

**SUMMARY OF MEETING
GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION
GRAIN INSPECTION ADVISORY COMMITTEE**

*Embassy Suites
Kansas City, Missouri
June 3-4, 2003*

WELCOME

Mr. Bob Smigelski, Chairperson, welcomed everyone to the meeting. After discussion, the October 2002 meeting minutes and agenda were approved by the Committee.

ACCEPTANCE OF MEETING MINUTES FROM OCTOBER 23-24, 2002

The Committee approved the minutes from October 23-24, 2002, meeting as written.

REVIEW AND ACCEPTANCE OF AGENDA FOR JUNE 3-4, 2002, MEETING

The Committee approved the agenda (attached).

Mr. Smigelski introduced Donna Reifschneider, Administrator, Grain Inspection, Packers and Stockyards Administration.

OPENING REMARKS

Ms. Donna Reifschneider, Administrator, Grain Inspection, Packers and Stockyards Administration (GIPSA), opened the meeting, thanking the Committee members for their participation. She stated that the Committee's input was very helpful in GIPSA's efforts to guide its programs. She closed by noting the agenda items focused on "looking to the future" and initiating the information exchanges needed to improve GIPSA programs.

MEETING ATTENDEES

Committee Members

Tim Adams, Memphis Grain Inspection Service
David Ayers, Champaign Danville Grain Inspection
Thomas Bressner, Assumption Cooperative Grain Company
Angela Dee, Dee Farm Partnership/Dee River Ranch, Inc.

John Oades, U.S. Wheat Associates
Cassie Eigenmann Pierson, Dickey-john Corporation
Jon Setterdahl, Farmers Cooperative Company
Mary Schuler, Schuler Lands, Inc.
Robert Smigelski, The Andersons, Inc.

Committee Alternates

Lynn Clarkson, Clarkson Grain Co., Inc.
Paul Coppin, Reynolds United Co-op
W. Arvid Lyons, Lewis Clark Terminal, Inc.
Joe Kapraun, Stanford Grain

GIPSA

Donna Reifschneider, Administrator
David Shipman, Deputy Administrator
Dave Orr, Field Management Division
John Pitchford, Office of International Affairs
Greg Hawkins, Public and Congressional Relations Staff
Terri Henry, Public and Congressional Relations Staff
Steven Tanner, Technical Services Division (TSD)
Sharon Lathrop, Analytical and Reference Testing Services Branch, TSD
Richard Pierce, Inspection Systems Engineering Branch, TSD
Timothy Norden, Analytical and Reference Testing Services Branch, TSD
Eurvin Williams, Board of Appeals and Review, TSD
Donald Kendall, Biotechnology Branch, TSD
David Funk, Office of the Director, TSD
Michael Eustrom, Board of Appeals and Review, TSD
Roger Friedrich, Board of Appeals and Review, TSD

Other Attendees

Steve Adams, Adams Net, LLC
Tom Sliffe, FOSS
Tom Meyer, Kansas Grain Inspection
Larry Kitchen, Missouri Grain Inspection
Allen Butler, Retired
Patricia Jackson, Vicam

GIPSA OVERVIEW AND FINANCIAL UPDATE

Mr. David Shipman, Deputy Administrator, GIPSA, presented a general overview of FGIS activities and plans for the future, and a financial status update.

Mr. Shipman stated technology, global trade, and consumer demand are the three major factors affecting American agriculture and FGIS in the long term. Technological advances, increased global competition, and consumer demands for diverse, convenient,

and quality food products clearly show that our inspection system must adjust to better serve emerging market needs. The inspection system needs to expand quality measurements, be flexible to accommodate new market practices, and improve service delivery.

