS North America, Agriculture
Jess McCluer, Director of Regulatory Affairs, National Grain and Feed Association

ADMINISTRATOR'S WELCOME and FARM BILL UPDATE

James E. Link, Administrator, GIPSA, welcomed the Committee and attendees. He reported on the Administration's 2007 Farm Bill proposals and updates.

The Administration's 2007 Farm Bill proposals represent a reform-minded and fiscally responsible approach to supporting America's farmers and ranchers in today's global marketplace. Congress' work on the Farm Bill so far this year has added several amendments that would impact GIPSA directly. The Administration opposes several of these amendments, specifically, an amendment that would establish a Special Counsel for Agricultural Competition and an amendment that would ban packer ownership of livestock. The legislative process, which may be complete in spring 2008, must yield a new Farm Bill that does not contain provisions that make it difficult to defend farm programs against trade challenges and eliminate unrealistic program sunsets that mask \$22 billion in hidden costs to the taxpayer. The Administration is eager to sign a Farm Bill that includes significant farm program reform similar to the Administration's proposal, which was released in January 2007.

Mr. Link closed by thanking the attendees for taking part in the Committee meeting.

FGIS KEY INITIATIVES

David Shipman, Deputy Administrator, FGIS, GIPSA, reviewed the resolutions from the June 2007, meeting and provided the Committee with an overview of several FGIS initiatives. He noted that the resolutions would be addressed by other speakers in detail.

1. Resolution #1 – The Committee recommends that GIPSA continue the contracting pilot program and provide periodic reviews on the progress and clearly define the parameters of the program for full implementation. (will be discussed by John Giler at this meeting)

2. Resolution #2 – The Committee recommends that GIPSA offer the ethanol industry and stakeholders their expertise in developing standardized methods for testing appropriate qualities in corn and the by-products produced (will be discussed by Marianne Plaus at this meeting)

3. Resolution #3 – The Committee recommends that GIPSA explore the possibilities of partnering with a university or other entities in offering a short course or internship in FGIS inspection, grading, and services preferably at Kansas State University, due to the school's proximity to the Technical Center (will be discussed by John Sharpe at this meeting) Mr. Shipman then discussed the following initiatives in detail:

- Modernization of business practices
 - FGISonline
- Centralization of domestic oversight and general FGIS operations in Kansas City
- Improved effectiveness of phytosanitary certification
- Standards
 - Harmonization in international market
 - New products, e.g., DDGS
 - Current commodities, e.g., soybeans and sorghum
- Improved methods to measure crop value
 - Wheat functionality
 - Mycotoxins
- Improved delivery of daily inspection and weighing services
 - Workforce planning (recruitment, development, transition)
 - Pilot testing greater use of contractors
 - Modernization of business practices

Following Mr. Shipman's presentation, the Committee asked what funding source(s) would support the renovation of the Technical Center in Kansas City and how new positions would be filled at the National Grain Center (formerly the Technical Center). Mr. Shipman responded that appropriated funds are supporting the renovation and that most positions at the National Grain Center would be filled by relocating existing FGIS staff as offices are consolidated.

CUSTOMER SURVEY

Marianne Plaus, Chief, Market and Program Analysis Staff, FGIS, GIPSA, briefed the Committee on the current FGIS Customer Survey and results of previous surveys.

Lessons learned from the 1996 survey:

- Need to maintain an accurate customer database;
- Customers most satisfied with timeliness and overall quality of service;
- Customers least satisfied with cost of services and the accuracy and consistency of results; and
- Responses to open-ended question suggest dissatisfaction with consistency of results and with costs.

Lessons learned from the 2000 survey:

- Much improved customer database contributed to a 50% response rate;
- Greatest customer satisfaction with timeliness and overall quality of service;
- Least customer satisfaction with cost of services and the accuracy and consistency of results; and
- Responses to open-ended question expressed a desire for electronic access to results and for testing for biotech content.

