

Grain Inspection Advisory Committee

May 3-4, 2005

Summary of Meeting Embassy Suites Kansas City, Missouri

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WELCOME

Jon Setterdahl, Chairperson, welcomed everyone to the meeting and led introductions of those present.

ACCEPTANCE OF MEETING MINUTES FROM NOVEMBER 16-17, 2004

The Committee approved the minutes from the November 16-17, 2004, meeting as written.

REVIEW AND ACCEPTANCE OF MAY 3-4, 2005, MEETING AGENDA

The Committee approved the agenda as written.

MEETING ATTENDEES

Committee Members

Gene Ackerman, Retired Farmer
Thomas Bressner, Assumption Cooperative Grain Company
Paul Coppin, Reynolds United Co-op
William J. Cotter, Port of Corpus Christi
Angela Dee, Dee Farm Partnership/Dee River Ranch, Inc.
Warren Duffy, Archer Daniels Midland
Patricia Dumoulin, Farmer
Cassie Eigenmann, Dickey-john Corporation
Arvid Hawk, Cargill, Inc.
Daniel Kidd, Farmer
John Oades, U.S. Wheat Associates
Ernest Potter, Ernest G. Potter, Ltd.
Jon Setterdahl, Farmers Cooperative Company
Dutt Vinjamoori, Monsanto Company

Committee Alternates

Rick Fruth, Fruth, Inc.
Tom Fousek, Bartlett Grain L.P.
Dusti Fritz, Kansas Wheat Commission

GIPSA

David Shipman, Deputy Administrator, Federal Grain Inspection Service (FGIS), GIPSA
Steven Tanner, Director, Technical Services Division (TSD), FGIS, GIPSA
David Orr, Director, Field Management Division (FMD), FGIS, GIPSA
John Sharpe, Director, Compliance Division, FGIS, GIPSA
Pat Donohue-Galvin, Director, Executive Resources Staff, GIPSA
Niles Jager, Office of the Administrator, GIPSA
Don Kendall, Deputy Director, TSD, FGIS, GIPSA
Richard Pierce, Chief, Inspection Systems Engineering, TSD, FGIS, GIPSA
Tim Norden, Chief, Analytical, Reference and Testing Services, TSD, FGIS, GIPSA
Mike Eustrom, Chief, Board of Appeals and Review, TSD, FGIS, GIPSA
Sharon Lathrop, Office of the Director, TSD, FGIS, GIPSA
Marsha Schwartz, Office of the Director, TSD, FGIS, GIPSA
Steve Bennett, Minneapolis Field Office, FMD, FGIS, GIPSA
Ken Critchfield, Wichita Field Office, FMD, FGIS, GIPSA
Ron Metz, Cedar Rapids Field Office, FMD, FGIS, GIPSA
Dave Mundwiler, Toledo Field Office, FMD, FGIS, GIPSA
Bob Crook, Compliance Division, FGIS, GIPSA
Kathryn McCaw, Portland Field Office, FMD, FGIS, GIPSA

Other Attendees

Bill Hawks, Under-Secretary of Marketing and Regulatory Programs (MRP), USDA
Tim Cansler, Office of the Under-Secretary, MRP, USDA
David Sevenich, Pioneer Hi-Bred International, Inc.
Don Trimble, Louis Dreyfus Corporation
Nick Friant, Cargill, Inc.
James Warshaw, Farmers Rice Milling
Chester Boruff, Association of Official Seed Certifying Agencies
Steve Maggard, Dickey-john Corporation
Les Malone, Retired GIPSA employee
David Ayers, Champaign-Danville Grain Inspection
Gary Hoelck, Hastings Grain Inspection
Ted Hoelck, Hastings Grain Inspection
Mike Polaski, Mid-Iowa Grain Inspection, Inc.
Mark Fulmer, Lincoln Inspection Service
Larry Kitchen, Missouri Department of Agriculture
Tom Meyer, Kansas Department of Agriculture
Dallas Stubblefield, Illinois Grain Inspection

STATUS OF NOVEMBER 2005 RESOLUTIONS

Dave Shipman, Deputy Administrator, GIPSA, briefed the Committee on GIPSA's actions in response to their November 2004 resolutions.

In response to the Committee's recommendation to develop and promote process verification to the grain and feed industry and monitor the demand for ISO registration of the grading and inspection processes without pursuing, GIPSA has implemented the Process Verified Program under a Memorandum of Understanding with the Agricultural Marketing Service. Two operations have been certified, one is pending, and five are preparing documents for certification. GIPSA has no immediate plans to pursue ISO registration of the grading and inspection processes.

In response to the Committee's recommendations concerning export containers, GIPSA has publicized export requirements for all containers in industry publications and worked with the Foreign Agricultural Service and Department of Commerce to identify exporters not complying with inspection, weighing, and registration requirements. In addition, GIPSA published an interim final rule to exempt high-quality niche market grains from export inspection and weighing requirements, implemented sampling, inspection, weighing, and certification procedures for bulk grain exported in containers, and implemented procedures to facilitate the issuance of phytosanitary inspection certificates by APHIS for containers. GIPSA also published procedures for bulk grain exported in containers. Mr. John Sharpe expanded on the interim rule on high-quality niche market grains, explaining the 60-day comment period and how the rule was developed. Mr. Sharpe indicated there are two requirements, organic plus better than U.S. No. 1, with examples cited in the interim rule. He also requested feedback on the interim rule from the Committee. Based on discussions, Mr. Shipman indicated further clarification was needed on the rule, which is open for comments at this time.

