

Grain Inspection Advisory Committee December 4-5, 2001

SUMMARY OF MEETING Hilton, Chicago, Illinois

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OPENING REMARKS

David Shipman

Mr. David Shipman, Acting Administrator of the Grain Inspection, Packers and Stockyards Administration (GIPSA), opened the meeting with a few remarks about the changing structure of the U.S. food and feed industry. While the mainstream commodity market continues to serve the primary needs of the food and feed industry, some market participants are using more specialized and demanding specifications to improve their processing efficiency or meet the specific needs of a customer. With this in mind, Mr. Shipman indicated that his objective for the meeting was to begin ongoing, in-depth discussions and assessments of how GIPSA can best structure the Agency and the official inspection and weighing system, both financially and operationally, to remain a relevant, vital facilitator of U.S. grain marketing.

William "Bill" Hawks

Mr. William "Bill" Hawks, Under Secretary for USDA's Marketing and Regulatory Programs (includes GIPSA, Agricultural Marketing Service, and the Animal and Plant Health Inspection Service), welcomed the members of the Grain Inspection Advisory Committee, public attendees, and GIPSA staff to Chicago. Mr. Hawks focused his remarks on the topic of food. Key points from his presentation include:

USDA has created a structure for the management of its homeland security responsibilities. The structure incorporates the key USDA responsibilities, which are:

1. Protecting borders and agricultural production;
2. Ensuring food safety;
3. Protecting and enhancing research and laboratory facilities;
4. Protecting USDA staff and other infrastructure;
5. Securing information technology resources;
6. Conducting law enforcement activities and audits; and
7. Ensuring our emergency preparedness.

USDA's Homeland Security Council and subcouncils will coordinate mission areas' and agencies' activities, and ensure effective, ongoing information flow to the Secretary and other key decision makers.

Elsa Murano, Under Secretary for Food Safety, and Mr. Hawks will cochair the Protection of the Food Supply and Agricultural Production Subcouncil. This subcouncil will deal with issues related to: food production, processing, storage, and distribution; threats against the agricultural sector and rapid response to such threats; border surveillance and protection to prevent introduction of plant and animal pests and diseases; food safety activities concerning meat, poultry, and egg inspection, laboratory support, research, education, and outbreaks of foodborne illness.

President Bush has requested an additional \$45 million to strengthen biosecurity measures at USDA. This funding would:

8. Increase security at USDA facilities;
9. Fund construction of a research facility at the USDA laboratory in Ames, Iowa;
10. Ensure more facilities to adequately store hazardous materials; and
11. Provide additional resources to furnish education, training, and technical support to states, local governments, and the food and agriculture sector.

In addition, USDA has granted nearly \$2 million to 32 states to improve emergency preparedness and protection activities since September alone.

USDA also conducts regular training, meetings, and conferences to discuss planning and preparedness issues related to pest and animal diseases and food safety issues. USDA communicates with producers, farmers, and food manufacturers via industry associations, industry media, and cooperators on state and local levels regarding ongoing agricultural issues, including biosecurity. USDA officials in every state continue to meet and discuss with producers and farmers the importance of heightened awareness as a protection measure against biosecurity threats, urging responsible and cautious monitoring of the nation's food and agriculture system.

In conclusion, Mr. Hawks indicated that while the tragedy of September 11 has changed our lives in many ways, agriculture continues to change due to other reasons as well. Global trade, especially with the new WTO round, advanced technologies, and increased consumer input on product quality and diversity all influence the industry we work for and service. The official grain inspection system served commodity markets well in the past. With the Advisory Committee's guidance, GIPSA will ensure that the system grows and changes to meet the needs of tomorrow's markets.