Preliminary 2007 survey results:

- Customer Base: OAs and F/O service points
- Surveys Mailed Out 1018
- Surveys Not Delivered 49 (5%)
- Surveys Successfully Delivered 969 (95%)
- Response Rate 505 (52%)

Ideas for future surveys: Future Approaches

- Administer survey through link on GIPSA website
- "Pop-up" survey every "X" number of clicks in the Information Data Warehouse (IDW)
- E-mail
- Hardcopy mailing

For comments or ideas on the survey, please contact Idelisse Rodriguez (Idelisse.Rodriguez@usda.gov) or Marianne Plaus (Marianne.Plaus@usda.gov).

INSPECTOR TRAINING

John Sharpe, Director, Technical Services Division, FGIS, GIPSA, briefed the Committee on GIPSA's inspector training program, as well as GIPSA's response to Resolution #3 from the June 2007 meeting regarding inspector training at Kansas State University. GIPSA currently provides on-line, CD-ROM, and individualized instruction.

There was a lengthy discussion of this approach-generally participants had a favorable impression of the success of on-line training efforts, both by GIPSA and by others. There was general agreement that GIPSA could be more aggressive in marketing its inspector training options.

In response to Resolution #3 from the June 2007 meeting, Mr. Sharpe stated that the Agency does provide individualized training upon request and provides grading seminars at a cost of \$64 an hour.

There are also limited on-line training programs available, including e-learning, grain trainers, and practice exams.

Current initiatives underway:

- Plans for a training area at the new facility
- Expansion of interpretive images for training
- Review of training fees, and
- Exploration of possible partnerships for enhanced distance learning.

PHYTOSANITARY INSPECTIONS

Robert Lijewski, Assistant Director, Policies and Procedures Branch, FMD, FGIS, GIPSA, gave an update on GIPSA's phytosanitary inspection program. GIPSA has a memorandum of understanding (MOU) with the USDA/Animal and Plant Health Inspection Service (APHIS) that authorizes GIPSA to inspect exported grain for the presence of insects and other plant pests (e.g., weed seeds). In July 2007, the agencies revised the agreement to include the inspection of all products for which GIPSA is responsible for under the U.S. Grain Standards Act and Agricultural Marketing Act. APHIS and GIPSA participated in extensive outreach activities to explain the changes to stakeholders.

As a result of the increase in volume of grain exported in containers and APHIS' policy change concerning the inspection of processed products, FGIS official agencies have experienced a significant increase in requests for phytosanitary inspection service. Mr. Lijewski provided additional clarifying information about the certification and inspection processes in response to questions from the Committee.

MECHANICAL DIVERTER SAMPLERS

Robert Lijewski, Assistant Director, Policies and Procedures Branch, FMD, FGIS, GIPSA, provided a briefing on mechanical diverter (D/T) samplers. FGIS has identified some issues related to the use of these samplers in the field. FGIS found that official personnel at several export loading facilities were not maintaining complete control of D/T sampling systems. At railcar loading facilities in the interior service points, some existing approved D/T sampling systems have been altered without the knowledge and approval of FGIS. Power to the D/T sampling system is sometimes being interrupted by a “plugged spout” sensor. These modifications to the D/T sampling systems do not comply with two provisions of the Mechanical Sampling Systems Handbook. The problems are limited to only a few elevators, but to preclude potential tampering with sampling system operation at any location, FGIS is establishing new procedures. FGIS will enforce its authority to maintain complete control of the sampling systems and has proposed several options to correct the situations found at export and domestic locations. FGIS will work with industry to align the sampling systems with FGIS requirements.

