

# Grain Inspection Advisory Committee

December 16-17, 2008

## Summary of Meeting Airport Hilton – Kansas City, Missouri

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## **WELCOME**

Jerry Gibson, Chairperson, opened the meeting with a welcome and introductions.

### **ACCEPTANCE OF MAY 13-14, 2008, MEETING MINUTES**

The Committee approved the minutes of the May 13-14, 2008, meeting as presented.

### **REVIEW AND ACCEPTANCE OF DECEMBER 16-17, 2008, AGENDA**

The Committee approved the agenda of the December 16-17, 2008, agenda as presented.

## **MEETING ATTENDEES**

### **Committee Members**

Chester Boruff, Chief Executive Officer, Association of Official Seed Certifying Agencies  
William Dumoulin, Producer, Illinois  
Mark Fulmer, Agency Manager, Lincoln Inspection Service  
Nicholas Friant, Grain Handling Coordinator, Cargill  
Jerry Gibson, Regional Manager, Bunge North America  
Edgar Hicks, Grain Marketing Advisory, Hurley/FC Stone LLC  
Curtis Engel, Vice President, The Scoular Company  
Tim Paurus, AVP, Terminal Operations, CHS Inc.  
Kenneth Dalenberg, Production Agriculture Farmer, Illinois  
Thomas Bressner, General Manager, Assumption Cooperative Grain Company  
Bennie Lackey, Jr., Management Director of Commodity Operations, Riceland Foods, Inc.  
Marvin Paulsen, Professor Emeritus, University of Illinois  
Jon Stoner, President, Stoner and Sons, Inc.

### **Alternate Members**

Cassie Eigenmann, Marketing Product Manager, Dickey-john Corporation

### **GIPSA**

Terry Van Doren, former Administrator, GIPSA  
Randall Jones, Deputy Administrator, Federal Grain Inspection Service (FGIS), GIPSA  
John Giler, Director, Field Management Division (FMD), FGIS, GIPSA  
Bob Lijewski, Assistant Director, Policies and Procedures Branch, FMD, FGIS, GIPSA  
John Sharpe, Director, Technical Services Division (TSD), FGIS, GIPSA  
Sharon Lathrop, TSD, FGIS, GIPSA  
David Funk, Associate Director, TSD, FGIS, GIPSA  
Pat Donohue-Galvin, Director, Budget and Planning Staff, GIPSA  
John Pitchford, Director, Office of International Affairs, FGIS, GIPSA  
Terri Henry, Management Support Staff, GIPSA  
Dan White, Union Representative

Tom O'Connor, Director, Compliance Division, FGIS, GIPSA  
Marianne Plaus, Chief, Market and Program Analysis Staff (MPAS), FGIS, GIPSA  
Patrick McCluskey, Agricultural Marketing Specialist, MPAS, FGIS, GIPSA  
Edward Stallman, Assistant Field Office Manager, Grand Forks, FGIS, GIPSA

### **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  
Jess McCluer, Director of Regulatory Affairs, National Grain and Feed Association  
Kevin Schnieder, Lincoln Grain Inspection Service, Inc.  
Dennis Rogers, Mid-Iowa Grain Inspection, Inc.  
Tom Sloan, Mid-Iowa Grain Inspection, Inc.  
Chuck Martin, Intertek  
David Krejci, Grain Elevator and Processing Society  
Mike Barrett, DeBruce Grain  
Mike Vaupel, Archers Daniels Midland (ADM)  
Pete Goetzmann, ADM  
Tim Lust, National Sorghum Producers  
Anthony Goodeman, InterContinental Grain Inspection  
Todd Camatella, Zen-Noh Grain  
John Shropshire  
Chuck Martin, Intertek

### **ADMINISTRATOR'S WELCOME AND RESOLUTIONS FROM MAY 2008 MEETING**

Terry Van Doren, former Administrator, GIPSA, welcomed the Grain Inspection Advisory Committee (Advisory Committee) and attendees.

Mr. Van Doren stated that even though his tenure here at GIPSA will be brief, he is pleased to be part of the important work that GIPSA carries out for American agriculture. He gave a recap of the resolutions from the May 2008, Advisory Committee meeting held in Minneapolis.