RECOGNITION OF DEPARTING MEMBERS

Messrs. Bill Hawks and Dave Shipman recognized those advisory committee members whose terms expire in March 2002. The departing members are as follows:

Bonnie Fernandez (California Wheat Commission)
Diane Hanekamp (Agro Systems, Inc.)
Arvid Hawk (Cargill, Inc.)
Bennie Lackey, Jr. (Riceland Foods, Inc.)
Tom Miller (Farmers Cooperative Company)

Although not present at this meeting, the term of service of six alternate committee members will also terminate. The alternate members are as follows:

Mickey Cook (Cenex Harvest States)
Paul Coppin (Hunter Grain Company)
Ping Feng (Optimum Quality Grains, LLC)
Mary Schuler (Schuler Lands, Inc.)
Herbert Simonsen (Producer from Superior, Nebraska)
Gretchen Stewart (CII Laboratory Services)

MEETING ATTENDEES

Committee Members

Tim Adams, Memphis Grain Inspection Service
Gillan Alexander, Producer in Bogue, Kansas
Rod Bradshaw (Absent), Producer in Jetmore, Kansas
Randy Cartmill, Columbia Grain, Inc.
Warren Duffy, Jr., ADM/Growmark
Dianne Hanekamp, (Absent) Agro Systems, Inc.
Bonnie Fernandez, California Wheat Commission
Arvid Hawk, Cargill, Inc.
Dr. Lowell Hill, University of Illinois
Bennie Lackey, Jr. (Absent), Riceland Foods, Inc.
Paul Lautenschlager, Hi-Line Grain Co. LLC
Tom Miller, Chairperson Farmers Cooperative Company
Tim Paurus, Cenex Harvest States
Mark Scholl, ExSeed Genetics, LLC
Dennis Strayer, Private Consultant

Distinguished Guest

William Hawks, Under Secretary, USDA's Marketing and Regulatory Programs
Guest Speaker Dr. John Surak, Clemson University

GIPSA

John Giler, Policy and Procedures Branch
Patrick McCluskey, Market Analysis and Standards Branch
Dave Mundwiler, Toledo Field Office
Dave Orr, Field Management Division
Marianne Plaus, Office of the Deputy Administrator
John Sharpe, Data and Information Analysis Branch
Dave Shipman, Office of the Deputy Administrator
Steve Tanner, Technical Services Division

Official Agencies

Leslie Adams, North Dakota Grain Inspection Service, Inc.
Steve Adams, North Dakota Grain Inspection Service, Inc.
Dave Ayers Champaign Danville Grain Insp.
Mark Beaupre Schneider Inspection Service, Inc.
Bob Gore Washington Department of Agriculture
Tom Meyer Kansas Grain Inspection Service
Gary Weirman Central Illinois Grain Inspection Service, Inc.

Other

Tom Runyon, Seedburo Equipment Company

ACCEPTANCE OF MEETING MINUTES FROM MAY 8-9, 2001

The Committee approved the meeting minutes from May 8-9, 2001, as written.

REVIEW AND ACCEPTANCE OF AGENDA

The Committee approved the agenda (agenda attached).

PANEL 1: ENSURING GIPSA'S FINANCIAL VIABILITY

David Shipman

Mr. David Shipman also provided an overview of GIPSA's appropriated (i.e., tax dollars received from Congress) and trust fund accounts (presentation slides attached).

Appropriated Accounts. Over the past several years, GIPSA has received increased appropriated funds from Congress, mostly directed at new activities, such as biotechnology and international services. For the fiscal year 2002 budget, Congress appropriated \$210,000 more than the Agency requested. In total, the Agency received \$3,785,000 for standardization activities, \$5,405,000 for compliance activities, and \$6,054,000 for methods development. Specific activities planned for fiscal year 2002 include an expansion of international trade services, increasing biotechnology detection capabilities, and development of a process verification program.

Trust Fund Accounts (i.e., User Fee Accounts). In fiscal year 2001, GIPSA's trust fund accounts under the United States Grain Standards Act (USGSA) lost \$1,928,670. This is largely due to a \$1,692,886 loss in the largest of the trust fund accounts, the Inspection and Weighing account (majority of which is export-related). The official agency supervision account also lost money with a loss of \$242,487. The Canadian account lost \$1,559. Under the Agricultural Marketing Act (AMA), the rice and commodity accounts had profits of \$260,634 and \$150,774.

Overall, the reserve balance for all trust fund accounts (i.e., both USGSA and AMA) is at \$4,545,277, which falls below the 3-month operating reserve of \$8,000,000 that the Agency would like to maintain.

