



United States  
Department of  
Agriculture

Grain Inspection,  
Packers and Stockyards  
Administration

# **Meeting Minutes**

## **Grain Inspection Advisory Committee**

**June 24-25, 2009**  
**St. Louis, Missouri**

**GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION  
GRAIN INSPECTION ADVISORY COMMITTEE MEETING MINUTES**

**Renaissance Grand St. Louis Suites & Hotel  
June 24-25, 2009**

**WELCOME**

Nick Friant, Chairperson, opened the meeting with a welcome and introductions.

**ACCEPTANCE OF DECEMBER 16-17, 2008, MEETING MINUTES**

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

**REVIEW AND ACCEPTANCE OF JUNE 24-25, 2009, AGENDA**

The Committee approved the agenda of the June 24-25, 2009, agenda as presented.

**MEETING ATTENDEES**

**Committee Members**

Tammy Basel, Vice-President, Women Involved in Farm Economics  
Thomas Bressner, General Manager, Assumption Cooperative Grain Company  
Theresa Cogswell, Consultant/President, BakerCogs, Inc.  
Jerry Cope, Commodity Manager, South Dakota Wheat Growers  
Tom Dahl, Vice-President, Sioux City Inspection and Weighing Service Company  
Warren Duffy, Vice-President/Export Operations, ADM Grain  
William Dumoulin, Producer, Illinois  
Nicholas Friant, Grain Handling Coordinator, Cargill  
Jerry Gibson, Regional Manager, Bunge North America  
Edgar Hicks, Grain Marketing Advisory, Hurley/FC Stone LLC  
Mark Hodges, Executive Director, Oklahoma Wheat Commission  
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, DICKY-john Corporation  
Tom Fousek, Grain Merchant & Manager of Terminal Operations, Bartlett Grain, L.P.  
Gene E. McEntee, Senior Management, Colusa Elevator Company

## **GIPSA**

J. Dudley Butler, Administrator, Grain Inspection, Packers and Stockyards Administration, (GIPSA)

Clive Ellis, Union Representative

Terri Henry, Management Support Staff, GIPSA

Eric Jabs, Acting Chief, Market and Program Analysis Staff (MPAS), FGIS, GIPSA

Randall Jones, Deputy Administrator, Federal Grain Inspection Service (FGIS), GIPSA

Bob Lijewski, Assistant Director, Policies and Procedures Branch, Field Management Division (FMD), FGIS, GIPSA

Tom O'Connor, Director, Compliance Division, FGIS, GIPSA

John Pitchford, Director, Office of International Affairs, FGIS, GIPSA

John Sharpe, Director, Technical Services Division (TSD), FGIS, GIPSA

## **Other Attendees**

Todd Canatella, Zen-Noh Grain

Pat Dumoulin, Producer, Illinois

David Krejci, Grain Elevator and Processing Society

Tom Meyer, Kansas Grain Inspection Service

Shelee Padgett, U.S. Consumer Protection

## **ADMINISTRATOR'S OPENING REMARKS**

J. Dudley Butler, Administrator, GIPSA, welcomed the Grain Inspection Advisory Committee and attendees.

Mr. Butler gave a brief presentation on his background and stated that he looks forward to working with the industry so that everyone has a level playing field. He indicated that he understands that it takes every part of society and industry to save the most valuable part of our country—rural America. Mr. Butler stated that it takes educating all; from government to farmers to ranchers, regarding the need to work together to make this happen. He mentioned that he is glad to be with GIPSA to help make this come about.

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

## **DECEMBER 2008 RESOLUTIONS RECAP**

Randall Jones, Deputy Administrator, FGIS, GIPSA, gave a recap of the resolutions from the December 2008 meeting held in Kansas City.