The Committee recommended GIPSA not move forward with development of Distillers' Dried Grain (DDG) marketing standards but continue to support the industry in anyway possible. In response, GIPSA is participating in distillers' grain industry working groups to redefine and institute industry-accepted testing methods to better describe the array of co-products in the market. GIPSA is also working with the National Corn Growers Association and industry to develop a national reference standard and a national rapid test for high fermentable starch corn using near-infrared technology.

While the Committee opposed establishment of new user fees to cover the costs of standardization activities, the President's fiscal year 2006 budget proposal submitted to Congress in February included new user fees to cover the cost of standardization activities. Proposed legislative authority to establish new user fees is under development and has not yet been forwarded to Congress.

In response to the Committee's recommendation to proceed with a competitive bidding process for rice inspection if the final results of the feasibility study conclude the private sector can provide more cost-effective service to the rice industry, GIPSA has completed the feasibility study and will present further details later in the day.

In response to the Committee's recommendation to consolidate the domestic field office structure to maintain financial viability in the 530 trust fund program account, GIPSA plans to transition from the current decentralized oversight program to a centralized system between 2005 and 2008. Additional information will be presented later in the day.

Finally, in response to the Committee's recommendation that FGIS continue to review options for outsourcing export services and consider contracting of services while protecting the integrity of the system, GIPSA has limited authority to use contractors for the delivery of mandatory export grain inspections services. Further information will be provided concerning the restructuring of export inspection service delivery. More details will be presented later in the day.

FINANCIAL OUTLOOK

Pat Donohue-Galvin, Director, Executive Resources Staff, GIPSA, briefed the Committee on GIPSA's financial status for three FGIS user fee programs, the financial status of FGIS appropriated funding and current financial/budgetary issues. She focused on the Official Inspection and Weighing, Supervision of Official Agencies, and the Rice Inspection Program as there are issues surrounding those programs that were being discussed in separate presentations later in the day.

In the Inspection and Weighing Program, fiscal year 2004 the actual revenue collected was approximately \$27.5 million, while GIPSA spent about \$26.4 million. The reserve fund at the end of the 2004 had a \$613,000 balance. For 2005, GIPSA projected revenues to increase due to the fee increase. Based on the first 6 months data, revenues increased more than anticipated, while expenses were less than anticipated. If the current trend continues, GIPSA could end 2005 with about a \$3.9 million reserve account balance.

In the Official Agencies Supervision Program, fiscal year 2004 actual revenue was about \$1.5 million, with expenses for the year just over \$2.6 million, for a deficit of about \$1.1 million for the year. The reserve fund at the end of 2004 was reduced to \$874,000. For 2005, GIPSA projected the continued deficits would further reduce the reserve fund. To date, the 2005 spending is lower than anticipated, but the reserve would still be reduced to a dangerously low level. While delays in filling position vacancies and the change in overhead distribution have helped, additional action is needed. GIPSA is proposing fee changes to improve the financial outlook in this fund.

In the Rice Inspection Program, fiscal year 2004 actual revenue was about \$4.2 million, which left a deficit for the year of \$159,000. For 2005, GIPSA anticipated a static revenue level with increase in expenditures, leading to a higher deficit and further reduction of the reserve fund. Based on the first half of the year, it is possible that this fund may generate more revenue than expected. The projected end-of-year reserve fund balance is \$663,000.

Switching to the status of appropriated funds, Ms. Donohue-Galvin presented the fiscal year 2005 appropriation, showing changes from the 2004 base. She indicated that GIPSA left \$767,000 of appropriated money unspent in 2004. In 2005, GIPSA's focus is on efficiently using most of the appropriated funds allocated.

Current financial issues are the proposed official agency (OA) fee increase, the proposed new user fees, and the fiscal year 2006 President's budget. For the OA user-fee increase, the Federal Register comment period will close soon. The fee structure proposed was developed based on planned program efficiencies and using standard weights for each means of conveyance. Ms. Donohue-Galvin showed the projected impact of the change, where some fees increase and some decrease. While the current fee structure had no relationship to volume, the proposed structure applied the same philosophy used in export based on tonnage. It adds a fee for Official Commercial Inspection Service (OCIS) inspections.

Ms. Donohue-Galvin then presented the proposed standardization fees based on the fiscal year 2006 President's budget proposal. This budget proposal has no appropriated funds for standardization, proposing \$4.2 million in new user fees. This change is part of a government-wide legislative proposal under development by the Office of Management and Budget (OMB). Since the proposal is part of an omnibus bill affecting multiple agencies, it may have a chance for passage due to the President's deficit reduction agenda.

MODERNIZATION OF OVERSIGHT PROGRAM

Mr. Shipman outlined the current domestic structure of FGIS for the Committee, including 43 private agencies and 6 designated states under 11 supervising field offices. In the current structure, field offices are responsible for licensing official agency personnel, verifying official agencies equipment performance, supervising official agency service delivery, providing policy and procedure direction, responding to and troubleshooting problems, providing Appeal inspection services, monitoring local quality assurance, and inspecting processed and graded commodities. The complex structure of interactions between FGIS divisions, official agencies, quality control information, and customers was illustrated in the presentation. In the illustration, Mr. Shipman noted the limited access agencies have to quality control data.

Mr. Shipman then illustrated the future domestic structure of FGIS. He illustrated the structure to show how FGIS divisions, official agencies, quality control information, and customers will interact in the future. According to Mr. Shipman, GIPSA's quality control monitoring programs will transition to a centralized location in Kansas City between 2005 and 2008. This change will expand the Kansas City center and give agencies direct access to quality data. It allows customers to be able to access their results from the Inspection Data Warehouse via the website and changes the role of the Compliance Division. Compliance will take on a program overview focus in future. This transition is planned to dovetail with anticipated high attrition of the FGIS workforce due to retirement eligibility. Under the centralized structure, official agencies will rely more on their quality management practices and less on prescriptive regulatory requirements. In addition, designation renewal will be based on overall performance.