Mr. Shipman highlighted GIPSA's accomplishments in line with the objectives and strategies presented in his "A Look to the Future" presentations at the May and October 2002 Advisory Committee meetings in Memphis, Tennessee, and New Orleans, Louisiana, respectively. Those accomplishments include:

- Completing a comprehensive review of our enterprise architecture for information technology, which is the first critical step toward developing a web-based inspection system;
- Increasing electronic delivery of inspection results;
- Enhancing of a variety of inspection aids and training guides;
- Expanding our international outreach efforts;
- Initiating a collaborative with the United Soybean Board on its "Better Bean Initiative"
- Completing work to add several new mycotoxin testing services to the official system;
- Convening a meeting in April 2003 of key wheat researchers to further the effort to bring rapid and reliable end-use wheat functionality test to the market;
- Drafting a regulation to propose a new "Process Verification" program that supports industry quality management systems;
- Converting the financial management system for GIPSA to a new USDA-mandated system;
- Finalizing regulations to permit greater flexibility for official agencies to service members of the grain industry;
- Furthering our review of centralizing monitoring inspection activities; and
- Completing a pilot on implementing Artificial Neural Network technology for wheat protein testing.

GIPSA believes these efforts will ensure that the GIPSA of the future will have the capability to rapidly and accurately measure functional quality of grains and oilseeds, electronically capture and transmit inspection results, quickly adapt to changing market needs, and deliver quality inspection services to American agriculture.

Mr. Shipman noted that financing these changes will be a challenge. Current revenues are insufficient to cover existing costs, much less future investments. A combination of cost containment and revenue enhancement is essential to realize future improvements.

He reported that GIPSA has changed how it distributes overhead costs: personnel costs are distributed based on staff years, market development costs are based on bushels, and financial administration costs are by money.

Current accounting estimates show GIPSA lost almost \$500,000 between October and April of this fiscal year. Mr. Shipman estimated an overall loss of \$1.5 million by the end of the FY 2003. To address the deficit, in the short term, GIPSA has frozen travel, promotions, etc.; long term plans include fee schedule changes and possible program cutbacks. GIPSA needs to address the 520 account, possibly through fee increases, and structure and rate changes. In the 530 account, we plan to try to stimulate growth, with possibly a small fee adjustment.

FEE INCREASE

Mr. David Orr, Director, Field Management Division (FMD), reported that GIPSA currently has two fee increase dockets in process: a 4.1 percent increase to the rice program effective in June 2003, and a 4.1 percent increase in the inspection and weighing program effective July 2003. The latter, which will cover the costs of the mandated 4.1 percent Federal pay increase, should generate approximately \$250,000 in additional revenue.

The current fee structure, as implemented in 1996, was based on some assumptions that have since proven faulty. GIPSA has lost money every year but one since 1996, mainly due to estimates of non-revenue producing time and the mechanism to collect overhead. The proposed inspection and weighing fee amendment will increase contract and non-contract fees, eliminate the little-used 3- and 6-month contracts, eliminate the currently unused 12-month contract for collecting administrative fees, and increases unit fees of tests such as aflatoxin and protein. In addition, it will establish a fee per facility for GIPSA track scale testing, establish regional administrative fees, and increase the supervision fees for vessels inspected by delegated States. The administrative fees will be calculated by dividing local overhead by the export tons for the office then adding the Washington, D.C., overhead divided by the total export tons for the United States.

The fees have been set to collect sufficient revenue through 2007 and to bring the retained earnings to a positive acceptable level assuming 80 metric tons exported annually. This should allow GIPSA to reach its goal of having a 3-month reserve by 2010. The final fee docket should be published in mid-FY 2004.

OUTSOURCING

Mr. Orr reported that reducing operating expenses and complying with the Presidential Management Agenda are the forces driving outsourcing efforts designed to identify the most efficient and economical means to provide service to customers, stakeholders, and citizens. Following the guidelines in the FAIR Act and OMB Circular A-76, GIPSA developed job inventories identifying jobs as either governmental or commercial and established goals for the Agency based on the inventories. In FY 2004, GIPSA must evaluate 50 positions in FY 2004, and an additional 49 positions in FY 2005. Since most of the Agency's workforce is in FGIS, FGIS is expected to do most of the outsourcing.

OMB estimates that outsourcing efforts will save the government up to 30 percent, mainly by making government more efficient. Currently, GIPSA plans to conduct an A-76 study for the AMA graded commodity program. This will impact approximately 60 employees in Stuttgart, Wichita, Moscow, and Grand Forks. A consultant has been preliminarily identified to help with the process, perhaps as early as this summer.