**Resolution 1** – The Advisory Committee recommends that GIPSA continue to develop new methods of training agency and GIPSA personnel, and to develop a proposed funding mechanism from user-fee based programs. This will be discussed by John Sharpe at this meeting.

**Resolution 2** – The Advisory Committee recommends that GIPSA solicit industry and commodity organizations to provide support for appropriated funding that will be used to advance the wheat functionality project, with the end goal of developing rapid and repeatable test(s) for determining wheat functionality.

Mr. Van Doren stated that as a government entity, we are prohibited from soliciting the industry to lobby for additional appropriated funding or any other support on our behalf.

GIPSA remains committed to educating our diverse stakeholders about our priorities and programs through rulemakings, outreach, and forums such as this. They can use their knowledge of our program and of our financial status as they desire. John Sharpe will discuss our current research initiatives at this meeting.

Mr. Van Doren closed by thanking the attendees for taking part in the Advisory Committee meeting.

## **REVIEW OF 2008 DOMESTIC AND EXPORT OPERATIONS**

Randall Jones, Deputy Administrator, FGIS, GIPSA, briefed the Advisory Committee on the Agency's Domestic and Export Operations as outlined.

### **Major Factors Affecting U.S. Exports**

- The United States, which dominates the global corn export market, accounted for 58 percent of global corn exports during the 2006/07 crop year. The United States also originated 22 percent of global wheat exports and 43 percent of global soybean exports that same year. Because America is such a major and reliable exporter, its failure to produce ample quantities of exportable supplies forces, foreign buyers to purchase commodities from the world's other major exporters of that particular commodity. The same is also true – when large foreign exporters fail to produce, buyers shift some demand to the United States.
- Sanctions from the U.S. and foreign countries limit trade on agricultural commodities. The United States has several trade agreements, such as the North American Free Trade Agreement, that greatly reduce or eliminate tariffs on imported goods.
- Fluctuating transportation costs and exchange rates affect trade. A stronger U.S. dollar will make U.S. commodities more expensive for other countries, limiting their purchasing power and potentially causing them to shift to a different country for supply.

### **Crop Year 2007/2008 Exports**

During the 2007/08 crop year, U.S. exports of grains and oilseeds were 19 percent greater than the previous crop year, and reached levels not seen for over two decades. Increased trade liberalization and adverse weather conditions in foreign countries contributed to this boost. The United States was able to capitalize on both the elevated world import demand and extremely high prices because it still had average levels of grain stocks on hand and no export restrictions.

As a result of increased exports, official inspections during the 2007/08 crop year were also much higher than in previous years. Inspections of corn, wheat, and sorghum increased; soybean inspections were roughly unchanged from the previous year. FGIS inspections made up 83 million metric tons (mmt) of the crop year total which was 131.5 mmt. Delegated states inspected 31.5 mmt, contractors inspected 1.5 mmt, and official agencies inspected 15.0 mmt.

## **Field Office Inspection Activity**

- New Orleans saw an increase in inspections last year, but not proportionately as large as the increase in U.S. inspections overall. Total inspections of corn, wheat, soybeans, and sorghum at New Orleans were up 2.7 percent, or 1.56 mmt. League City's inspections increased by 83 percent, from 10.4 mmt to 19.0 mmt, as the field office capitalized on the large increases in total U.S. wheat and sorghum exports last year. Toledo's inspection volumes of corn, soybeans, and wheat were down 4.56 percent, or 0.267 mmt.
- Portland was able to capitalize on last year's large increase in total U.S. wheat exports, as traditionally, nearly all of its inspection volume is from wheat. Wheat inspections were up over 13 percent at 6.11 mmt; total inspections barely surpassed pre-2006/07 levels, as inspections during 2006/07 were down 12 percent from 2005/06.