The benefits of centralization presented by Mr. Shipman are (1) improved official agency alignment with central reference, (2) emphasis on quality management principles by official agencies, (3) reduced oversight costs to the official system and grain industry, and (4) addresses high attrition through business re-engineering.

OUTSOURCING RICE PROGRAM

David Orr, Director, Field Management Division, FGIS, GIPSA, briefed the Committee on the progress on the rice outsourcing program. He outlined the finances of this fee-for-service program for fiscal year 2004, which resulted in a net loss of \$159,000 and the proposed fee increase to address this shortfall and replenish the retained earnings balance.

Mr. Orr then gave an overview of the Feasibility Review with a Cost Benefit Analysis of approximately 45 full-time equivalents within the USDA, GIPSA, FGIS Rice Program. Based on the study, if the Agency funds an A-76 study, GIPSA could realize approximately \$3 million in savings. Based on the Feasibility Review, typically a competitive sourcing competition would be publicly announced within a reasonable time period; however, GIPSA needs to address the complexity of funding a study and realizing actual cost savings for the Rice Program since it is fee-driven and sufficient retained earnings do not exist to fund a \$1.6 million study.

The ultimate goal of this process is to drive the fee down to save the customer money, so raising user fees to fund an A-76 study defeats the purpose of the competition. Mr. Orr suggested the best-case scenario would be a one-time capital investment costs funded with payback over 5 years.

Mr. Orr then suggested an alternative approach to conducting an A-76 study, to implement a business efficiency strategy to introduce true competition to the market. This alternative is to establish another service provider, using the existing authority to enter into a cooperative agreement to directly compete with USDA in providing official services. A cooperative agreement would allow the customer to receive AMA inspection services at a lower cost. The payback from implementing cooperative agreements could ultimately realize savings quicker and at a higher rate of return than a competitive sourcing study. Mr. Orr concluded by stating that GIPSA had met with the Office of Management and Budget (OMB) to outline the alternative and that future meetings with OMB will be held to further discuss the approach.

PROGRAM PERFORMANCE MEASURES

John Sharpe, Director, Compliance Division, FGIS, GIPSA briefed the Committee on GIPSA's efforts in identifying program performance measures. He outlined the evolution of performance measures within the Federal Government over the last 12 years. Agencies are now required to build performance measures into their budgeting and planning process. The first driver for performance measures appeared with the passage of the Government Performance Results Act in 1993. Known as the GPRA, it was fully implemented in 2000. The GPRA is comprised of three components. Agencies are required to develop strategic plans every 3 years looking out for 5 years. The plan should address the Agency's big picture items regarding the Agency's mission, expected program outcomes, program performance goals, and management issues or challenges. The GPRA also requires that Agencies prepare an annual performance plan that state what the Agency plans to accomplish against the target goals in the strategic plan. These plans are now submitted to Congress within the Agency's annual budget. Finally, the GPRA requires Agencies to provide an annual performance report that states the actual results achieved versus the planned targets in the annual plan.

GPRA goals can be defined as outcomes or outputs. Outcomes are the ultimate, big picture, objectives or the stated final results of the Government program. In essence, outcomes measures are to be tied to why the program exists. Outputs are the results of the government's activities or steps taken to achieve the outcomes. They can be measures of quality or quantity measures that should be used to measure and improve the day-to-day operation of the Agency.

The link between the performance measures required by the GPRA and the budget was strengthened in 2001 by the President's Management Agenda (PMA). The PMA contains five objectives. The most important objective for this discussion is "Budget and Performance Integration", which ensures that programs achieve their expected mission and continue to improve performance and remain efficient. All the agencies are scored by the Office of Management and Budget (OMB) and the Office of Personnel Management (OPM). OPM measures the "Strategic Management of Human Capital" while OMB scores the rest. Agencies are scored as red for unsatisfactory, yellow for mixed results and green for success. You may hear within the government persons referring to their efforts to "Get to Green".

To evaluate the Agency's Budget and Performance Integration efforts the OMB developed an "Performance Assessment Rating Tool" (PART). The PART was initiated in 2002 with 20 percent of the government programs being evaluated that year and 20 percent to be added each following year. GIPSA is currently performing its first PART evaluation on its grain program. The tool is a series of yes and no questions that the Agency answers and provides evidence to support their answer. The questions are divided into four sections, including program purpose and design, strategic planning, program management, and program results. Program results account for 50 percent of the score applied by OMB. This section also evaluates the performance measures that the Agency has developed.

The basic government budget cycle includes the annual formulation, presentation to OMB and Congress, execution, and closeout. However, agencies must now start with their strategic plan and include our GPRA measures and PART evaluations in the formulation, presentation, and the results of our Performance Accountability Report closeout.

Mr. Sharpe outlined the goals, objectives and performance measures for the grain program identified by GIPSA. GIPSA is also developing a group of efficiency measures to underpin each of the major performance measures and to effectively manage each aspect of the grain program. These measures have been or are being considered to be placed in managers and employees performance standards.

GIPSA is requesting the Committee's input regarding our goals, objectives, and measures.