In addition, GIPSA is evaluating whether to request amendments to the USGSA to allow official agencies to provide non-export inspections at export elevators or contract to provide the service. Having official agencies successfully established at export locations will create an additional source of qualified individuals who can compete for non-grading export activities.

FGIS is currently comprised of 700 employees. By 2005, approximately 68 percent of the workforce will reach retirement age. By 2010, nearly 80 percent of employees will be eligible for retirement. We expect to feel the impact of the retirements between 2008 and 2009. As employees at export locations retire, GIPSA could contract those positions if it is more economical. In addition, GIPSA is reviewing whether non-grading activities such as sampling at export locations should be completed under a full A-76 study.

GIPSA must meet its A-76 requirements, either through vacancies or contracting out. The goal is to use the most cost-effective means to complete the job, moving toward a more flexible workforce that can react to seasonal ups and downs.

WEB-BASED INSPECTION SYSTEM

Mr. Roger Friedrich, Digital Media Group Leader, Board of Appeals and Review, Technical Services Division, (TSD) spoke about GIPSA's efforts to develop an Enterprise Architecture for its IT systems. Today, GIPSA has numerous stand-alone, non-integrated databases. The current systems do not share data, require redundancy in data entry, and can make accessing information difficult. The goal of the new architecture is to integrate the functions, allow single data entry, and improve data access. It is envisioned that the new architecture will use portal services such as on-line banking websites. The system will provide the maximum flexibility to the users. The proposed Enterprise Architecture was presented to the Committee. The next step is to hold Joint Application and Development Sessions to prioritize the required applications and look at what current systems could be used as building blocks in the new system. The new system is roughly estimated to cost between \$2.5 and \$3 million to build from scratch.

GIPSA has also been developing web-based inspection tools for inspector calibration (i.e., uniformity of assessment), subjective quality consultation, and standardization. For a web-based system to function, there are three areas to be addressed: monitor calibration, content development/management, and content delivery/management. TSD has evaluated three systems for monitor calibration. One system seems to meet GIPSA's needs. It is simple to use, takes only 13 minutes to calibrate, and can display image

colors on different systems with no appreciable difference. The estimated cost to the government is about \$1,650 per unit.

Since some factors require the inspector to view images in 3-D, TSD has implemented QuickTime VR software that allows a series of factors to be delivered electronically. The software costs about \$300. GIPSA now has all the tools needed to create inspector calibration content.

WHEAT FUNCTIONAL RESEARCH

Mr. Steven Tanner, Director, Technical Services Division, (TSD) updated the Committee on research strategies. The main emphasis is to measure factors that are important to buyers and sellers and to provide user-friendly rapid tests that are accurate, precise, cost-effective, and safe. In addition, increasing emphasis is being placed on equipment that can measure several factors simultaneously. The goal is to maintain and enhance wheat export markets -- the United States cannot compete solely on price, we must emphasize value.

GIPSA coordinates research with partners, holds special emphasis research meetings, has a Memorandum of Understanding (MOU) with the Agriculture Research Service (ARS) regarding wheat quality research, participates in collaborative and contract research efforts with universities, and conducts internal research. Current collaborative efforts include:

- The Better Bean Initiative with the American Oil Chemists' Society and United Soybean Board;
- A Rice Equipment Research Collaboration with the University of Arkansas to look at alternate shellers;
- A contract with Szent Istvan University in Hungary to look at Moisture Measurement Technology; and
- A Wheat Quality Research Collaboration with ARS.

Mr. Donald Kendall, Chief, Biotechnology Branch, Technical Services Division, recapped GIPSA's April 24-25, 2003, Wheat Functionality Research Ideation Meeting. The purpose of the meeting was to identify critical factors that determine the functionality of the wheat, to identify relevant technology, and to explore potential areas for new research. Industry representatives, scientists, researchers, test kit manufacturers, instrument manufacturers, and government organizations from the United States and Canada participated.