GIPSA's plans for fiscal year 2002 will be modified in consideration of the Agency's financial situation. Largely due to the mandated Federal cost-of-living adjustments and projected workload, the Agency is currently projecting a loss of \$2,816,464 in the Inspection and Weighing account. Export volume in fiscal year 2001 was below the anticipated 80 million metric tons. GIPSA currently forecasts exports of approximately 80 million metric tons for fiscal year 2002.

In summary, costs are going up. Revenue is not keeping pace with costs. Exports are down from fiscal year 2000. The major contributors to increasing costs are salaries and benefits. Between fiscal year 2000 and 2001 salaries and benefits increased 6.8%. The grain program's financial situation is very problematic, and the Agency's senior management team is considering options to reverse the downward trend. Controlling costs and increasing revenues are critical.

Dave Orr

Mr. Dave Orr, Director of GIPSA's Field Management Division, provided a presentation entitled, "Fee Schedule Review" (presentation slides attached). Mr. Orr began his presentation with a reference to three resolutions adopted by the Committee at previous meetings:

The Grain Inspection Advisory Committee recommends GIPSA provide further information to the Committee on how GIPSA distributes overhead charges to individual program accounts. Furthermore, the Committee requests that GIPSA provide additional information to the Committee on budgetary and actual financial records by program account. (November 2000)

The Grain Inspection Advisory Committee recommends that GIPSA consider setting fees based on full cost recovery based on differences across the country. This includes overhead as well as hourly fees. (November 2000)

GIPSA should review and establish an overhead calculation for all applicable Washington, D.C. cost for the inspection and weighing account, which should be applied to all bushels exported from the United States. (May 2001)

Mr. Orr described the Agency's objective for sound financial management (i.e., ensuring actual costs are captured at the lowest organizational level and that program costs reflect actual work performed) and how the process would work. In summary, this process would:

Shift funds from appropriated to trust accounts and increase costs in the official agency, rice, and commodity programs.

Charge costs that can reasonably be charged directly to a specific program to that program.

Charge overhead costs that are directly related to providing program services, such as payroll costs, to the work unit that incurred the cost.

Mr. Orr also described the Agency's intentions to propose in the Federal Register a 4.6% increase to the inspection and weighing (i.e., 520 account) fees to cover the pending cost-of-living increase for Federal employees. He also described the Agency's plans to improve its cost allocation process. In summary, Mr. Orr indicated that the improved cost allocation process and the resulting changes in the fee structures will:

Ensure that all costs directly traceable to specific services are captured so that those costs can be passed on to specific customers via appropriate fees.

Ensure that customers receiving services under the United States Grain Standards Act share equally in the costs associated with administering that program.

Ensure that those customers that receive service from Federal employees will pay for the costs associated with maintaining the Federal workforce and an equal share of Agency overhead.

Ensure that those customers that receive service from an official agency would pay the agency's service fee, GIPSA's direct costs for oversight, and an equal share of GIPSA's overhead.

In conclusion, Mr. Orr stated that the new methods for allocating cost and the fee proposal will ensure Headquarter's overhead is distributed fairly among all bushels of grain and that differences between geographic areas are addressed.

For questions pertaining to Mr. Orr's presentation, please contact him at tel: (202) 720-0228 or e-mail: dorr@gipsadc.usda.gov.

PANEL 2: EVOLVING VALUE-ENHANCED & BULK COMMODITY MARKETS

Dave Shipman

As indicated by the panel moderator, Mr. Shipman, discussion of value-enhanced commodities is pervasive throughout the agricultural market. With this in mind, several Committee members agreed to provide their perspectives on the evolving value-enhanced and bulk commodity markets.

Mark Scholl

Mr. Mark Scholl, President and CEO of ExSeed Genetics (a wholly owned subsidiary of BASF Corporation), provided remarks about research developments in the value enhanced commodity markets. The underlying theme of Mr. Scholl's presentation was that new products must be relative to the value chain. According to Mr. Scholl, the science of developing a new product is relatively easy compared to extracting the product's value and maintaining that value throughout the commodity system. For example, DuPont came out on the market a number of years ago with high oil corn. For about 3-4 years, the product showed excellent growth. For the past few years, however, that growth has leveled off. Because the product had only one value-enhanced trait, the ability to produce high oil, it's relative value declined as fat prices in the market declined. When fat prices came down, premiums for high oil corn declined, and, as a result, less was grown.