UNDER SECRETARY BILL HAWKS REMARKS

Under Secretary Bill Hawks addressed the Committee, thanking them for the effort they expend to participate in the Advisory Committee. He commended them for their service and willingness to take time to be involved. Mr. Hawks indicated that he is responsible for the Marketing and Regulatory Programs (MRP) of USDA, specifically APHIS, AMS, and GIPSA. In recent years of budget reduction, MRP has actually fared well due to the work done. The role of MRP is to protect agriculture and facilitate trade. During the last 4 years, Mr. Hawks indicated he had talked about 'working together works.' While he still believes that, his new phrase is to 'put sanity into phytosanitary.' Phytosanitary is the trade barrier of choice at this time for those trying to prevent trade for short-term gain. It is crucial that USDA follow sound science in the effort to address these issues. USDA must work with international standard setting bodies and engage with our trading partners to facilitate marketing.

USDA is facing a situation similar to Starlink with Bt10 in Japan. Care must be taken in addressing this as whatever is done for one country must be done for all of them. There is sound science, pseudo science, and political science. Mr. Hawks indicated his job is to stay with sound science in making decisions. It is important that USDA does not stand in front of biotechnology activities, instead we must work with the biotechnology companies. If the USDA grants a permit for any event, you can be confident it will be contained there. In the last 4 years, USDA has tripled its budget for biotechnology regulatory services. Technology providers have asked for regulations. USDA must ask how we can work with technology and protect agriculture.

Soybean rust was inevitable, it was important for USDA to be prepared for its appearance. The timing of its appearance allowed everyone to accept its presence and deal with it. USDA is working with the Environmental Protection Agency (EPA) on ensuring fungicides are available.

MRP has a lot of activities, none of which could be done without the dedicated, hard working USDA employees getting the job done. Mr. Hawks expressed his appreciation for the USDA employees' efforts.

Mr. Hawks indicated that USDA is planning to hold listening sessions around the country in preparation for the 2007 Farm Bill. These sessions will give everyone a chance to have input into this process.

USDA has some competitive advantages in free trade markets. Mr. Hawks indicated that overall North American Free Trade Agreement (NAFTA) has been a success. Market maintenance is where USDA needs to focus. Mr. Hawks indicated he was guardedly optimistic that the Central America Free Trade Agreement (CAFTA) would pass. The biggest issue with CAFTA is sugar.

Mr. Hawks concluded by indicating that education is all important in opening markets, as perception is reality.

REAUTHORIZATION/EXPORT INSPECTION PROVISION

Mr. Shipman updated the Committee on FGIS' reauthorization activities. Under the U.S. Grain Standards Act (USGSA), certain authorities expire on September 30, 2005. USDA sent proposed legislation to Congress to reauthorize the Act in March 2005. During April, GIPSA met with both Senate and House Agricultural Committee staff.

Both the North American Export Grain Association and the National Grain and Feed Association support amending the Act to allow private inspection agencies to provide mandatory export inspection services under direct Federal oversight. The privatization concept is modeled on the domestic designation program. USDA has not taken an official position on changes to the USGSA, and GIPSA does not interpret industry as advocating complete privatization of the U.S. export inspection system and would not support such a change. In export, privatization would involve 100 percent Federal oversight.

In response to a May 2004 Advisory Committee resolution to evaluate the benefits and methods of outsourcing export inspection services, GIPSA is reviewing a delegated private agency (DPA) concept for mandatory inspection. Private firms providing export grain inspection services under Federal oversight is fundamentally feasible. The cost of private companies plus GIPSA oversight would equal the current national average cost of \$0.34 per metric ton.

Mr. Shipman then outlined the responsibilities under a DPA concept. Private agencies would provide export services instead of Federal employees. They would provide export inspection and weighing services, prior-to-loading stowage exams, pre-loading and

post-loading surveys, and witness fumigations as needed. DPAs would use GIPSA's Cu-Sum Plan, check test inspection equipment, and verify diverter-type sampler performance. DPA's would have to maintain records and prepare certificates for export. GIPSA would remain at export port locations, provide 100 percent onsite oversight of each DPA, provide stowage examinations, scale testing and test weight verification, appeal inspections, and service export locations not served by a DPA. In addition, GIPSA would sign all final export inspection certificates, license DPA personnel, review automated weighing and handling system, and conduct regulatory and administrative reviews.

Approximately 201 employees or 64% of the export workforce could be impacted by a transition to the new concept of export inspections relying, in part, on private inspection agencies. If implemented during 2008-9, 218 would be eligible for some sort of retirement, 136 for full retirement. If GIPSA conducted a reduction in force, the Agency would have to pay severance pay, benefits, etc., estimated to be a \$3.1 million cost. Due to seniority, this would leave 95 percent of the remaining workforce as retirement eligible. The other approach could be to offer \$25,000 buyouts, costing \$6.1 million. The benefit is that the staff remaining would be only 42 percent retirement eligible.

Mr. Shipman stated the DPA concept would require a legislative amendment to the USGSA and regulatory changes to implement the amendment. He anticipates it would require 4 years to fully implement this potential change. GIPSA would need to deploy the new information management system, train staff in new oversight procedures, and transition operations over time in a port-by-port method. The possible impact of this concept is long-term operating efficiencies. He indicated the key question is whether implementing the change now will deliver long-term savings and improve the competitive position of U.S. grain exports without negatively impacting the confidence of international buyers.

Mr. Shipman concluded that changes must improve the efficiency of service delivery, ensure that America has a reliable USDA-backed export inspection system, and maintain worldwide recognition of the USDA certificate as accurate and reliable. GIPSA has worked hard to ensure the system provides accurate and reliable results.

STATUS OF DESIGNATIONS/DELEGATIONS

Mr. Sharpe updated the Committee on some significant designation activities which took place since the last meeting as follows.