Attendees identified the most critical factors for end-use assessment and the likely technologies to address those factors. The goal of the meeting was to inspire research in areas that provide the most benefit to customers. As an outcome of the meeting, GIPSA will coordinate research on critical factors as needed, establish formal collaborations, and establish feedback mechanisms for researchers to keep others informed of progress.

A Wheat Functionality Collaborative has been established with ARS to investigate technologies to predict functionality. Hard Red Spring and Hard Red Winter wheat samples are currently being collected. The collaboration will investigate NIR as a predictor of functionality and baking performance and will consider other technologies such as Mid-IR and Raman spectroscopy. This collaboration is targeted for completion in December 2004.

Mr. Tanner shared GIPSA's overall short-term research strategy:

- Establish a Dough Reference Rheology Lab;
- Evaluate Rapid ELISA Tests for Zearalenone and WheatRite™;
- Establish a rapid test for gluten;
- Provide acrylamide/asparagine and glyphosate testing;
- Evaluate rapid tests for Herculex I and MON863;
- Provide PCR quantitative analysis for biotechnology events;
- Evaluate an aflatoxin screening test;
- Research extractable starch;
- Complete transition to the GAC 2100;
- Complete approval of the GC2312 for rice broken;
- Evaluate barley protein services;
- Implement a procedure to determine oil in undried sunflower seeds by NMR;
- Evaluate alternate sheller/miller equipment;
- Expand the current pesticide screen;
- Establish triazoles testing; and
- Implement Farinograph testing at the Technical Center (24 hour sample turnaround).

In the next 1 to 3 years, GIPSA plans to research test weight as determined by current moisture meters, swelling index, dough mixing stability, water absorption, hardness prediction with NIRS, wet gluten, gluten strength, kernel morphology, falling number prediction, and zeleny sedimentation. Long-term projects include research into applications of new technology for moisture determination, end-use assessment, and varietal identification. Technologies to be investigated include Raman Spectroscopy, Mid-IR Spectroscopy, Polymerase Chain Reaction, Magnetic Resonance Imaging, capillary electrophoresis, chromatography, and ELISA.

ROUNDUP READY WHEAT

Mr. Shipman, at the request of the Committee, gave a brief overview of GIPSA's policy on Roundup Ready Wheat (RRW) and the issues as Monsanto slowly moves toward marketing the wheat. In 1999, GIPSA was asked to offer a statement on wheat sales that there was no transgenic wheat for sale or in commercial production in the United States. Based on the current regulatory status of transgenic wheat (all such wheat is grown under APHIS regulatory control), GIPSA has provided the statement. About 50 percent of countries ask for the statement with each shipment. In December 2002, Monsanto petitioned to deregulate RRW. The Committee asked if GIPSA will still be able to provide the statement if RRW is deregulated. GIPSA is considering continuing to provide the statement if Monsanto agrees to the following conditions:

- Provide a statement each year that Monsanto does not plan to commercialize the wheat (must give 10 days notice if a change in policy on commercialization is made during the year);
- Establish internal quality assurance processes;
- Establish a way to verify those quality assurance processes; and
- Provide reference material and a method for testing.

ARTIFICIAL NEURAL NETWORK

In May 2002, the Advisory Committee resolved that GIPSA should thoroughly evaluate the benefits and consequences of changing the protein calibration process and report the findings to the Advisory Committee. Mr. Dave Orr described the two calibration approaches, GIPSA's pilot test of the proposed ANN method, and the results.

Currently, GIPSA develops the protein calibrations for its Near InfraRed Transmittance (NIRT) instruments using Partial Least Squares (PLS) with U.S. grown wheat. This method is capable of only linear data fits and requires the maintenance of separate calibrations for each class of wheat. The calibrations are tied to GIPSA's Combustion Nitrogen Analyzer (CNA) standard reference method. Older models of the Foss Tecator NIRT instruments are only capable of PLS calibrations.

The proposed ANN calibrations are based on a more complex mathematical approach, can fit non-linear data, and a single calibration can be used for all classes of wheat and barley. FOSS Tecator developed the ANN calibration using more than 30,000 global wheat samples. In addition to GIPSA, FOSS worked with Canada, Europe, and Australia. The newer FOSS Tecator NIRT instrument can store both ANN and PLS calibrations.