Researchers are developing the next generation of value-enhanced grains which will likely have elevated levels of 3-4 intrinsic attributes. For example, the nutritionally dense corn varieties that are beginning to enter the market have elevated oil and protein levels, as well as improved amino acid profiles.

It is also important to note that in the past, a number of value-enhanced crops were agronomically inferior (e.g., weak stalks). Today, new products and products in the pipeline seem to exhibit good agronomic and intrinsic characteristics.

Another area of research is the development of low phytic acid corn varieties (developed via traditional breeding methods). The resulting corn varieties exhibit higher feeding values and, as a result, less manure production (which is also appealing from an environmental perspective).

Dow Agro Sciences and Pioneer Hi-Bred International, Inc. recently received full food and feed registration in the U.S. for Herculex I Insect Protection. Herculex I provides enhanced resistance against European and southwestern corn borer, black cutworm, and fall armyworm. Registration efforts are under way in all major corn-producing and -consuming regions of the world. Until import approvals in those markets are granted, U.S. corn from Herculex I hybrids will be subject to market-channeling and export restrictions.

Mr. Scholl indicated that the development of nutraceuticals is 8-10 years off. Researchers are exploring whether traits can be packaged into a kernel of grain that will help prevent diseases in animals. For example, can avian flu vaccine be incorporated into corn?

Mr. Scholl concluded by offering his perspective on what GIPSA's role should be in all of this. He believes that it is imperative that GIPSA standardize the measurement methodology and technology for determining the actual value of products. The marketplace needs accurate and consistent measurements of the true value of grain.

Dr. Lowell Hill

Dr. Lowell Hill, Committee Member and Professor Emeritus, University of Illinois, provided a presentation entitled, "Challenges and Opportunities in the Market for Specialty Grains" (presentation slides attached). Specialty grains transferred through an Identity Preserved Market channel (IP) provide a way for buyers to obtain grain with quality attributes not included in official grades. The cost of segregation through the market channel, varies widely among producers, grains, and IP contracts. Premiums and operating margins fail to cover expenses for many producers and handlers. Consequently there is a high turnover in participants in the IP industry. Grades could be revised to provide more information about some attributes, reducing the costs of meeting user requirements. Other quality and process attributes can be delivered only through IP contracts, and these markets will grow if buyers are able to pay full costs of production and marketing. End users in foreign markets need better tools and data for estimating final quality and value at destination. An example of a "value calculator" is presented to illustrate one approach to assist buyers.

Tom Miller

Mr. Tom Miller, Committee Member and Grain Department Manager for Farmers Cooperative Company, gave a presentation entitled, "How Farmers Cooperative is Adapting to Changes in the Market" (presentation slides attached). With the understanding that the commodity markets are evolving from bulk commodity feed grain handling systems to value-enhanced food grain handling systems, my company's philosophy has had to adapt to be able to integrate a certified quality system into our existing commodity grain handling system. In the future, we will need to handle value enhanced grains with the same efficiencies, costs, and consistencies as bulk commodity feed grains. To this end, we are working with the American Institute of Baking (AIB) whose quality assurance program has proven to be a successful model for several other grain handlers around the country. This program has 70% of the ISO-9000-2000 elements within it. After we receive certification for the AIB portion of our program, our goal is to complete the process and have it ISO-9000-2000 certified in its entirety. We believe the future will require us to become very flexible within our operations to handle large volumes of both value-enhanced and bulk commodity grains through our elevators. In order to do that, we intend to work with producers using quality assurance programs so that we can ensure the quality of grain from the farm, through our elevators, and to a final destination market.

Arvid Hawk

Mr. Arvid Hawk, Committee Member and Grain Handling Coordinator for Cargill, Inc., gave a presentation entitled, "How Cargill, Inc. is Adapting to Changes in the Market" (presentation slides attached). The Grain Division recognized the need to be more end use customer oriented several years ago. At that time, the Grain Division set up a specialty grain department. The system set up at that time has evolved through several iterations. The Grain Division now has a completely computerized IDP system that it is rolling out.

