

Summary of Meeting
Grain Inspection, Packers and Stockyards Administration

Grain Inspection Advisory Committee

DoubleTree Hotel at the Lloyd Center in Portland, Oregon

May 16-17, 2000

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Mr. James Baker, Administrator, Grain Inspection, Packers and Stockyards Administration (GIPSA) opened the meeting at 8:00 a.m. by inviting Mr. Phil Ward, Director of the Oregon Department of Agriculture, to welcome the Committee. After Mr. Ward's welcoming remarks,

Mr. Baker thanked Mr. Israel Lopez, Committee Chairperson, and the members of the Committee for their time and advice. In Mr. Baker's opinion, the real role of the Committee is to provide advice to GIPSA on what future challenges the Agency can expect and how it can best prepare itself to handle those challenges. The importance of foresight cannot be over emphasized. In closing, Mr. Baker stressed the challenge of change; how GIPSA adapts to change is how the Agency will be measured in the future.

MEETING ATTENDEES

Committee Members

Gillan Alexander, producer in Bogue, Kansas

Randel Cartmill, Columbia Grain, Inc.

Stacy Charlton, Novartis (sitting in for Mike Cassidy)

Bonnie Fernandez, California Wheat Commission

Robert Gore, WA State Department of Agriculture

Arvid Hawk, Cargill, Inc.

Lowell Hill, University of Illinois

Bennie Lackey, Jr., Riceland Foods, Inc.

Paul Lautenschlager, Hi-Line Grain Co. LLC

Israel Lopez, Chairperson ADM, Port of Corpus Christi

Tom Miller, Farmers Cooperative Company

Ronald Mitzel, Dakota Mill and Grain

Robert Williams, producer in Conway, Arkansas

GIPSA

Jim Baker, Administrator
Tess Butler, Office of the Deputy Administrator
Dave Orr, Field Management Division
Kathryn Pankiewicz American Federation of Government Employees
Mark Schoonover Portland Field Office
Dave Shipman, Office of the Deputy Administrator
Steve Tanner, Office of the Director, Technical Services Division
Walt Rust, Portland Field Office

Other Attendees (includes only those who signed the sign-in sheet)

Tim Adams, Memphis Grain Inspection
Sharon Campbell, Montana Department of Agriculture
Jim Cramer, Oregon Department of Agriculture
Anne Fancher CNH Global
Mark Goldstein, Textron
Paul Reep, Milestone Technology
Chas. Von Rosenberg, Textron
David Shelton, Wheat Marketing Center
Jim Simpson, Idaho Grain Inspection Service

ACCEPTANCE OF MEETING MINUTES FROM OCTOBER 21-22, 1999

The Committee approved the meeting minutes from October 21-22, 1999, as written.

REVIEW AND ACCEPTANCE OF AGENDA

The Committee asked Mr. John Oades, U.S. Wheat Associates, Inc., to provide his perspective of the feed wheat issue on May 17, 2000. With this addition, the Committee approved the agenda (agenda attached).

BRIEF OVERVIEW OF GIPSA

Mr. Dave Shipman, Deputy Administrator of GIPSA's Federal Grain Inspection Service (FGIS), provided a brief overview of GIPSA with a focus on the mission and core business practices of FGIS (presentation overheads attached). The Department of Agriculture's GIPSA facilitates the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products and promotes fair and competitive trading practices for the overall benefit of consumers and American agriculture. GIPSA is part of the Department's Marketing and Regulatory Programs, which are working to ensure a productive and competitive global marketplace for U.S. agricultural products.

GIPSA is composed of two main program areas, the Packers and Stockyards Program (P&S) and FGIS. P&S ensures open and competitive markets for livestock, meat, and poultry. P&S is a regulatory program whose roots are in providing financial protections, and ensuring fair and competitive markets. GIPSA's FGIS provides the U.S. grain market

with Federal quality standards and a uniform system for applying them. FGIS has both service and regulatory roles, and was founded to provide impartial, accurate quality and quantity measurements to create an environment that promotes fairness and efficiency.