As recommended by the Committee, GIPSA conducted a pilot study to further compare wheat protein results obtained using the PLS and ANN calibrations on current market samples. The study compared NIRT predictive results (PLS and ANN) to the reference method (CNA). All major production and handling regions, and all classes of wheat were included in the pilot. To conduct the pilot, GIPSA bought 15 Infratec 1241 NIRT instruments manufactured by FOSS Tecator. All instruments were equipped with both the PLS and ANN calibrations. A statistical sampling plan was constructed that included export ship subplot and domestic samples and all wheat classes targeted by protein range. There were 423 total samples analyzed, 310 domestic and 113 export. The results were analyzed by comparing the PLS and ANN Protein results at field offices, the PLS and ANN protein results on the TSD monitoring instruments and comparing both to CNA Analysis. The initial review of the data indicates that, on average, ANN protein measurements are closer to the CNA reference method values than PLS. GIPSA is currently completing a market impact analysis regarding switching calibration methods. The market impact analysis will be based on pilot study data, calculated as to the net change in the value of wheat stocks due to the switch from the PLS calibration to the

ANN calibration, and is scheduled to be completed by July 2003. Results will be posted on the GIPSA website.

GIPSA anticipates a minimal average monetary value change for the stored wheat, with Durum wheat perhaps being the most affected. The decision to switch to ANN is still being discussed, primarily due to finances. The cost to purchase instruments able to use the ANN calibration is about \$24,000 plus an approximate \$150 fee when calibrations are updated. About two-thirds of the instruments in the official system cannot use the ANN calibration. The benefit of switching would be to align U.S. protein determinations with other countries around the world. The technology has real advantages and tightens the comparisons to CNA. The two main issues are who owns what and when GIPSA can financially afford to make a change.

INTERNATIONAL ACTIVITIES

Mr. John Pitchford, Office of International Affairs, (OIA) updated the Committee on GIPSA's international outreach activities. The Office of International Affairs facilitates resolution of trade barriers and disruptions, investigates quality and weight discrepancies, monitors grain shipments, assists USDA Cooperators with market development projects, and conducts educational programs. Current initiatives include placing collateral duty officers abroad on assignments, addressing Mexico, and participating in the implementation process for the Cartagena Protocol on Biosafety negotiations.

In 2002, GIPSA established Collateral Duty Officer (CDO) positions to place GIPSA personnel on 3- to 4- month regional assignments overseas. These personnel provide more consistent contact with importers. In the fall of 2002, an assignment in Southeast Asia was completed that included work in seven countries and four major projects. The feedback on the CDO positions has been very positive. This year, a second assignment to Southeast Asia was curtailed due to SARS concerns. In its place, GIPSA began an assignment in Mexico.

Trade issues between the United States and Mexico are complex in all sectors, including grain. Issues range from Mexican technical barriers to trade to Mexican importers discounting the validity of official inspection certificates and demanding the U.S. recognize Mexican labs and destination grades. GIPSA's CDO has completed a series of 2- to 3- week assignments in Mexico to exchange information with our Mexican counterparts, provide technical training on official U.S. standards and procedures to Mexican grain industry officials, and discuss how quality changes can occur between origin and destination. The CDO also is working to establish inspection labs at five grain facilities to be used as regional training centers.

Further, GIPSA has offered to institute a cargo-monitoring project to further address Mexican concerns on changes in quality at each handling point, and sampling and inspection methods. The protocol for the project was approved by USDA, but not yet by Mexico.

GIPSA has been asked by the U.S. Army to help establish grain inspection laboratories in Iraq. We currently are identifying the equipment necessary and seeking funding from the Foreign Agricultural Service (FAS). GIPSA may send teams of inspectors to Egypt to train Iraqi inspectors. Three Egyptian laboratories set up by GIPSA several years ago may be used as training facilities.

Mr. Pitchford also discussed the Cartagena Protocol on Biosafety. This protocol, developed under the auspices of the United Nations Convention on Biological Diversity, is an environmental protocol designed to protect against adverse effects from international movements of living modified organisms (LMOs).