## **Containerized Exports**

The increase in containerized shipments over recent years is largely due to the high cost of bulk ocean freight rates relative to freight for containerized shipments. Containerized exports peaked in February 2008. Over recent months, bulk freight rates have decreased roughly 80 percent from highs earlier in the year, and rates for containerized shipments have been relatively flat. This, coupled with a decrease in imported container due to the weakened U.S. economy, has resulted in a substantial drop in the profitability and volume of containerized grain exports.

## **Tonnage Forecast**

- Inspection and Weighing Program (520)
  - Tonnage Forecast for FY 2009= 65.2 MMT
  - Revenue Forecast for FY 2009= \$34,265,579
- Total Revenue for FY 2009 (all programs) = \$43,397,548

## **Ethanol's Impact on Inspections**

The total corn use for ethanol during the 2007/08 crop year was 3 billion bushels. USDA is expecting an increase of an additional 1 billion bushels, for a total of 4 billion, for the 2008/09 crop year – an increase that equals 8 percent of the crop year's harvest.

## **Key Focus Areas**

- The deployment of FGISonline business applications to bring inspection and weighing business functions and information access to the desktop.
- Renovation of our Technical Center in Kansas City to become the National Grain Center, which will house FGIS personnel from all divisions. We anticipate completing the new wing this spring and all renovation work by early FY 2010.
- We have effected centralization of oversight functions as attrition has depleted domestic field office staffs. Multiple agency knowledge management projects are underway to capture the critical technical and institutional knowledge of retiring employees.

## INTERNATIONAL TRADE AND OUTREACH ISSUES

John Pitchford, Director, Office of International Affairs, FGIS, GIPSA, discussed a variety of international trade and outreach issues.

### **StarLink Corn**

- In an April 25, 2008, Federal Register notice, the U.S. Environmental Protection Agency and the U.S. Food and Drug Administration (FDA) recommended discontinuing testing for StarLink.
- The Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) continues to monitor for StarLink as well as Bt10 and E-32.
- The Japanese Ministry of Health, Labor and Welfare (MHLW) also continues to monitor for StarLink, Bt10, E-32, and LL Rice 601.

### **Japan Exit Strategy – Unapproved GE Events**

- In June 2008, MAFF proposed an exit strategy for testing for unapproved events for thresholds of GE events. MHLW has not endorsed the proposal. This proposal applies only to feed imports and includes future events
- Representatives from the North American Export Grain Association (NAEGA), Japan Feed Trade Association, (JAFTA), MAFF, and USDA have reviewed the proposal and provided comments to Japan. USDA's reply is under review in Japan. If the exit strategy is accepted and implemented this will end testing U.S. feed corn for StarLink, but MHLW still will monitor food corn.

### **U.S./Japan Aflatoxin Testing**

- In recent years, Japan has reported discrepancies in corn aflatoxin test results. The differences are likely due to different target levels of detection and sample sizes used for testing.
- In November 2008, FGIS participated in a USDA/Japan bilateral scientific exchange in New Orleans. FGIS addressed sampling, testing, and reconditioning procedures; USDA's Agricultural Research Service discussed statistical sampling principles and procedures that the US is hopeful that Japan will adopt.

### **EC/FVO Rice Audit**

- In 2007, USDA negotiated a protocol with Europe to address their concerns about LibertyLink Rice.
- In June 2008, European auditors visited the United States to audit the U.S. industry's implementation of the protocol. They met with representatives from GIPSA, the Foreign Agricultural Service, the Animal and Plant Health Inspection Service, and FDA, and visited FGIS' offices in Kansas City, New Orleans, and Arkansas.
- The auditors were satisfied with the implementation of the protocol. They recommended that APHIS continue its regulatory revision, and that other rice producing States follow Arkansas' initiatives to eliminate LibertyLink rice from seed supplies.

## **U.S./China Soybean Study**

China has repeatedly reported finding treated seeds in U.S. soybean shipments. In past instances, FGIS has found the beans were stained with pokeberry juice, not treated with a fungicide seed treatment. To strengthen relationships with and gain the confidence of Chinese authorities, GIPSA has proposed a joint monitoring project wherein China would observe loading of a vessel at a U.S. port, and GIPSA would observe discharge in China. The Chinese are considering our proposal.