FGIS' core business practices are to:

- Establish and maintain official U.S. grading standards for grains, oilseeds, rice, lentils, dry peas, and a variety of edible beans. GIPSA continuously reviews these standards and updates them, as appropriate, to meet the needs of a quality-conscious international market.
- Develop standard testing methods to accurately and consistently measure grain quality. Official inspections of grains, oilseeds, and other agricultural and processed commodities are accurate and consistent because they are based on established standards and proven procedure, techniques, and equipment. The accuracy of officially-approved equipment is verified and reverified by GIPSA/FGIS scientists using finely calibrated master instruments and official reference methods. An extensive quality assurance program reviews and monitors the work of GIPSA inspectors. Tests and procedures are continually being developed to offer the latest information needed by buyers, sellers, and end-users of grain.
- Provide for a national inspection and weighing system. Under GIPSA oversight, the official grain, rice, and commodity inspection and weighing system - - a unique public-private partnership including Federal, State, and private agencies - - provides official inspection and weighing services to the domestic and export trade.

Most grain exported from U.S. export port locations must be officially weighed. A similar requirement exists for inspection, except for grain which is not sold or described by grade. Intercompany-barge grain received at export port locations also must be officially weighed. And, the Act requires that all corn exported from the United States be tested for aflatoxin prior to shipment, unless the contract stipulates that testing is not required. Mandatory inspection and weighing services are provided by GIPSA on a fee basis at 37 export elevators. Under a cooperative agreement with GIPSA, the Canadian Grain Commission provides official services, with GIPSA oversight, at 6 locations in Canada exporting U.S. grain. Eight delegated States provide official services at an additional 19 export elevators under GIPSA oversight.

Official inspection and weighing of U.S. grain in domestic commerce are performed upon request and require payment of a fee by the applicant for services. Domestic inspection and weighing services are provided by 59 designated agencies that employ personnel licensed by GIPSA to provide such services in accordance with regulations and instructions.

Authority for FGIS' activities comes from the United States Grain Standards Act (for grains and oilseeds) and the Agricultural Marketing Act of 1946 (for rice, lentils, dry peas, a variety of edible beans, and processed products). In fiscal year 1999, approximately 77 percent of the funding for FGIS' activities is attributable to user fees and the remaining 23 percent is appropriated.

GIPSA FINANCIAL, BUDGETARY, AND POLICY UPDATES

Mr. Dave Shipman, Deputy Administrator GIPSA/FGIS, provided an overview of GIPSA/FGIS' fiscal year 2001 budget request, financial status, an update of the program's reauthorization status, and an update on the Department's wheat cleaning initiative (presentation overheads attached).

GIPSA/FGIS' fiscal year 2001 budget request includes a \$2,696,000 increase in appropriated funding over fiscal year 2000. This includes increases of \$184,000 for standardization activities; \$368,000 for compliance activities; and \$2,144,000 for methods development. Of the \$2,144,000 requested for methods development, \$1,980,000 is slotted for biotechnology-related activities. As of the date of Mr. Shipman's presentation, both the House and Senate Subcommittees handling GIPSA's appropriations failed to include any of the \$1,980,000 funding increase for methods development. GIPSA/FGIS is now faced with trying to establish a biotechnology testing reference laboratory at its Kansas City Technical Center and handling all other biotechnology-related activities with no prospects of additional funding.

As of March 31, 2000, GIPSA/FGIS' trust fund accounts, in total, show a profit of \$570,964 with an unobligated balance of \$6,894,172. The largest of the trust fund accounts, Inspection and Weighing, is showing a loss of \$209,698 through the end of March. The account balance stands at \$129,389.

With regard to reauthorization, GIPSA/FGIS' current authorization expires on September 30, 2000. On February 1, 2000, the Senate Committee on Agriculture, Nutrition and Forestry held a hearing to review GIPSA's structure and authority. Three days later, on February 4, 2000, Secretary Glickman sent a draft bill "to amend the United States Grain Standards Act . . ." to Congress for consideration. On March 22, 2000, the House Subcommittee on General Farm Commodities, Resource Conservation, and Credit held a hearing to review the United States Grain Standards Act.

Finally, the comment period for the Departmental notice soliciting public comment on USDA financing the installation/upgrading of grain cleaning systems at U.S. wheat export elevators closed on February 4, 2000. The concepts raised in public comments included such questions as to whether the Commodity Credit Corporation (CCC) should finance the installation of grain cleaners; whether the CCC should specify cleaner wheat in marking purchases for humanitarian donations; whether the CCC should offer, under the Export Enhancement Program, bonuses for those who deliver cleaner U.S. wheat; and whether GIPSA should revise the quality standards to include dockage limits.