The protocol includes documentation requirements for transboundary movements of LMOs for research, for environmental release (seeds), and for food, feed, and processing. Article 18.2(a) requires documentation accompanying LMOs for food, feed, or processing to clearly state that they may contain LMOs. Within 2 years, parties must decide on the need for more detailed information. To date, 48 parties have ratified the protocol. It will go into force 90 days after the 50th party ratifies. The United States is not a party but will need to comply with the requirements of parties that import from the United States. The documentation requirements are not clearly stated in the protocol, leaving room for multiple interpretations. This protocol has the potential to disrupt export trade.

GIPSA's major concerns with the Biosafety Protocol are:

- The liability relating to not documenting an unintended LMO presence;
- Importing parties will develop a multitude of policies and regulations; and
- Environmental ministries unfamiliar with grain marketing practices are developing the implementing policies.

GIPSA has played a pivotal role in the U.S. Government's Interagency Working Group on Biosafety Protocol Implementation. The United States' overall strategy is to define LMO and non-LMO shipments as related to Article 18.2(a), develop a "bilateral arrangement" template, consult with fellow exporters to reach a consensus approach, hold bilateral consultations with key markets, and influence others as they gain implementation experience. The arrangements are designed to provide clear definitions of when documentation is needed, specify the use of existing documentation, clarify exporter versus importer obligations, and do not affect any party's ability to develop its own policies based on risk assessments.

NEW/IMPROVED INSPECTION TOOLS AND SERVICES

Dr. Richard Pierce, chief, Inspection Systems Engineering Branch, and Dr. Timothy Norden, chief, Analytical Reference Testing Services, Technical Services Division, (TSD) gave an overview of GIPSA's new and improved inspection tools and services. Dr. Pierce discussed instrument analysis tools. Dr. Norden focused on chemical methodologies.

Dr. Pierce provided an update on the National Type Evaluation Program (NTEP) for grain moisture meters, test weight from NTEP moisture meters, and (NIR Analyzers). The NTEP laboratory is implementing NIR testing this year.

Dr. Pierce reported the transition to the Dickey-john GAC2100 Moisture Meter in the official system could be completed in 2003. To date, 42 moisture calibrations have been implemented. An additional 21 moisture calibrations developed for the remaining minor grains are awaiting implementation. An additional moisture determination project is being conducted with Szent Istvan University using high frequency measurement apparatus to develop unifying parameters for additional grains, assess temperature characteristics of other grains, and determine grain freezing point limits. In addition, GIPSA is helping manufacturers develop simpler, lower-cost test cells.

Research on new Infratec 1241 applications includes an evaluation of updated ANN wheat and barley calibrations, standardization of ANN wheat calibrations, and development of ANN calibrations for corn and soybeans. GIPSA is pilot testing ANN for barley protein determinations. An additional pilot test for extractable starch determinations is planned for 2003. GIPSA also is investigating automated data collection for the 1241 and evaluating the performance of the optional test weight attachment.

GIPSA also is evaluating the Grainman Rice Sheller, the Zaccaria Rice Sheller and Miller. GIPSA also is funding an evaluation of the Yamamoto, Satake, and McGill Rice Shellers by the University of Arkansas during 2003.

In the area of digital imaging, GIPSA is evaluating the FOSS GrainCheck's and the FOSS Cervetec's ability to determine rice total broken kernels and wheat vitreousness.

GIPSA is assembling HRW and HRS samples for the joint GIPSA-ARS study on Rapid Prediction of Wheat End-Use Quality. After internally testing the sample set, GIPSA will provide the samples to ARS who will test for possible NIR applications to predict wheat end-use quality using wet gluten, alveograph, Farinograph stability, water absorption, Zeleny sedimentation, falling number, and hardness.

Dr. Norden then began his presentation reviewing the efforts to establish reference methods for gluten strength. Gluten strength is typically measured using an internationally accepted Farinograph method. A quick test is needed to predict the gluten

strength. Currently, ARTS is establishing a Wheat Functionality Reference (i.e., Rheology) Laboratory to provide testing for composite samples using the Farinograph. This service is scheduled for implementation in September 2003. This reference lab will also support development of both rapid instrumental and rapid chemical tests for wheat functionality.