The southern portion of Texas which was undesignated has now been designated. Previous attempts to acquire a service provider had been unsuccessful. GIPSA solicited for applicants to provide service in this area after interest for service was expressed by a few industry representatives and interest was expressed in providing this service by a potential service provider. GIPSA solicited for applicants in the Federal Register on December 8, 2004. Four applicants applied for the area by the closing date of January 7, 2005. Two applicants were from existing official agencies and two were planning to form new agencies. No comments were received on any of the applicants during the February 8 to March 10, 2005, comment period. Based on the information provided, GIPSA determined that Global Grain was best able to provide service in this area and began providing service on May 1, 2005. Global is a subsidiary of BSI Inspectorate that performs unofficial inspection services. Global structured itself in accordance with GIPSA requirements to provide appropriate separation from the parent unofficial inspection company.

This designation means that official service will be available through private inspection agencies for the entire State of Texas with the exception of GIPSA providing service within the designated port areas. The designation of south Texas should benefit the entire grain industry by having a greater presence at the Mexico border area when problems arise.

The State of California notified GIPSA of their intent to relinquish their designation for domestic inspections, delegation for export inspections, and cooperative agreement to perform rice and edible bean inspections. GIPSA solicited requests for applicants to provide service under a designation February 17, 2005. GIPSA received one applicant for the northern portion of the State and three applicants for portions of the southern portion of the State. Based on the information available GIPSA has designated California Agri to perform domestic service in the northern portion of the State. California Agri is owned by OMEC, a company that provides unofficial inspection services. California Agri has structured the company in accordance with GIPSA requirements to provide appropriate separation from the parent company. California Agri will begin providing service on June 1, 2005. The Field Management Division has established a cooperative agreement with California Agri to provide rice and edible bean inspection.

The southern portion of the State was designated to Farwell Southwest and will begin providing services on May 16, 2005, so that the new agency will be in place to handle much of this year's harvest. Farwell is an existing official agency that operates along the border with southern California in New Mexico. Exports will be performed by GIPSA.

The States of Minnesota and Wisconsin have commissioned a study by World Perspectives Inc., a Washington D.C. based consulting firm, to determine how to best remedy revenue shortfalls in the Duluth/Superior area. World Perspectives, in a draft report has recommended that the States encourage their employees to form

an employee owned private company and that the States contract with this company to provide service at a reduced cost. GIPSA has previously told the States and Word Perspectives that States do not have the ability to subcontract in this manner under the United States Grain Standards Act. Both the Compliance Division and the Field Management Division will continue to work with the States on the future of service in this area. If States do not provide service, GIPSA would be required to provide services.

FALL PROTECTION/RAILCAR SAMPLING AND STOWAGE EXAMS

Dave Orr presented issues related to railcar safety and fall protection. He indicated in the past 4 months, two official grain samplers have died in falls from railcars. In the past 3 years there have been a number of other FGIS and official agency employees who have been seriously injured in railcar falls.

The Occupational, Safety and Health Administration (OSHA) established a policy in 1996 that stated employers may be cited for lack of fall protection when “employees are working atop stock that is positioned inside of or contiguous to a building or other structure where installation of fall protection is feasible.” The policy also indicates that employers are responsible for guarding against hazardous conditions and ensuring that employees are physically able and adequately trained to perform work atop cars. This policy was reaffirmed in 1999 and remains in effect today.

OSHA officials are now considering whether fall protection should always be required regardless of the location of the railcars, primarily due to the risk of falling from a railcar. GIPSA and trade associations are discussing railcar safety and fall protection issues with OSHA. All parties are concerned with the safety of personnel.

GIPSA is re-evaluating all inspection and weighing policies to determine whether further changes can be implemented to eliminate or significantly reduce the need for official personnel to climb on top of railcars. The primary issues revolve around stowage exams and probe sampling. Mr. Orr presented information on the volume of official railcar inspections and the method used for inspection. Based on this data, there were 800,000 instances each year from 2004 through 2005 in which official personnel are either examining stowage space or performing sampling services on top of railcars. Data was not available to determine the frequency of available fall protection during the delivery of these 800,000 services.

Mr. Orr mentioned several potential policy changes including, the use of remote controlled cameras for stowage exams, require the applicant to open and close all car lids, make railcar stowage examinations permissive, and allow applicants to self-certify the condition of the stowage area. GIPSA will consult with the various sectors of industry as it pursues any change in current policy.

WHEAT FUNCTIONALITY AND END-USE TESTING

Dr. Tim Norden, Chief, Analytical, Reference, and Testing Services Branch, Technical Services Division, FGIS, GIPSA, updated the Committee on progress in developing new testing technology for determining wheat end-use functionality. After explaining the purpose and a brief historical overview of the program, he gave an update on the GIPSA reference laboratory setup, the current status of rapid methods of development, and future objectives for this program.

Dr. Norden explained that the primary purpose of the program is to facilitate wheat markets by providing rapid testing methods to differentiate functional end-use qualities. He showed historical trends that indicate a potential problem in delivering U.S. wheat shipments to export customers with consistent functional quality. Dr. Norden outlined some important functional properties of wheat and the most popular International reference methods for determining these properties.

Dr. Norden then gave a brief description of each of these reference methods and the validation status for that method in the GIPSA Wheat Functionality Laboratory. According to a survey done by the U.S. Wheat Associates, the most popular International method is the Farinograph method. He showed data that supported the idea that the method can give variable results depending on what components are installed on the Farinograph. Dr. Norden also described the Varietal ID program and gave an example of how this technology is currently being used at the Technical Services Division.