BIOTECHNOLOGY UPDATE AND DISCUSSION

Mr. Dave Shipman, Deputy Administrator GIPSA/FGIS, and Mr. Steven Tanner, Director GIPSA's Technical Services Division, provided an update on biotechnology and GIPSA's biotechnology-related activities (presentation overheads attached).

Mr. David Shipman

Mr. Shipman indicated that the Committee members may wish to obtain the recent Economic Research Service's publication on biotech corn and soybeans which provides a good overview of market developments and some of the benefits attributed to biotechnology. Mr. Shipman also referred to the National Research Council's report, "Genetically Modified Pest-Protected Plants: Science and Regulation." Both reports can be found on the respective agencies websites (www.ers.usda.gov/ and <http://bob.nap.edu/books/0309069300/html>).

After a brief overview of how biotechnology is affecting industry structure, Mr. Shipman indicated that the grain market needs the ability to distinguish biotech from conventional crops. To do this, the market needs accurate, reliable, cost-effective, timely, and market compatible testing techniques and efficient and reliable identity preservation systems.

Mr. Steven Tanner

GIPSA's response to grain market needs is to establish a reference laboratory to ensure the reliability of detection methods for biotechnology-derived grain. Through its reference laboratory, GIPSA will help standardize the identification of biotech-derived grains by accrediting labs and evaluating tests used to detect the presence of genetically-modified grains. Testing labs, as well as manufacturers of commercially-available test kits are invited to participate in the program. Labs must request participation in writing and pay a fee. For more information about this program, contact Mr. Steven Tanner (e-mail: steven.n.tanner@usda.gov; tel: 816-891-0401).

Pending receipt of certified seed from the life science companies (from which GIPSA can produce standard reference samples), GIPSA plans to begin its laboratory accreditation and test kit evaluation programs this summer.

Mr. Tanner indicated that GIPSA's biotechnology activities will not be supported by fees alone. If GIPSA does not receive appropriated funds for biotechnology, the Agency may have to drop its biotech program.

GIPSA RESEARCH INITIATIVES

Mr. Steven Tanner, Director GIPSA's Technical Services Division, provided an update on GIPSA's research initiatives (presentation overheads attached). Mr. Tanner touched upon the following:

- Artificial neural network: GIPSA is conducting research on artificial neural networks. Through the use of artificial neural networks, global calibrations, such as a global wheat protein calibration, are possible. At the time of the Advisory Committee meeting, GIPSA/FGIS scientists and representatives from Denmark, Sweden, Canada, and Australia were meeting to review the technical capabilities of a global wheat protein calibration.
- Extractable starch in corn: At the May 11-12, 1999, meeting, the Committee passed the following resolution:

The Grain Inspection Advisory Committee recommends that GIPSA continue to develop testing methodologies to measure end-use attributes of grain, specifically protein quality for wheat and extractable starch for corn.

Per the Committee's resolution, GIPSA/FGIS continues to support Dr. Marvin Paulsen, University of Illinois, in identifying/developing a suitable reference method for extractable starch.

- Wheat protein quality: GIPSA continues to research wheat protein quality measurement methods using the Farinograph as the reference method.
- Moisture: GIPSA/FGIS provides moisture meter checktesting and calibration services for the official system. Following is the schedule of new moisture calibrations:

May 7, 2000 -- Soft White wheat, and oats

June 15, 2000 -- Lentils, peas, flaxseed, safflower, and short grain rough rice

August 1, 2000 -- Corn, oil, and confectionary sunflower seed

- Computer imaging: GIPSA/FGIS is working jointly with the USDA's Agricultural Research Service (ARS) on the correlating the results obtained by computer imaging technology those obtained by subjective means (i.e., inspectors picking broken in rice, damage, etc.).
- Inspection automation: The Agency's Technical Services Division and Field Management Division are working on a cooperative project to automate the inspection process for moisture, dockage and foreign material, test weight, and protein. The automation prototype will be pilot tested late this summer or early fall.
- Pulsed nuclear magnetic resonance (NMR): GIPSA/FGIS has approved 3 pulsed NMR models. The Agency is also attempting to develop a pulsed NMR calibration process that eliminates the pre-drying of seeds, which would be a big time saver.
- Vitreous kernels in wheat: To date, imaging technology has not produced good results in the detection of vitreous kernels in wheat.
- Mycotoxins: GIPSA/FGIS is currently evaluating test kits for fumonisin.