## **Long-term Assignments to Asia**

- GIPSA's collateral duty officer was last stationed in Asia from May through September 2008. He visited seven countries and held 14 grading seminars.
- The Foreign Agricultural Service, U.S. Wheat Associates, and U.S. Grains Council have voiced appreciation for GIPSA's presence in the region to quickly address short- and long-term issues and concerns. The continuation of this assignment will be driven by budget.

## **Wheat to Iraq**

- In calendar year 2008, GIPSA contributed to the shipment of 2 mmt of U.S. wheat to Iraq by monitoring the discharge of vessels at destination.
- GIPSA continues to train Iraqi Grain Board inspectors.
- These services remain available, although there currently are no outstanding sales of wheat to Iraq.

## **Importer Discrepancies**

To date in FY 2009, GIPSA has received eight grain quality discrepancies from five countries. The complaints have differed, and none have been substantiated to date.

In response to an inquiry, Mr. Pitchford reported that the United States uses a 10-pound subplot sample, and Japan uses a 1 kilo (just over 2 pounds) sample for aflatoxin testing in corn.

## **TECHNICAL TRAINING PROGRAMS**

John Sharpe, Director, Technical Services Division, FGIS, GIPSA, briefed the Advisory Committee on GIPSA's technical training programs, as well as GIPSA's response to Resolution 1 from the May 2008 meeting, in which the Advisory Committee recommended that GIPSA continue to develop new methods of training GIPSA and official agency personnel, and to develop a proposed funding mechanism from user-fee based programs.

GIPSA's training programs continue to priorities, especially in light of projected GIPSA and official agency attrition; and oversight consolidation.

The National Grain Center, which is projected to open in Fiscal Year 2010, will include 1,905 square feet of training space and allow personnel from all divisions to provide a wide range of training.

### **Official Agency-GIPSA Training**

GIPSA has asked the American Association of Grain Inspection and Weighing Agencies (AAGIWA) for input on training that the official agencies would find most beneficial. Grain Inspection 101 The Grain Elevator and Processing Society (GEAPS)-Kansas State-GIPSA Distance Learning Project's (Project) is developing a distance learning course that provides an overview of the official inspection system. GEAPS will offer the distance learning courses to students for college credit.

GIPSA will use the material for training and outreach to attract potential employees to the official inspection system and train new employees to address attrition.

The 12 lectures comprising the course are expected to be completed in March 2009. Mr. Sharpe noted that this has been a unique collaborative undertaking that will augment our educational outreach effort, and help develop the employees and future leaders of the grain industry and official inspection system.

For additional details, please see the attached presentation, Technical Training Programs.

## **VIDEO RAILCAR STOWAGE EXAMS**

Bob Lijewski, Assistant Director, Policies and Procedures Branch, Field Management Division, FGIS, GIPSA, briefed the Advisory Committee on Video Railcar Stowage Exams.

Stowage exams are mandatory in accordance with CFR 800.75(f)(2), which states: "Approval of the stowage space is required for official sample-lot inspection services on all export lots of grain and all official sample-lot inspection services performed on outbound domestic lots of grain which are sampled and inspected at the time of loading. Also approval of the stowage space is required for any weighing services performed on all outbound land carriers."

During stowage exams, GIPSA looks for:

- foreign material;
- grain of another type;
- out-of-condition grain;
- rust or peeling paint; and
- leaks or damaged covers.

Stowage examinations require physical entry into ship holds and containers, and visual examination of hopper cards. The physical security of inspection personnel remains a priority.

To enhance the safety of inspection personnel, GIPSA is preparing a program notice that will provide guidelines for conducting stowage examinations, including the use of video cameras.

GIPSA has evaluated numerous video camera operations and found that stationary cameras offer the best and safest means of conducting stowage inspections by camera.