Dr. Norden gave a summary of the current conclusions from the GIPSA/ARS study. The study showed that development of a rapid test to measure “dough strength” properties for Hard Red Winter (HRW) and Hard Red Spring (HRS) wheat does not appear to be promising. However, reasonably good correlation was found between NIR-predicted and reference method wet gluten measurements. He then gave reasoning behind a decision to pursue development of a rapid test for wet gluten based on whole grain NIRT. According to a U.S. Wheat Associates survey, the Glutomatic or wet gluten method is the second most popular International method for determining wheat end-use functional quality. The wet gluten test is also requested by International wheat buyers and is included in most crop quality survey studies. Dr. Norden outlined short- and long-term objectives, which included the development of a NIRT-based rapid test for wet gluten by May 2006.

Dr. Richard Pierce, Chief, Inspection Systems Engineering Branch, Technical Services Division, FGIS, GIPSA continued the presentation, focusing on the efforts to develop rapid tests for enduse traits. He gave a historical overview of the process to date, beginning with the joint GIPSAARS Rapid Quality Prediction Study. He presented data analyses of the samples analyzed in the study, showing the degree of correlation to protein for various end-use factors. Based on the study of HRS and HRW samples, protein is the whole grain characteristic that correlates best with functional end-use traits. Correlations to both protein and NIR predictions were greatest for the Mixograph Water Absorbtion, Wet Gluten, and Loaf Volume. Some promise was also shown for NIR rapid test applications for SDS Sedimentation Volume, Alveograph, Farinograph Water Absorbtion, and Bake Absorbtion.

As a starting point to provide a quick test, GIPSA is looking at development of an NIR calibration to predict wet gluten. This targets an item that Dr. Pierce indicated was likely achievable. His plan is to work with researchers in government and industry to develop an NIRT wet gluten rapid test, hopefully during 2006. In addition, he plans to encourage outside and collaborative research efforts to search for a rapid and accurate test for gluten strength, investigate existing chemical test methods, work with international organizations to help standardize farinograph testing, and continue the development tools for wheat protein characterization.

MULTI-FUNCTIONAL EQUIPMENT OPPORTUNITIES AND CHALLENGES

Dr. Pierce briefed the Committee on various opportunities and challenges inherent in considering the use of multi-functional equipment in the official inspection system. He gave a historical overview of the equipment requirements based on the U.S. Grain Standards Act then detailed the rationale behind the single model approvals for some instruments currently in use in the official system.

Dr. Pierce outlined two key reasons to consider allowing multi-functional equipment, efficiency and cost. A multi-functional instrument allows the grain industry more flexibility in choosing instruments and encourages technical creativity. Using a multi-functional instrument provides opportunities for reducing test time, minimizing both sample handling and operator influence on test results, and increases the possibility of automated data collection. He suggested current potential applicable factors for multi-functional instrumental analyses are test weight, moisture, protein, and oil.

The primary challenges to overcome if using multi-functional equipment are sample preparation requirements and parallel multiple technologies. The sample preparation requirements challenge is two-fold, different tests have different requirements within a single grain type, plus different grains have different requirements for the same tests. For instance, corn, soybeans, sorghum, and oats all require test weight to be determined on the whole sample, whereas wheat, barley, and several other grains require the same test to be run on a dockage-free sample. In addition, moisture is determined on the whole sample for grains such as wheat and barley. For one instrument to efficiently determine both test weight and moisture on wheat, the sample basis should be made uniform.

The second challenge outlined was that multi-function applications are easier to achieve if multiple technologies can be used within the official system. This change means that inspection results variability would increase, as outlined by several examples presented by Dr. Pierce. It also requires an increase in the resources to calibrate and maintain the multiple instruments, including establishing checktesting variations to standardize the various instruments. In addition, troubleshooting equipment problems become more complex as additional instruments are added to the system. A new area for consideration is that State regulatory programs are expanding to include testing of multi-functional instruments. For example, the official moisture meter is approved for moisture determination only, while the same meter is approved under the National Conference of Weights and Measures for both moisture and test weight for commercial trade.

Dr. Pierce closed by presenting two options for test weight to consider. The first option given was to transition from the current test weight apparatus to the GAC-2100 for all grains. The second option was to allow multiple technologies for either all grains or selected grains. He concluded by asking the Advisory Committee for their feedback on GIPSA's current direction of pursuing multi-functional equipment.

IMPLEMENTING A GLOBAL ARTIFICIAL NEURAL NETWORK (ANN) CALIBRATION FOR OFFICIAL NIRT WHEAT PROTEIN

Steven Tanner, Director, Technical Services Division, FGIS, GIPSA, briefed the Committee on the recent implementation of a global Artificial Neural Network (ANN) calibration for official near-infrared transmittance (NIRT) wheat protein. On May 1, 2005, the official inspection system began using ANN official wheat protein measurements on NIRT instruments. The ANN calibration was created jointly by Europe, Australia, Canada, and the United States and is distributed by Foss Tecator.

Mr. Tanner outlined the benefits of implementing the ANN wheat calibration for both customers and the official system. Primarily, the customers should see improved accuracy and consistency while both the official system and commercial sector would be able to reduce standardization efforts. For 2005, GIPSA's wheat protein monitoring program will continue unchanged, but monitoring activities are projected to decrease in 2006.

Instrument models that use ANN calibrations are the Infratec 1241, 1229, and, if upgraded with a hard drive and IRIS operating software, the Infratec 1225 and 1226. The GIPSA calibration disk available from Foss to licensed agencies contains calibrations that meet both GIPSA and National Type Evaluation Program (NTEP) requirements. Mr. Tanner explained the individual class calibrations are included for cross-utilized instruments falling under state jurisdiction and that the wheat protein calibration is identical in the universal wheat calibration and the individual class calibrations for NTEP.