- New subjective testing grading aids: GIPSA/FGIS is implementing a new alternative grading aid system which, through the use of digital color prints, will bring greater standardization to the grading process.
- Technical training: GIPSA/FGIS provides technical training, for a fee, to the domestic and international grain industry.
- Biotechnology: refer to summary of Messrs. Shipman's and Tanner's presentation.

PROCESSED COMMODITY PROGRAM

Mr. David Orr, Director GIPSA's Field Management Division, provided an update on developments in the processed commodity program (presentation overheads attached). As indicated by Mr. Orr, GIPSA has traditionally provided a number of processed commodity services. Over the years, the largest requestor of these services has been the USDA's Farm Service Agency. Because of policy/program changes, FSA will no longer be requesting two of these services, end-item inspection and vessel loading observation. These changes will affect GIPSA's processed commodity program in several ways. Due to a significant reduction in revenue in this program, GIPSA is reducing program operating expenses through a variety of actions, such as laying off contract samplers and intermittent employees, reducing overtime and overhead expenses, and travel. Currently, 27 GIPSA employees are on detail to the USDA's Animal and Plant Health Inspection Service. GIPSA is also assisting other affected employees in finding jobs with other Government agencies. In summary, Mr. Orr indicated that this is a permanent situation that must be dealt with.

UPDATE ON CENTRAL LABORATORY STUDY

Mr. David Orr, Director GIPSA's Field Management Division, provided a status report on the central laboratory study (presentation overheads attached). Mr. Orr began his presentation by reviewing the resolution passed by the Committee at the May 11-12, 1999, meeting:

In order to enhance the accuracy, consistency, and repeatability of official inspection results, the Grain Inspection Advisory Committee recommends that GIPSA undertake a study to explore the feasibility of monitoring quality determinations from a centralized location.

Rather than perform the study itself, GIPSA has identified a potential outside source, Dr. John Surak of Clemson University, to objectively perform the study. Negotiations are currently underway regarding study cost and completion date. Mr. Orr's presentation overheads provide an excellent summary of the study objectives, methodology, and parameters. In closing, Mr. Orr stated that GIPSA's major premise in conducting this study is that no change will be made that could potentially diminish the integrity of the official system.

The topic of Mr. Orr's presentation generated considerable discussion. Mr. Bob Gore indicated that the American Association of Grain Inspection and Weighing Agencies (AAGIWA) has supported the central lab concept, because official agencies want a direct link to the Technical Services Division for subjective factors. AAGIWA believes that a direct linkage would improve the accuracy and consistency of inspection results and, perhaps most importantly, reduce the variability in results between origin and destination (i.e., reduce intermarket differences). Dr. Lowell Hill indicated that this concept needs to be clearly articulated to Dr. Surak or whoever conducts the study. With regard to subjective grading factors, Mr. Arvid Hawk indicated that the official system's greatest asset is the experience of the inspectors at the Board of Appeals and Review.

REAL TIME MEASUREMENT OF GRAIN PROPERTIES

Just prior to lunch, the Committee granted Dr. Chas. von Rosenberg two minutes to provide a brief summary of what his company is doing in the area of real time measurement of grain properties. The Systems Division of Textron Corporation has developed a field-ready instrument for use on combines. The instrument is capable of continuously measuring protein, oil, and moisture content of corn, wheat, and soybeans during combine harvesting. The technology is also adaptable to grain elevators.

LUNCHEON PRESENTATIONS

During the luncheon break, Mr. Walter Rust, Portland Field Office Manager, provided a brief overview of his office's structure and operations. Mr. David Shelton, Executive Director of the Wheat Marketing Center, provided an overview of the center's activities.

TOUR OF COLUMBIA GRAIN, INC.

Thanks to the hospitality of Mr. Bert Farrish, President of Columbia Grain, Inc., attendees toured the Columbia Grain elevator in Portland, Oregon, and got a first-hand look at state-of-the-art wheat cleaning devices.