### **SORGHUM ODOR LINE EVALUATION**

Patrick McCluskey, Agricultural Marketing Specialist, Market and Program Analysis Staff, FGIS, GIPSA, discussed the evaluation that GIPSA is conducting to gather stakeholder input on GIPSA's sorghum odor line. GIPSA personnel have visited with 62 stakeholders in 5 States, representing 7 industries that use sorghum, to gather their opinions on a variety of prepared sorghum samples. The study found that GIPSA's odor line is neither too restrictive nor permissive. The data does indicate that storage odor was not acceptable to more than half of the users of sorghum questioned; which grain traders previously stated was completely acceptable to their customers. GIPSA also found that ethanol plants were the least discriminating regarding musty odor; animal feed discriminating; human use fairly discriminating; and pet food companies very discriminating.

There was further discussion of the data and the subjective analysis of odor. The discussion culminated in the following resolution being voted on and approved:

*The Advisory Committee recommends that GIPSA embark on a review of how the sour/musty odor is determined for official grades of grain sorghum. Input from all stakeholders in the form of an industry group that has at its members a cross section of users, producers, and handlers.*

## FUTURE TECHNOLOGY FOR GRAIN ODOR ANALYSIS

David Funk, Associate Director, Methods Development, TSD, FGIS, GIPSA, briefed the Advisory Committee on the Future Technology for Grain Odor. He noted that odor detection is a subjective analysis. Musty, sour, and commercially objectionable foreign odors cover a wide range of odors caused by dozens of volatile chemicals in grain headspace.

Any instrumental odor assessment methods must yield consistent results. And, since classifications of musty, sour, and commercially objectionable foreign odor are defined in the U.S. Grain Standards, any approach to an instrumental method should yield these classifications. Since Commercially objectionable foreign odors, which is open-ended, presents a unique challenge, as instrument-based odor assessments are designed to detect a finite set of volatile compounds. Any odor detection methodology must also not significantly increase the cost or time for official inspections.

Prior to the current evaluation on grain odor GIPSA, supported the Agricultural Research Service's (ARS) research to identify volatile chemicals associated with odors. This work, conducted over a period of several years at a cost of hundreds of thousands of dollars, resulted in identification of several dozen volatile chemicals that were correlated to objectionable odors in corn, wheat, sorghum, and soybeans. GIPSA also collaborated with ARS in feasibility testing several "electronic noses" that were determined to be inadequate; an "odor sniffer" that was found to reduce the exposure to dust and spores but slowed the inspection process; and participated worked with ARS and Kansas State University's Sensory Panel to find new descriptors for grain odors.

In addition, GIPSA has determined that developing reference instrumentation for training and maintaining stability would require very expensive instrumentation that would have to be calibrated to human sensory evaluation; and developing chemical odor standards for training and maintaining stability is impractical because of the multitude of different volatile compounds and the different shades of odors.

GIPSA is monitoring new grain odor detection technologies, including gas Chromatography, ion mobility mass spectrometry, and "electronic nose" sensors comprised of conductive polymers, metal oxide semiconductors, or dye-labeled fluorescent DNA-based sensors.

Overall, GIPSA concludes that objective assessments of odors (other than commercially objectionable foreign odor) may be technically feasible IF odors are defined as the presence of certain volatiles rather than human perceptions of odor. Any objective odor measurement will cost more and take longer (perhaps much longer) than human sensory assessments, and developing semi-rapid field-compatible instruments would be very costly. Unless the market is large, official inspection would have to bear the cost of development alone. Any instrument-based method that is developed would have to be calibrated to match reference human sensory assessments. And, he added, an instrumental method would not eliminate arguments over whether an identifiable odor is "good" or "bad."

## OVERVIEW OF GIPSA RESEARCH ACTIVITIES

John Sharpe, Director, Technical Services Division, FGIS, GIPSA, briefed the Committee on GIPSA's research strategies and activities. GIPSA research is mission- and application-driven, focused on developing methods that facilitating the marketing of grain (official and commercial inspection).

GIPSA partners with USDA/Agricultural Research Service (ARS) and maintains a MOU with ARS to provide basic research, and collaborative with universities and private companies on select research initiatives. GIPSA plans to recruit, develop, and maintain technical expertise in crucial research areas including chemistry, physics, biotechnology, mathematics and statistics, biochemistry, engineering, rheology, and economics.