Mr. Tanner also outlined GIPSA's post-implementation monitoring plans to collect data for assessment of NIRT alignment to the reference method.

Making a final comment, Mr. Tanner noted that the official system will implement its first ever protein testing program for barely using an ANN calibration on July 1, 2005.

TOUR OF GIPSA TECHNICAL CENTER

On the second day of the meeting, several Committee members toured GIPSA'S Technical Center, home of the Technical Services Division. The tour was conducted by Larry McDonald.

GENERAL DISCUSSIONS

Containers: The Committee briefly discussed the interim rule to exempt high-quality niche market grains from the export inspection and weighing requirements. A copy of this interim rule was provided to the Committee by Mr. Sharpe during the meeting as the rule was just published. The discussion focused on the wording defining specialty grains that are affected by the rule. The consensus was that further clarification is needed. Members indicated they would address their concerns through the Federal Register comment structure after they had time to fully study the interim rule.

Financial Outlook: Chairperson Setterdahl noted that, since the desirable reserve fund balance is 3 months operating costs, at the current rate of growth it was possible that the Inspection and Weighing Program would have the desired amount of reserve by the end of 2006. Based on that projection, he wondered if GIPSA would decrease the fee rates at that time. Mr. Dutt Vinjamoori cautioned that GIPSA had to plan ahead for expenditures related to lab modernization and IT costs. Mr. Shipman indicated GIPSA would monitor the situation closely.

Ms. Angela Dee and Mr. Tom Bressner commended GIPSA for their progress in the last 2 years in controlling their financial situation. Mr. Ernest Potter requested GIPSA separate national and regional overhead allocations when presenting financial information. Mr. Potter also requested that GIPSA footnote items where difference between years may be caused by changes to reporting/allocating of specific expenses to enable the Committee to better compare financial performance. Per Mr. Vinjamoori's request, Mr. Shipman indicated that GIPSA would try to provide the type of financial information and would provide it in advance of the meeting to allow members time to study. Financial issues are the subject of Resolutions 1 and 8.

Outsourcing Rice Inspections: The Committee held extensive discussions to clarify the rice outsourcing process. In response to questions, Mr. Orr indicated the \$1.6 million projected cost of an A-76 study was based in a large part on personnel costs and consultant fees. The A-76 requirements are so complicated that a consultant is necessary. If GIPSA did not win the competition, the Agency would have to absorb considerable costs to adjust staffing levels. The actual cost would depend on the compensation packages provided to employees under established Federal government policies. If GIPSA won the competition, it would likely still require reengineering the program and staff reductions. The Office of Management and Budget (OMB) has no experience with fee-based programs in the A-76 process and is deliberating on the best approach.

The potential for a pilot was discussed as well as the need to have industry vendors input to get best estimate of potential cost. Mr. Hawks volunteered the North American Export Grain Association (NAEGA) and the National Grain and Feed Association (NGFA) to work with GIPSA on developing cost estimates. Outsourcing is the subject of Resolution 3.

Reauthorization and Export Inspection Provision: Mr. John Oades asked if GIPSA would be able to estimate what the DPA costs would be before taking steps to implement. Mr. Shipman indicated GIPSA is attempting to estimate the costs based on the rice private companies and the domestic market structure. He indicated the rice private companies fees would be estimated at a 20 percent reduction, so oversight costs would need to be kept within the 20 percent. Mr. Shipman estimated that on average, the costs would be about equal to the current GIPSA fees in markets with higher supervision costs. Any financial advantage experienced would likely result from private companies containing costs in the long-term.

In response to Mr. Oades concern over the selection process for DPAs, Mr. Shipman indicated that GIPSA may not want to have assigned geographic areas at export. Based on the domestic market model, GIPSA believes it would be possible to privatize inspection at export without compromising the integrity of the certificate.

Designation/Delegations: In response to Chairperson Setterdahl's question on whether the State of California had provided reasons for withdrawing from the official inspection system, Mr. Sharpe indicated it was primarily financial. He also indicated that California felt it was in the best interest of the California grain and rice industry to allow private companies to provide the service.

Mr. Shipman indicated that outreach efforts of the Office of International Affairs and the Technical Services Division had increased the confidence of Mexican buyers. He also indicated there were some border issues that GIPSA, with APHIS, the Foreign Agriculture Service (FAS), and AAGIWA are planning to address through personnel meetings with customs officials. The presence of an official agency in south Texas has the potential to further facilitate trade.

Multi-Functional Equipment: The Committee discussed the need to have data on in-field use of the different test weight apparatus in order to make intelligent decisions on changes to the system. Some concern was expressed that, in a controlled laboratory setting, the kettle variability is much less than under field conditions. The Committee also discussed the need to publish variability for different factors by technology, preferably on our website, without putting the information on the official certificates. Several Committee members indicated a preference for using the GAC 2100b to gauge test weight because it supports automated sample analysis and data collection.

Ms. Cassie Eigenmann indicated a request for GIPSA to take the variability study for test weight between technologies. She especially indicated a wish for information obtained at local elevators during in-harvest conditions. The need to define field variability of the different technologies when changing the official system is important. The Committee encouraged GIPSA to consider alternatives. Ms. Eigenmann indicated a willingness to assist GIPSA with study design. Mr. Tanner addressed Committee questions by indicating that TSD has looked at kernel density and kernel displacement methods vs. test weights. Multi-functional equipment, especially related to test weight, is the subject of Resolutions 4 and 10.