GIPSA is also evaluating a rapid test for sprout damage called WheatRite. This test measures alpha-amylase and correlates with falling number. It can be either qualitative or quantitative and is based on immuno-chemistry technology (i.e., ELISA). The evaluation is scheduled to be completed in August 2003. In addition, GIPSA is preparing to begin evaluating test kits for Zearalenone testing. A press release announcing the solicitation of kits has been submitted for publication. Kit submissions are expected in the next 1- to 3- months.

Another major project is to initiate glyphosate testing. Glyphosate is the herbicide commonly known as Roundup™. This herbicide is used on about 70 percent of all soybean fields. Testing was initially requested for the U.S. Wheat Associates Crop Quality Survey and will be added to both the Pesticide Data Program and the Pesticide Analysis Service programs. ARTS goal is to implement glyphosate testing in July 2003.

Another new service implemented this year is testing for the possible human carcinogen acrylamide and its' precursor, asparagine. The American Institute of Baking requested this testing service. Acrylamide can be formed in fried and baked wheat and potato-based foods.

GENERAL INSPECTION PROCEDURES UPDATE

Mr. Orr updated the Committee on GIPSA's use of the Single Kernel Hardness Tester (SKHT) to identify Wheat of Other Classes (WOCL) in export wheat shipments. Accurate grading of this factor is complicated by the challenging nature of visual detection of WOCL and the rising trend of exporters to blend to or past grade limits. To help inspectors determine WOCL, GIPSA has placed SKHTs at export offices. The instruments are used to screen sublots for mixes of hard and soft wheat. The screen is then compared to the inspector's visual determination. When there are differences, the inspector seeks assistance from the local quality assurance specialist. This has been a useful aid for inspectors and is also helping identify training needs. The procedure may delay subplot grades if results do not match on a blended sample. The final results certified are the visual results. GIPSA wants to acquire SKHTs for all export labs.

Mr. Orr closed his presentation by asking Committee members if stowage exams on railcars in domestic markets should be mandatory or optional in light of safety requirements.

OPEN DISCUSSION

Financial: Mr. John Oades suggested that GIPSA develop a plan to involve stakeholders in supporting FGIS funding at the Congressional level to create and protect appropriated funding. Mr. Robert Smigelski indicated that the National Grain and Feed Association (NGFA) actively campaigns for GIPSA's appropriated funds. Mr. Smigelski suggested efforts to lobby Congress should focus on personnel on the Agriculture and Appropriations Committees. Mr. Thomas Bressner stated that it is important to get the message to Congress that the official inspection system benefits all consumers of American agriculture. Mr. Smigelski indicated that 60 to 70 percent of GIPSA is user fee funded already, which is an appropriate amount. Shifting standardization funding from appropriated funds to user fees is the subject of Resolution 1.

Mr. David Ayers indicated the official domestic market would suffer from a 15 to 25 percent increase in user fees. He indicated business would be lost, resulting in the grain industry losing the option to obtain official services in domestic markets. Mr. Ayers suggested GIPSA reduce all possible costs and look at reducing sample monitoring to only test weight and moisture factors. Mr. Smigelski recommended GIPSA continue their diligent efforts to control costs. A general discussion on the problems with the accounting system and efforts to resolve them followed. Cost control measures and the accounting system are the subjects of Resolutions 2, 3, and 5.

Web-Based Inspection System: Mr. Smigelski suggested GIPSA consider phasing in the web-based IT system. In response to Mr. Bressner's question, Mr. David Shipman indicated GIPSA would be looking at available options and how to phase-in the project. Ms. Donna Reifschneider indicated the Enterprise Architecture is complete and that GIPSA is now looking at how to reach its IT goals in a cost-effective way. Mr. Tim Adams asked GIPSA to solicit input from stakeholders, and especially official agencies and grain companies, as the Agency designs the web-based system. The web-based inspection system is the subject of Resolution 4.