### **Official or Commercial? Categories of Quality Factors**

There are different factors that determine the category and whether official or commercial. The grade-determining factor would have a profoundly impact almost all users, the mandatory factor is broadly applicable to most users, the permissive factor is specialized for certain markets, and the segregation factor is used only for niche markets (non-commodity). The categorization determined from an Advanced Notice of Public Rulemaking.

### **Research: Instrumental Methods**

There are different instrumental methods used in research, which are the Near-Infrared Spectroscopy, the Dielectric Moisture Measurement, and Physical Properties Measurements and Sampling Methods.

For the Near-Infrared Spectroscopy it will monitor official NIRT calibration accuracy and improve when necessary, which is being used for the 2009 soybean protein and oil update; evaluate feasibility of other NIRT applications including linolenic acid in soybeans and wheat functionality; and evaluate/support/standardize commercial NIR measurements thru the National Type Evaluation Program (NTEP).

The moisture measurements will evaluate and enhance accuracy of official calibrations (60+); evaluate/support/standardize commercial moisture measurements thru NTEP, currently there are five moisture meters in annual review; develop Unified Grain Moisture Algorithm and support commercialization; improve moisture measurement accuracy and consistency; permit multiple manufacturers to use common calibrations; and reduce costs of calibration support.

GIPSA is in the process of updating the standards for rice and beans.

For the physical properties and sampling, GIPSA completed the study to assess the effects of different bases of determination and will revise the bases of determination to facilitate automation and multifunctional instruments. GIPSA will also review and enhance the processes for evaluating mechanical sampling systems using the developed theoretical basis for evaluating DT sampler design and implement recommendations from the review. The review is done before the foreign material is removed as well as after.

## **Research: Analytical and Chemical Methods**

For research using analytical and chemical methods there are three methods discussed which are biotechnology costs of calibration support, trace analyses for pesticides, and wheat functionality.

GIPSA will respond as needed to inadvertent release of biotech events; serving as an objective third party to validate PCR methods and perform other crucial testing. GIPSA will also work to develop effective methods for extracting DNA from various plant sources; conduct biotech proficiency programs; and perform and publish scientific work related to harmonization of methods.

In the international area, GIPSA will promote international harmonization of biotech testing methods, participate in international scientific discussions, and participate in international ring studies of biotech methods.

For trace analyses, GIPSA will develop chemical reference methods to detect and quantify pesticide residues which will include methods for assessing pesticides in rice and modify corn and soybean methods for effective corn and soybean surveys. For mycotoxins, GIPSA developed ochratoxin A reference method and developed high-sensitivity aflatoxins method based on UPLC with fluorescence detection; which will be applied to the new method to aflatoxins in DDGS.

GIPSA has an agreement with the Agricultural Marketing Service which is a three step process. We are seeing new pesticides which are more volatile.

For wheat functionality, GIPSA will improve Farinograph standardization, the Rapidly assess gluten strength, and identify wheat varieties by HPLC.

### **Farinograph Ring Study—2008**

The study was a controlled design in four labs and using five instruments; five flour samples were used ranging from weak to strong; and Farinograph E with specified water addition. C.W. Brabender confirmed the instrument calibration. GIPSA's conclusion from the study showed mathematical (number) algorithms have the potential for improving consistency and objectivity; with GIPSA conducting additional data analysis.

### **Gluten Strength Project Approach**

For the gluten strength project, GIPSA took the approach of separating wet gluten from the flour sample allowing the gluten to strengthen into a defined shape, applying a "strain" to a different shape, monitor its recovery towards original shape, then quantify one or more indices of recovery to correlate to protein quality.

## **The Implementation**

Pictures of the wet gluten preparation with GM2200, the sample shaping device, and two of the Perten Viscoelastic Tester can be seen by viewing the attached presentation.

## **Separation of Strong and Weak Glutens**

A picture of the graph is attached which shows the thickness (mm) and time (sec), which is a new prototype method.

## **Variety Identification**

GIPSA's goal is to maintain confidence in official wheat classification through objective varietal identification, reversed-phase HPLC which was developed by USDA-ARS; GMPRC (\* Lookhart, G. L.; Bean, S. R.; Bietz, J. A. Cereal Foods World, 2003, 48, 9).