Fall Protection: The Committee held a lengthy discussion on the issue of fall protection, stowage exams, and probing cars. Mr. Bressner indicated interest in GIPSA's degree of proactivity in addressing this safety issue. Mr. Orr indicated GIPSA is looking internally to look at alternatives such as cameras for stowage exams. Mr. Shipman indicated GIPSA is looking at policies and technologies to try to get off of the top of cars. He also asked if there was any industry motivator for moving away from probing cars. The Committee indicated short rail lines without the technology load low volume of cars are still probed. The Committee also indicated occasionally the official inspection agency personnel are not able to be present in time for loading. There was additional discussion on the fees for probing a car versus other sampling techniques, which economically may favor the probe. Mr. Bressner indicated that it was important for GIPSA and industry to work together to address this safety issue. Mr. Oades encouraged GIPSA to pursue investigation of technology to reduce the need for employees to work on top of railcars. Fall protection is the subject of Resolution 9.

Mr. Oades expressed concern that a large customer, Japan, has expressed concern on soybean contamination and related the concern to stowage exams. Eliminating stowage exams could negatively impact that market.

Performance Measures: Mr. Oades encouraged GIPSA to consider getting stakeholder input periodically, even though it requires external bureaucratic input on surveys. He indicated that it is important to have some type of polling device for measuring stakeholders' satisfaction.

Wheat Functionality: In response to Mr. Vinjamoori, Mr. Tanner indicated that the different sizes of Farinograph bowls are to address specific user needs. For instance, breeders use the smaller size. While there are reasons for the difference size bowls, the variability is affected. Mr. Oades indicated that providing a wet gluten test upon request would be a good beginning based on sound science. Mr. Vinjamoori commended GIPSA for the work presented on wheat functionality. Wheat functionality is the subject of Resolution 2.

Domestic Territory Boundaries: The Committee expressed interest in long-range planning to remove the current boundaries for official agencies in the domestic market. The Committee indicated that eliminating boundaries could add flexibility for responding to situations where GIPSA needs to ensure coverage and introduce competition. Mr. Shipman indicated concerns over the possible impact on the integrity of the official system if official agencies were subjected to increased industry pressure. He also indicated this would involve a statute change. Boundaries are the subject of Resolution 7.

New Products Standards: Mr. Potter requested GIPSA explain when they get involved in setting new standards for new products. Mr. Shipman indicated that GIPSA addresses this challenge by staying in contact with developers. The standards are market-driven, initially a product which is vertically controlled has little need for standards while as the market matures the need may arise.

RESOLUTIONS

1. The Advisory Committee recommends that financial information be presented in a format that will allow comparisons to be with like information for all periods. If changes are made in allocations, then two sets of financial reports be presented in a manner where changes are fully segregated. Financial reports should clearly show national reallocations and regional reallocations listed as separate lines and not combined with other line items. For example, rent for program shown on line rent/ utilities and part of national overhead be shown as line item overhead allocation.
2. In that wheat export customers are sophisticating rapidly; and in that customers are seeking official analysis of end-use functionality; and in that GIPSA is showing good results in predicting wet gluten content with NIRT technology; therefore the Grain Inspection Advisory Committee recommends that GIPSA move forward with development of wet gluten analysis as an official criteria to be made available upon request through the official inspection system.
3. In that potential outsourcing of official export inspection services is being studied; and in that cost containment for official export inspection is one of the reasons for consideration of outsourcing; therefore the Grain Advisory Committee recommends that GIPSA develop cost projections for outsourced services vs. GIPSA provided services for each major U.S. export range.
4. Perform a comprehensive in-field test weight study to determine true variability using random elevators during normal harvest conditions. For example:
 - a. Select 10 country elevators at random.
 - b. Select 3 grain samples.
 - c. Samples need to be covertly delivered to each elevator (i.e. not by known FGIS personnel).
 - d. Have elevator personnel measure sample test weight using the resident non-kettle method and the quart kettle.
 - e. Re-run all samples in the FGIS laboratory using FGIS personnel and FGIS instrumentation.
5. The Advisory Committee opposes the establishment of new user fees to cover the costs of standardization activities. These activities benefit all consumers and therefore should be supported by appropriated funds.
6. The Advisory Committee supports efforts being taken to implement a new domestic structure, and recommends that GIPSA continue to move forward with its plans.
7. The Advisory Committee recommends that GIPSA consider eliminating the territory boundary limits domestic official agencies. Further consolidations in the domestic agricultural sector are likely. Eliminating boundaries would encourage competition, both in service and price. While doing this, GIPSA must continue a high level of oversight to preserve integrity.

8. The Advisory Committee commends GIPSA on progress made in evaluating and reporting financial status and asks them to continue to work at being fiscally sound.
9. The Advisory Committee recommends that FGIS review, with the Industry, ways to enhance the safety associated with railcar work.
10. The Advisory Committee recommends that FGIS look for a new base reference method for determining test weight of grain. The reason is that it is impossible to automate the present method and the Industry is interested in automating their systems as rapidly as possible.

ELECTION OF VICE-CHAIR

Mr. Setterdahl facilitated election of a new Vice Chair for the Committee. The Committee was presented with a list of 10 members eligible for election. Mr. Arvid Hawk nominated William J. Cotter, Warren Duffy seconded the nomination. Nominations were closed and, by unanimous vote, William Cotter was elected Vice Chairperson.

NEXT MEETING

The next meeting of the Grain Inspection Advisory Committee will be scheduled during the first 2 weeks of November 2005. The location will be determined by cost comparison considering Corpus Christi, Texas, Washington, DC, and Kansas City, Missouri.