UPDATE ON INFORMATION TECHNOLOGY/E-COMMERCE

Mr. David Orr's presentation overheads provide an excellent summary of GIPSA's activities regarding information technology and e-commerce.

WESTERN WHITE WHEAT

Mr. Walter Rust, Portland Field Office Manager, provided an overview of what GIPSA is doing with regard to the White Club wheat classification problem in the Pacific Northwest. White Club wheat is used in mixtures with Soft White wheat to meet Western White wheat contract requirements. Per the U.S. Standards for wheat, Western White wheat is Soft White wheat that contains greater than 10 percent of White Club wheat and greater than 10 percent of other Soft White wheats. Some contracts call for 15 to 20

percent White Club, and, depending upon market conditions, White Club may carry a substantial premium (e.g., \$0.20 to more than \$1.00 per bushel).

While marketing conditions necessitate a very accurate determination of the percentage of White Club, developments in plant breeding have made such determinations more difficult. The visual determination for Western White wheat has become more difficult, because new varieties of White Club wheat produce kernels with marginal characteristics which are visually difficult to separate from the Soft White wheat kernels.

What is GIPSA doing to help alleviate this problem? GIPSA is working with our customers to develop a Program Directive for an identity preserved program that will establish guidelines and procedures for obtaining a mathematical blend of Western White wheat by physically controlling the blend of White Club wheat and Soft White wheat from designated source bins. The establishment of this Program Directive will help facilitate the efficient blending and loading of Western White wheat.

FEED WHEAT

Mr. David Orr, Director of GIPSA's Field Management Division, and Mr. John Oades, Director of the West Coast Office of U.S. Wheat Associates, spoke about feed wheat.

Mr. David Orr

Mr. Orr briefly reviewed a recent study conducted on behalf of the Washington Wheat Commission on feed wheat. Mr. Orr's presentation overheads and a discussion paper are attached. For a copy of the actual study report, please contact:

Mr. Thomas Mick
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Washington Wheat Commission
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Spokane, WA 99201
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e-mail: tmick@wwcspokane.com

Mr. John Oades

The Committee asked Mr. John Oades to provide his perspective on international developments regarding feed wheat. In the international arena, Korea, Japan, the Philippines, and Israel purchase feed wheat with some regularity from the U.S. From a purchaser's point-of-view, consistency and uniformity of quality are the major concerns.

Mr. Oades asked, "where do we want to go from here?" In other words, what can the U.S. do to meet the needs of international customers without degrading the overall quality of U.S. wheat? He suggested that one approach would be to take distinctly inferior quality wheat out of the export market for milling wheat. Another approach would be to develop

actual feed wheat varieties. Neither approach would be easy. Mr. Oades concluded by stating this is a long-term issue. The industry needs to come to agreement on how it wants to deal with emerging and evolving wheat qualities.

RESOLUTIONS OF THE GRAIN INSPECTION ADVISORY COMMITTEE MAY 16-17, 2000

1. Biotechnology Reference Laboratory: The Grain Inspection Advisory Committee encourages GIPSA/FGIS to continue in the direction of setting up a laboratory to verify the accuracy of test kits and to accredit private laboratories in the area of testing of biotechnology-enhanced crops.
2. Central Laboratory: The Grain Inspection Advisory Committee wants to express the desire that the outcome of the study on the central laboratory concept results in a more efficient and less costly inspection system.
3. Reauthorization: The Grain Inspection Advisory Committee supports the reauthorization request by GIPSA that is currently before Congress.
4. Funding for End-Use Value Testing and the Biotechnology Reference Laboratory: The Grain Inspection Advisory Committee believes that biotechnology-enhanced crops will require additional methods to test the end-use value of these crops and that GIPSA/FGIS should be given the money requested for their work as well as the money for the biotech testing laboratory.

ELECTION OF A VICE CHAIR PERSON

The Committee elected Mr. Tom Miller, Farmers Cooperative Company, as the new Vice Chairperson. Mr. Miller will assume the role of Chairperson one year hence.

NEXT MEETING

The Administrator proposed and the Committee agreed that the next meeting will be in mid to late November in Washington, D.C.

CONTACTS

If you have any questions regarding the Committee and/or if you would like a hard copy of the minutes with attachments, please contact:

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