### **USE OF CONTRACTORS FOR EXPORT SERVICES: PILOT PROJECT SUMMARY AND NEXT STEPS**

John Giler, Director, Field Management Division, FGIS, GIPSA, briefed the Committee on GIPSA's pilot program to explore the use of contractors at export in response to discussions during the reauthorization of the United States Grain Standards Act in 2005. He summarized the export activity the contractors provided, and discussed the Agency's direct and indirect service cost analyses, and a summary of the findings. Overall, the pilot found:

- Qualified and experienced inspectors are not readily available for hire by contractors. Operational efficiency improvement opportunities are limited because GIPSA's specific procedural directives establish prescriptive procedures for sampling, weighing, and inspecting grain. Providing Federal onsite oversight adds additional staff to the inspection and weighing crew and, in turn, additional cost to the inspection and weighing process.
- The fees for direct service costs reflect pay, equipment, and profit margins for the contractors. Contractor fees were at or lower than GIPSA's only when the contractor "borrowed" GIPSA equipment for service provision; fees were higher for the contractor who invested into their own equipment.
- Contractors were not able to capture new inspection and weighing business from the exporters. Exporters contracted only for the same work activity as they had with GIPSA or State service providers.
- Although the contractor is providing service on GIPSA's behalf, the contractor is actually working for the exporter. The perception may erode confidence in the integrity and impartiality of the service.
- GIPSA's national program provides a strong and reliable service to the exporters. Uninterrupted service provision is assured by effectively deploying inspectors, weighers, and samplers across the program to address workload fluctuations.
- Projected attrition of GIPSA's mission critical agricultural commodity graders gave impetus to the contracting concept. In reality, the attrition process has proven to be slow and unpredictable. GIPSA employees are not retiring rapidly, and conversion to contractors would take years to achieve.

At the end of the 2008 shipping season in the Great Lakes area, GIPSA will prepare a final report and decide the best use of contractors in the official inspection system.

Following Mr. Giler's presentation, the Committee offered the following resolution:

*The Advisory Committee recommends that GIPSA continue the private party inspection program with the goal of implementing the program across the country.*

## **QUALITY MANAGEMENT PROGRAM FOR THE OFFICIAL SYSTEM**

Tom O'Connor, Director, Compliance Division, FGIS, GIPSA, briefed the committee on the Quality Management Program for the official system. GIPSA is collaborating with official service providers to incorporate principles of modern quality management programs into the official system.

GIPSA manages a system of official service providers (OSPs) that includes field offices – interior and export port locations; delegated states – export port locations (authorized); and official agencies (OA) – designated agencies and states (private agencies). Delegated states (DL) provide official services at export port locations in five states. Their delegation status is permanent unless terminated, revoked, or otherwise cancelled.

OAs are located in the domestic market and provide official services at non-export port locations. Ten (10) designated states and 43 private agencies serving specified geographic areas serve 3-year terms in the official system.

Under the U.S. Grain Standards Act (USGSA), delegated states and official agencies must meet specific criteria which include: supervision, training, non-discriminatory and reasonable fees; personnel rotation; complete and accurate records; no conflict of interest; and adherence to GIPSA regulations, instructions, and other criteria.

To ensure that OSPs continue to meet statutory and regulatory requirements, GIPSA conducts comprehensive on-site reviews of approximately one-third of OAs at least once during a 3-year designation period. The reviews can result in a decision to grant full 3-year designation renewal; issue a letter of jeopardy; 1-year renewal; follow-up review; or terminate the designation. Field offices and DL-only normally reviewed every 3-5 years.

The Quality Management Program (QMP) began in September 2007 with a task force made up of staff from GIPSA and AAGIWA. GIPSA updated the internal directive regarding the QMP to include: specifying the minimum local QM plan criteria, adding the requirement that OSPs submit local QM plan/manual to GIPSA for review ("GIPSA desk audit"), stating that annual internal audits with GIPSA follow-up audits will be conducted, and audits will replace comprehensive review.