The Grain Division has been working for several years on developing a producer-oriented system. It is called Cargill AgHorizons. Its goal is to provide grain marketing and crop input solutions for farm customers.

The Grain Division has had the rudiments of a HACCP system for all of its elevators for several years and is in the process of getting ISO certification for its export elevator that handles the bulk of its specialty grain contracts. Unfortunately, it appears that with some of the new laws being pushed in the EU, Cargill may need more than just ISO. They are promoting ISO/GMP/HACCP all in a package.

From a Corporate standpoint, Cargill is in the process of changing its culture to one of being completely customer oriented. The customer is defined as both those from whom we buy and those to whom we sell. This is a major effort and has changed the whole direction of the company.

PANEL 3: ROLE OF THE OFFICIAL INSPECTION SYSTEM & AN EVOLVING MARKETPLACE

Marianne Plaus

Ms. Marianne Plaus, Designated Federal Official for the Advisory Committee and Assistant to the Deputy Administrator, provided a brief introduction of the panel topic and summary of the Advance Notice of Proposed Rulemaking (ANPR). Approximately 1 year ago, GIPSA published, on behalf of USDA, the ANPR in the Federal Register. The ANPR sought public comment on how the USDA could best facilitate the marketing of grains, oilseeds, fruits, vegetables, and nuts in today's evolving market - - a market characterized by biotech and non-biotech crops, traditional and value-enhanced commodities, and a variety of marketing mechanisms.

Approximately 300 commentators offered information and ideas about USDA's role in market facilitation. Of these, commentators brought to the surface two key areas for USDA action. The first of these was that USDA could best serve the market by continuing and expanding programs to standardize testing methodology and end-use attribute testing. The second idea that emerged was that USDA should consider building on the success of its process verification programs for fruits, vegetables, and livestock by developing similar programs for grains, oilseeds, and related agricultural products. Ms. Plaus introduced the panel participants Messrs. Tanner and Sharpe who addressed testing standardization and process verification, respectively.

Steven Tanner

Mr. Steven Tanner, Director of GIPSA's Technical Services Division, provided insight into the Agency's role in end-use attribute testing (presentation slides attached). GIPSA continues to respond to grain market needs related to end-use attribute testing. Currently there are some value-added and premium generating end-use attributes in commercial soybean and corn production. Other new or improved attributes are in the pipeline.

Traditionally, GIPSA accomplished its mission by offering various grain testing services and establishing official grading standards. GIPSA currently provides testing and standardization of protein, oil, and starch using high tech instrumentation. These services and standards are still important, but may not adequately address emerging value-added, end-use quality attributes.

GIPSA recently published an Advance Notice of Proposed Rulemaking in the Federal Register seeking public comment on the Agency's and the Department's roles in facilitating the marketing of grains and oilseeds. One of the responses was that the government could best serve the market by continuing existing programs to standardize testing methodology and component testing. This would support a market system that needs to differentiate among products that have different value.

A few options to approach the challenge are: (1) provide general market standardization of accepted test methods used to identify and/or quantify current and emerging end-use quality attributes; (2) develop reference methods to support the development and evaluation of rapid and low cost test methods; or (3) provide third party testing services when necessary.

The dynamics of grain marketing greatly influence our methods development activities. Some value-added grains may move in totally integrated identity preserved systems that function fairly and efficiently. GIPSA's efforts will focus our limited resources on standardizing quality end-use attribute test methods to facilitate the fair and orderly marketing of grain.

John Sharpe

Mr. John Sharpe, Chief of GIPSA's Data and Information Analysis Branch, provided a presentation entitled, "Exploring Process Verification" (presentation slides attached). As indicated by Mr. Sharpe, GIPSA is exploring the feasibility of providing a process verification program to facilitate the marketing of grains, oilseeds, and related agricultural commodities. Traditionally, GIPSA accomplished its mission by offering various grain testing services and establishing official grading standards. Today, these services and standards still play important roles in grain marketing, but do not adequately address emerging practices used to market U.S. grain. In response to changing consumer demands, the market is adopting a variety of new marketing mechanisms, such as process verification, to augment traditional marketing approaches.