Test Weight in Soybeans: Ms. Angela Dee detailed a test weight (TW) problem in soybeans occurring when North Dakota beans are shipped to Alabama during the winter. Temperature changes affect the TW. She asked GIPSA to consider using mats to warm samples before measuring TW at origin. Mr. Shipman responded by sharing information on past GIPSA work examining sample delivery and temperature on beans. The study concluded the actual bean condition was changing. Mr. Steven Tanner added that TSD had conducted a series of experiments in their environmental chamber that showed the beans did not rebound to the original TW. Temperature change and condensation significantly affect the seedcoat. General discussion followed in which several Committee members expressed the opinion that using a mat was not acceptable. They suggested this was a marketing function and should be addressed by evaluating how soybeans can be shielded from condensation effects under current market transportation systems. TW in soybeans is the subject of Resolution 7.

Pilot Programs on Competition: There was a general discussion on removing the competition restrictions from official agencies. Mr. Shipman indicated the restriction on competition in place was to maintain the integrity of the official system. He noted that GIPSA is exploring ways of lessening restrictions while maintaining the integrity of the system. Mr. Arvid Lyons indicated that the market might not be big enough to support two official groups in one area. Competition in domestic official services is the subject of Resolution 6.

ANN Calibrations: The Committee discussed options for phasing-in the purchase of a newer Infracore model capable of supporting ANN technology. Ms. Dee recommended GIPSA not phase in the change, all calibrations should be either ANN or PLS. Mr. Adams suggested delaying implementation to allow GIPSA to acquire the equipment over time. Mr. Tanner indicated the earliest implementation of this device used around the world would be May 2005. Current equipment is obsolete and is no longer being serviced by the manufacturer.

GMO Wheat: Mr. Paul Coppin expressed concern about the 10-day notification period for Monsanto to inform GIPSA of commercializing the Roundup Ready Wheat. Mr. Oades echoed Mr. Coppin's concern, suggesting the period should be at least 90 days. Mr. Shipman explained the notification was intended to be obtained at the beginning of every crop year and the 10 days was before a bag of seed is sold. Mr. Smigelski suggested it would help to expand the 10 days to give GIPSA time to communicate to all parties about the removal of the statement.

RESOLUTIONS

1. The Grain Inspection Advisory Committee opposes the shift of appropriated funds to user fees. This would be significantly detrimental to the cost of services provided to customers and would directly affect the overall welfare of consumers and American agriculture. The services of GIPSA are for the general benefit of the entire nation, while ensuring the integrity of the U.S. grain export system in the international marketplace.
2. GIPSA's should continue the aggressive pursuit of cost control measures.
3. GIPSA highest level of priority should be to solve its accounting systems reporting problems. Before long-term planning and budgeting can be done successfully, it is necessary that GIPSA have a complete understanding of its actual financial position and be able to annually achieve closure of its books.
4. GIPSA should continue efforts in the development and implementation of a web-based information system. A priority in this process should be to control costs by

utilizing existing components where practical. GIPSA should plan to phase this system in over time with cooperation and input from stakeholders.

5. The Grain Inspection Advisory Committee recommends that GIPSA pursue development of a 3- to 4- year fee schedule that balances revenue with expenditures and provides 3 months of operating reserve. This plan must entail all possible cost containment and be sensitive to cost competitiveness of GIPSA services.
6. The Grain Inspection Advisory Committee encourages GIPSA to proceed in the development of pilot programs that allow for greater competition in domestic official services. (Note: One Committee member opposed this resolution.)
7. Reconfirm past resolution on TW in soybean standards and whether there is a need for TW to be included in the grade standard.
8. The Grain Inspection Advisory Committee supports the GIPSA goal of making market applicable wheat end-use functionality tests available by May 2006 and that a strong, structured, and focused program is pursued to achieve that goal.
9. The Grain Inspection Advisory Committee supports continued participation of GIPSA in developing domestic and international rules and policies addressing issues of Bio-safety and LMOs (Living Modified Organisms).

NEXT MEETING

The Committee agreed to hold the next meeting during late October or early November 2003, in either St. Louis or Kansas City, depending on which is most economical. If there is no appreciable difference in costs, the location will be St. Louis.