In August 2008, a draft to use as a template (directive) on how to implement the Quality Management Program was completed. At this time, the draft directive is going through the clearance process.

A pilot project is underway in one GIPSA field office, one delegated/designated state, one designated state, and four private designated agencies participating. The draft manuals are to be sent to the Compliance Division for a “desk audit”, evaluation, and implementation time table.

The final draft should be published at the end of January/beginning of February 2009 timeframe with an anticipated implementation at the end of calendar year 2009.

### **Conclusion**

Mr. O’Connor concluded that GIPSA and AAGIWA are working to implement a Quality Management Program to promote positive change and enhanced performance within the official inspection system through adoption of modern quality management principles and audit procedures. He recognized and thanked AAGIWA for its work and continued commitment to excellence in the official inspection system.

For additional details, please see the attached presentation, Quality Management Program for the Official System.

### **FINANCIAL UPDATE**

Pat Donohue-Galvin, Director, Budget and Planning Staff, GIPSA, addressed the Agency’s FY 2008 Year-End Financial Report and FY 2009 financial outlook. GIPSA’s grain inspection program received an FY 2008 appropriation of \$17.6 million for the following activities:

- \$6.5M for USGSA Compliance
- \$6.7 for Methods Development
- \$4.4M for Standardization

GIPSA’s appropriated funds are available only for the fiscal year they are appropriated. The agency must turn back to Treasury any unspent year-end appropriated balances.

For FY 2009, Ms. Donohue-Galvin reported that revenues are estimated to decrease by 10 percent due to lower levels of U.S. exports. Overtime costs should also decrease, but a federal pay cost increase of 3.9 percent pay effective January 2009 will add to program costs. The government is operating under a continuing resolution, so no FY 2009 appropriations have been issued. GIPSA expects that FY 2009 appropriations will remain at FY 2008 levels, which means the Agency must absorb the 3.9 percent pay cost increase for appropriated activities.

### **ELECTION OF VICE-CHAIRPERSON**

Nicholas Friant was nominated and unanimously elected vice chair, and will resume the role of Chairperson at the spring 2009 Grain Inspection Advisory Committee Meeting.

## **RESOLUTIONS**

1. The Advisory Committee recommends that GIPSA continue the private party inspection program with the goal of implementing the program across the country.
2. The Advisory Committee recommends that GIPSA embark on a review of how the sour/musty odor is determined for official grades of grain sorghum. Input from all stakeholders in the form of an industry group that has at its members a cross section of users, producers, and handlers.
3. The Advisory Committee recommends that GIPSA's fees for the hourly export services reflect the actual cost of the hourly export services provided. Furthermore, the actual hourly cost should be a line item in the financial report given to the Advisory Committee.
4. GIPSA has forecast for a significant reduction in export inspections for FY 2009. The Advisory Committee recommends that GIPSA aggressively pursue cost containment for this current fiscal year and at the next Advisory Committee meeting report what steps were taken to contain costs.
5. The Advisory Committee commends GIPSA for their initial work and recommends continuation of efforts to develop GEAPS, Grain Inspection 101 and any subsequent course materials as needed for training of employees, contractors, and others interested in grain inspection procedures.
6. In FY 2008, USDA, NRCS, funded the Conservation Initiative Grant (CIG) on behalf of the Kansas Black Farmers Association (Nicodemus, Kansas) to field test TEFF as an alternative crop to address moisture utilization/drought tolerance and Celiac Sprue. The Advisory Committee is asking GIPSA to share the results with its Ethiopian contacts.

## **CERTIFICATES TO OUTGOING MEMBERS**

GIPSA presented certificates to and thanked the following outgoing members for their 3 years of service to the Committee: Kenneth Dalenberg, Curtis Engel, and Mark Fulmer. Outgoing members not present were William Crockett and John Hewitt; and alternate members Joseph Allen, Lyle Riddle, Brent Turner, and Robert Smigelski.

## **NEXT MEETING**

The next meeting of the Grain Inspection Advisory Committee is tentatively scheduled for late May or early June 2009 in St. Louis, Missouri.