STANDARDS REVIEW

Marianne Plaus, Chief, Marketing and Program Analysis Staff, FGIS, GIPSA, provided an update on FGIS standards activities. GIPSA published two Advance Notices of Proposed Rulemaking (ANPR) within the past 7 months. The first sought public feedback on GIPSA’s role in the ethanol market; the comment period closed December 4, 2007 (i.e., after the Advisory Committee meeting). The ethanol ANPR addresses Resolution #2 from the June 2007 Committee meeting. The second ANPR opened the soybean standards to a full review; the comment period has ended. Based on the comments received and other available information, GIPSA anticipates announcing what, if any, regulatory actions will be taken early in 2008.

Ethanol: At the time of the Advisory Committee meeting, the public comments suggested that GIPSA does not need to assist in the revision of existing definitions for ethanol co-products, establish standards for the co-products, or offer standardized tests for grain going into ethanol production or the resulting co-products, with one exception. Some commenters recommended that GIPSA’s expertise in verifying the performance of commercial test kits might be applied to the marketing of the co-products. GIPSA will thoroughly review all comments and summarize the findings. GIPSA will also continue to remain actively engaged with the ethanol co-products industry and will support the industry, as appropriate, in its efforts to successfully market ethanol co-products.

Soybeans: Ms. Plaus reported that GIPSA published an ANPR in the Federal Register on May 1, 2007, initiating a review of the U.S. Standards for Soybeans to determine their effectiveness and responsiveness to current market needs. The comment period closed on August 20, 2007. GIPSA review of the comments received is underway and will conclude in fiscal year 2008. Thus far, our analysis indicates that the most contentious issue was foreign material grade limits. The American Soybean Association, and other similar entities, asked that the limits for foreign material in No. 2 soybeans be reduced from 2.0 to 1.0 percent. The National Grain and Feed Association, North

American Export Grain Association, and Grain Elevator and Processing Society saw no reason to change the current limits. Ms. Plaus noted one possible response to the diversity of comments would be for GIPSA to collect at least 3 years of data from its soybean farm gate survey before making a determination about appropriate foreign material grade limits. Other topics raised in the ANPR did not generate much public interest.

Sorghum: At the request of the Committee, Ms. Plaus provided a brief overview of impending amendments of the U.S. Standards for Sorghum. On July 20, 2007, GIPSA published a final rule in the Federal Register announcing changes to the U.S. Standards for Sorghum. Effective June 1, 2008, GIPSA will amend the sorghum standards to change the definitions of the classes Sorghum, White sorghum, and Tannin sorghum, and to amend the definition of nongrain sorghum. GIPSA is amending the grade limits for broken kernels and foreign material (BNFM), and the subfactor foreign material (FM). Additionally, GIPSA is inserting a total count limit for other material into the standards and revising the method of certifying test weight (TW).

Further, GIPSA is changing the inspection plan tolerances for BNFM and FM. The changes will facilitate the marketing of sorghum by imposing tighter limits on BNFM and FM; limiting the allowable amount of sample grade determining material, which is consistent with other food grains; and improving the perception of U.S. grown sorghum due to the removal of references to tannin content.

WHEAT FUNCTIONALITY

John Sharpe, Director, Technical Services Division, FGIS, GIPSA, provided an update on wheat functionality initiatives. The Agency has two major efforts underway. The first is to standardize the farinograph test, which is the most widely used measure of dough (gluten) strength. Since the last Advisory Committee meeting, GIPSA has been studying causes of farinograph variation. GIPSA plans to continue its efforts to evaluate the significance of error sources, and develop a strategy for standardizing the farinograph to reduce marketing difficulties.

GIPSA's second focus is on developing a rapid test that can be used effectively and efficiently throughout the marketing chain to predict dough strength.

THIRD PARTY CONTRACTING

John Giler, Director, FMD, FGIS, GIPSA, provided an update on GIPSA's third party contracting pilot project which included:

- Update on contract status;
- Program support cost analysis; and
- Lessons learned to date.