GIPSA's plan is to assess how the Agency can add value in this evolving market place by augmenting, not supplanting, existing market mechanisms. To this end, GIPSA, on behalf of USDA, recently published an Advance Notice of Proposed Rulemaking (ANPR) in the Federal Register seeking public comment on the Agency's and the Department's roles in facilitating the marketing of grains, oilseeds, fruits, vegetables, and nuts. Respondents told us that the Government can best serve the market by (1) continuing existing programs to standardize testing methodology and component testing, and (2) building on the success of its process verification programs for fruits, vegetables, and livestock by developing similar programs for grains, oilseeds, and related agricultural commodities.

The process verification program is envisioned to be permissive, fee supported, and based on ISO 9000 principles, which provide an internationally-recognized set of quality standards based on sound standards of conduct. GIPSA will bring key knowledge, integrity, and international recognition to the program. Technical knowledge of the process being verified is imperative to assure the integrity of any process verification program. GIPSA has already developed this knowledge through its grain inspection system. The program will not seek to compete with or duplicate programs already existing in the private sector. Rather, it is intended to complement those programs by offering an independent, internationally respected source of verification.

UPDATES ON GRAIN INSPECTION TOPICS

Mr. John Giler, Chief of GIPSA's Policies and Procedures Branch, provided updates on a number of grain inspection topics (presentation slides attached).

The U.S. agricultural industry is constantly changing to improve efficiencies in grain marketing and processing. Many of these changes directly affect GIPSA's grain program (a.k.a., Federal Grain Inspection Service (FGIS)). The official inspection and weighing programs provided by FGIS must respond to these changes in order to maintain their relevancy and value to the customers they serve.

In his presentation, Mr. Giler reviewed and discussed significant activities, which involve changes to quality standards and inspection/weighing procedures for grains, oilseeds, rice, and pulses. The topics focused on potential grain standards changes for wheat as they relate to Hard White wheat and dockage in wheat. Procedural issues for discussion included innovative changes involving laboratory scales, domestic/interior shipping bins for unit trains, bulk identity preserved bulk rice shipments, controlled blending of Western White wheat, certification developments, and an update of the automated sampling and inspection system. Marketing concerns and issues were also open for discussion. These issues included the environmental effect of humidity on the determination of soybean test weight, fumigation procedures for short voyages, and barge inspection certification.

Mr. Giler covered a variety of topics that generated considerable discussion. Some of the key ideas and questions that were raised are as follows:

- **Wheat dockage:** The question was raised whether anyone has seen any information indicating how Roundup Ready Spring wheat would affect dockage levels? Would it be a reasonable assumption that if a producer sprayed his/her wheat with Roundup that the average level of dockage would be lower? If this were so, if GIPSA set a standard for dockage in Spring wheat, would GIPSA be encouraging the rapid acceptance of Roundup Ready Spring wheat?
- **Factor determinations:** One Committee member suggested that GIPSA should view quality on a factor-by-factor basis, instead of looking at quality as a whole. From his perspective, GIPSA spends a considerable amount of time evaluating factors that, in a given crop year, are not relevant.
- **Electronic certification:** GIPSA is looking at ways to electronically link multiple data sources, such as load orders and Cu-Sum results. At the next meeting, GIPSA should be in a position to provide an update on its progress.
- **Soybean test weight:** Studies have questioned the importance of test weight and whether it correlates to actual value. Further, environmental factors, such as temperature and humidity, seem to affect test weight. For example, subplot test weight may vary by up to 2 pounds from point of loading to unloading along the Mississippi River. Because of the uncertainties surrounding test weight, should GIPSA consider changing test weight from a grading-determining factor to a mandatory non-grade determining factor or making it official criteria?

For the resolutions pertaining to topics covered by Mr. Giler, refer to resolutions 4 (wheat dockage), 5 (official carrier certificates), 7 (non-critical factors), and 9 (soybean test weight). For more detail about the presentation or questions, please contact John Giler at tel: (202) 720-0252 or e-mail: jgiler@gipsadc.usda.gov.