Update on Contract Status

- California – no export activity
- Milwaukee – 25 vessels (May 2006-Jan 2007); 1
– 7 vessels (April 2007 – October 2007)
- Toledo – 48 vessels (Jan 2007 – October 2007)
- Chicago – No Contracts (Jan 2007 – October 2007)
- Portage – 3 vessels (Jan 2007 – October 2007)

Program Support Cost Analysis

Cost of Service Comparison (excludes tonnage rates)

Milwaukee Export Services			
	Contract with FGIS Oversight	FGIS Services from Toledo	FGIS Services from Milwaukee
Service Labor	0.425	0.631	0.509
Oversight	0.128	--	--
Travel	0.050	0.281	--
Total	0.603	0.912	0.509

Cost of Service Comparison (excludes tonnage rates)

Toledo & Portage Export Services		
	Contract with FGIS Oversight	Local FGIS Services [Toledo & Chicago]
Service Labor	0.298	0.476
Oversight	0.104	--
Travel	--	--
Total	0.402	0.476

Questions To Be Answered

- Are qualified private companies interested in providing export grain?
- What is the best way to select and use private companies at export?
- How do we best oversee performance of private companies?
- Are real efficiencies gained through use of private companies?

In answer to questions from the Committee, he clarified that during the pilot, FGIS is helping the contractors ensure that there is no decline in quality of service to customers as a result of the pilot.

INTERNATIONAL AFFAIRS

John Pitchford, Director, Office of International Affairs, FGIS, GIPSA, discussed GIPSA's international activities. The issues presented included:

- StarLink Corn
- LLRICE 601
- Outreach and coordination with Mexico
- Malathion Maximum Residue Levels – Korea and Taiwan
- Asia Collateral Duty Officer Program
- Containers and Complaints
- Biosafety Protocol
- Other Initiatives, including collecting pesticide residue samples for Japan, a farm gate survey of weed seed content, and initiatives to achieve Japan's recognition of U.S. reconditioning procedures for aflatoxin in corn.

FINANCIAL UPDATE

Pat Donohue-Galvin, Director, Budget and Planning Staff, GIPSA provided an overview of GIPSA's fiscal year (FY) 2006 and 2007 budgets, as well as projections for FY 2008. GIPSA is currently operating under a Continuing Resolution.

Ms. Donohue-Galvin reported that with the centralization of administrative functions (e.g., training, regulatory management, safety and health, labor relations/outourcing, issuance management) into a Management Support Staff had an overall impact of +\$472,000 on the grain program.

GIPSA FY 2007 Financial Report User Fee Programs (Dollars in Millions)

	Grain I&W	Official Agencies	Rice Inspection	Commodity Inspection	TOTAL
Reserve - Oct '06	2.3	1.4	(0.1)	1.9	5.5
Revenue	31.4	2.3	3.4	2.0	39.1
Expenses	30.5	1.8	4.0	2.4	38.7
Margin	0.9	0.5	(0.6)	(0.4)	0.4
Prior Year	0.4	0.1	0.1	0.3	0.9
Reserve - Oct '07	3.6	2.0	(0.6)	1.8	6.8
Target Reserve	7.3	0.5	1.2	0.6	9.6

FY 2008 Financial Forecast User Fee Programs

	Grain I&W	Official Agencies	Rice Inspection	Commodity Inspection	TOTAL
Revenue	32.8	2.3	4.2	2.0	41.3
Expenses	31.1	1.8	4.2	2.4	39.5
Margin	1.7	0.5	0.0	(0.4)	1.8
Reserve - Sep '08	5.3	2.5	(0.6)	1.4	8.6
FY 08 Fee Review	Yes	--	--	Yes	--

FY 2007 Financial Report Grain Appropriated Programs (Dollars in Millions)

	Standards	Methods	Compliance	TOTAL
Appropriation	4.4	6.7	6.5	17.6
Obligations	4.3	6.5	6.7	17.5
Balance to Treasury	0.1	0.2	(0.2)	0.1
Percent Obligated	97.7	97.0	103.1	99.4

Committee members expressed concern over a continued increase in support costs for the user-fee funded programs. Discussion also addressed the use of WASDE export forecasts to predict user fee revenues. Ms. Donohue-Galvin stated that the WASDE data has proven valuable to forecast revenue for the current fiscal year (about 12 months out), but has not proven to be reliable for longterm, multi-year forecasting.