UPDATE ON QA/QC AND OVERSIGHT STUDY

Dr. John Surak, Department of Food Science and Human Nutrition at Clemson University, provided an update on the Quality Assurance (QA)/Quality Control (QC) and Oversight Study (presentation slides attached). About 1 year ago, the Grain Inspection Advisory Committee requested that research be conducted to determine the effectiveness of the QA/QC and oversight processes. As a result of this request, GIPSA contracted with Dr. Surak to conduct an independent study, which included: (1) conducting a survey of the Washington and Kansas City Co-headquarters, all Field Offices, and all Official Agencies; and (2) conducting selective interviews of personnel located at the two coheadquarters, two interior Field Offices, two export Field Offices, six Official Agencies, and customers in the interior and exterior.

The following four issues were identified as being essential for the effective and efficient operation of the official grain inspection process: (1) consistency; (2) accuracy; (3) timeliness; and (4) value to the customer. These issues affect the entire process whether services are provided by either the private or public sector.

Evaluations of the survey data indicate that GIPSA and the Official Agencies are doing a good job. All personnel interviewed were working in a highly professional manner. In addition, the work force is highly experienced. However, there are indications that the job must be improved if the Official Grain Inspection system is to remain viable in the evolving marketplace.

The following strategies were identified that could increase the quality and the value of the grain inspection process: (1) use of computer technology to increase the effectiveness of collecting data into the National Quality Data Base; (2) use of process monitoring techniques and computer technologies to evaluate effectiveness of the picking process; (3) separation of the calibration process from the setting of grain standards (grade limits); and (4) the elimination of boundaries for Official Agencies, while, implementing a requirement for Official Agencies to provide grain inspection to anyone seeking the service in a defined area at a maximum cost.

A recommendation has not been developed on the concept of a central laboratory. Form and function are interlinked. Prior to providing a recommendation on the structure, decisions must be made on potential system improvements. Once accomplished, a strategy can be developed to determine which QA/QC services should be centralized and which services need to be conducted in the field.

The Official Grain Inspection process is an effective process to ensure the quality of the U.S. grain supply. However, this market is rapidly changing. Challenges include both responding to competition and offering new services to the grain industry. Any revision in the Official Grain Inspection process should focus on providing increased value to the customers.

RESOLUTIONS OF THE GRAIN INSPECTION ADVISORY COMMITTEE

Cost/Revenue Performance of Field Offices: GIPSA should examine the cost/revenue performance of each field office, and report the results of those evaluations to the Committee at its next meeting.

International Uniformity in Definition and Measurement Technology: GIPSA should continue working toward international uniformity in definition and measurement technology.

Biotechnology Testing: GIPSA should continue working to promote the accuracy of biotechnology testing.

Wheat Dockage: GIPSA should shelve the work on inserting dockage as a grade factor in wheat and allow contract terms within the market place to determine levels.

Note: One Committee member opposed this resolution.

Official Carrier Certificates: GIPSA should explore the approval of transferring official carrier certificates into a vessel export certificate during direct transfer.

AMA Inspections: GIPSA should evaluate the feasibility of allowing Official Agencies to perform more AMA inspections, including rice, particularly in, but not limited to, areas where field offices are closed; and report to the Committee on the benefits to the industry and the official system.

Non-Critical Factors: GIPSA should explore the development and implementation of procedures to reduce portion sizes and allow cursory examination for non-critical factors.

Boundaries: GIPSA has in place controlled procedures allowing Official Agencies to cross boundary lines, to provide timely service, and to allow grain companies to switch agencies under certain guidelines. GIPSA should continue those programs, but not move towards a total elimination of boundaries.

Note: Three Committee members opposed this resolution.

Soybean Test Weight: GIPSA should commission or conduct a study to determine where test weight should be placed within the structure of the soybean grades.

Note: Dr. Lowell Hill, Committee member, initially proposed that test weight should be an official criteria factor rather than a grade-determining factor. The majority of Committee members, however, opposed the proposed resolution. Dr. Hill then proposed resolution #9, which the Committee adopted.

NEXT MEETING

Tim Adams, Committee Member and Manager of Memphis Grain Inspection Service, recommended that the Committee hold its next meeting in Memphis, Tennessee. The Committee agreed to hold the next meeting in Memphis in late April to early May 2002.