GRAIN INSPECTION AND WEIGHING FEES

John Giler, Director, Field Management Division, FGIS, GIPSA, discussed GIPSA's current grain inspection and weighing fees, which have not been adjusted in 3½ years.

- Overall, the grain export program is operating with a positive margin.
- Hourly rates (contract and non-contract) are covering expenses and contributing toward the 3-month reserve.
- Tonnage rates are not covering support expenses.
- Grain export fees are not operating as designed to cover specific costs of the program.

Mr. Giler briefed the Committee on headquarters support costs.

- FY 2004 – Reorganization of Information Technology Staff and reassessment of costs to Agency programs added \$440,000 cost to grain program.
- FY 2005 – Reassessment of headquarters support costs from tons to staff years shifted \$630,000 cost from domestic program to export program.
- FY 2007 - Reorganization of administrative functions added \$380,000 cost to program.

Mr. Giler outlined planned actions for the Grain Export Program.

- Closely monitor export program
 - Tonnage
 - Revenues and Costs
- Initiate action to stabilize/reduce support costs
 - Field
 - Headquarters
- Continue to rebuild 3-month operating reserve

RESOLUTIONS

Following discussions, the Committee resolved the following:

1. The Committee recommends that GIPSA continue to explore new methods of training and licensing official personnel for inspector licenses.
2. The Committee recommends that GIPSA explore the possibility of joining efforts with GEAPS and Purdue, through their distance learning programs, to promote education related to the U.S. Grain Standards and grain grading procedures.
3. The Committee recommends that GIPSA continue the Farm Gate Survey to determine the quality of U.S. soybeans coming off the farm. In the interest of the soybean industry, GIPSA needs to sample and maintain a database of Farm Gate acquired samples for all factors, including protein, oil, linolenic acid, and other factors. The Committee recommends GIPSA partner with other organizations that may be collecting similar data. This survey, at a minimum, needs to be a 5-year baseline with preference for a continuing database.
4. The Committee recommends that GIPSA continue the contracting pilot program and provide industry with periodic reviews regarding the progress. The Committee also recommends that FGIS expand the third-party contracting program to additional export ports where it is economically beneficial to industry and FGIS. Any plans for expansion should be presented at the next Advisory Committee meeting.
5. The Committee recommends that GIPSA continue performing the customer survey, and sharing the findings of the survey with industry, including sharing the actions GIPSA has taken to improve the satisfaction of its customers.
6. The Committee recommends that GIPSA continue to work with APHIS to ensure the Memorandum of Understanding is meeting the needs of industry and that there is a free flow of information and documentation between the two agencies. The Committee also recommends that GIPSA share with APHIS its process for issuing certificates with electronic signatures, helping them establish a similar system to meet industry's needs.
7. The Committee recommends that GIPSA continue to make itself available to help the ethanol industry develop necessary analytical tools.
8. The Committee recommends that GIPSA continue to explore ways to measure wheat functionality and develop, alone or in partnership with a third party, a rapid and repeatable test(s) for determining wheat functionality.
9. The Committee recommends expanding Farm Gate Surveys to include separation and identification of all weed seeds occurring in the samples.

CERTIFICATES TO OUTGOING MEMBERS

GIPSA presented certificates to and thanked the following outgoing members for their 3 years of service to the Committee: William Cotter, Daniel Kidd, and Dutt Vinjamoori. Outgoing member not present was Gene Ackerman; and alternate members Kevin Bredthauer, Duti Fritz Gallagher, and Ricky Fruth.

NEXT MEETING

The next meeting of the Grain Inspection Advisory Committee is tentatively scheduled for late April 2008 in Minneapolis, Minnesota.