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

As part of the 2005 Reauthorization a study was requested of FGIS to determine if using contractors for export would be beneficial and offer a cost savings as compared to utilization of GIPSA employees. In 2006 a pilot program began and continued through 2008. In March 2009 a report was issued and can be found on GIPSA's website. Based on the findings of GIPSA's pilot study and other available information, GIPSA concluded that the use of contractors did not demonstrate additional savings or efficiencies that would enhance the competitiveness of U.S. grain exports in the global market. Mr. Jones stated that FGIS has used contractors in the past, for which it has the authority, and if it is beneficial, we will continue to do so.

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.

Input was received at a meeting held on April 8, 2009, in Kansas City. John Sharpe, Director, Technical Service Division, FGIS, GIPSA, provided a presentation later in the meeting on the challenges of odor as it relates to sorghum.

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.

GIPSA accepted this advice and a presentation on this was given later in the meeting entitled "2009 Program Update".

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.

GIPSA accepted this advice and a presentation on this was given later in the meeting entitled "2009 Program Update".

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.

GIPSA continues to work with Kansas State University and the first class was held beginning in June with approximately 36 students enrolled. GIPSA has received positive feedback and looks forward to additional feedback at the conclusion of this class. GIPSA will continue to work with GEAPS and Kansas State University on this effort.

6. In FY 2008, USDA Natural Resources Conservation Service 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.

The field test is on-going, with the final report expected to be published in 2011 or 2012. GIPSA will share this report, as well as any interim reports, with Ethiopian contacts.

## **GIPSA'S STRATEGIC PLAN/ PROGRAM INITIATIVES**

Mr. Jones presented GIPSA's Strategic Plan and Program Initiatives which included FGIS' Core Business Practices: Provide the Market with Terms, Standards and Methods; Protect the Integrity of the U.S. Grain and Related Markets; Provide Official Grain Inspection and Weighing Services; and Optimize Operational Efficiency.

### **Strategic Plan**

The GIPSA Strategic Plan is now in the review process for approval and GIPSA intends to finalize it later this summer.

A group of senior FGIS managers has been tasked with reviewing new technologies to utilize FGIS resources and to analyze what additional efforts warrant further review. GIPSA is seeking guidance from the Advisory Committee regarding the utilization and focus of GIPSA resources.

### **Wheat Functionality**

GIPSA, in consultation with the Agricultural Research Service, USDA, is working to develop a rapid test for protein quality that can be used throughout the market. GIPSA's goal is to have the test available for use in 2011.

### **Unified Grain Moisture Algorithm**

Moisture instrument manufacturers are developing instruments and working to improve the accuracy. Initial information is showing promise. We should see something on the market, as a few manufacturers are close, possibly within 1 year.

### **Sorghum Odor Line Evaluation**

In April 2009, a meeting was held in Kansas City to obtain input from grain handlers, producers, and end-users with the goal of reaching consensus on the official line for musty sorghum odor, this effort is continuing. At the April meeting, GIPSA again heard concerns about consistent application of odor determination in the official inspection system. To address this concern, GIPSA is working with Dr. Edgar Chambers IV, a recognized sensory expert from Kansas State University, to develop a reproducible standard for storage musty odor that can be utilized by

inspectors and industry representatives when making odor determinations. The introduction of a reproducible standard should provide inspectors with a tool that can be used to promote adherence to the established line and therefore promoter consistency across the inspection system.

### **Farm Gate Assessment**

The Farm Gate Assessment was initiated in 2006 using sorghum and soybeans in 2007. GIPSA plans to collect sorghum data through 2010 and through 2011 for soybeans.

### **Customer Survey**

GIPSA has conducted surveys of customers that use official inspection, weighing, and grading services in 1996, 2000, and 2007, is conducting a survey in 2009, and plans to continue the survey on a bi-annual basis. In 2009, GIPSA will ask 1,100 customers twelve questions to evaluate timeliness, cost-effectiveness, accuracy, consistency, usefulness of services and results, and professionalism of FGIS and the official inspection, grading, and weighing programs' employees. To increase efficiency of the survey and to reduce operating costs, GIPSA is exploring an electronic survey format for 2011.

### **Quality Management Program**

GIPSA finalized and issued its directive implementing a Quality Management Program in March 2009. The program represents a major enhancement in the way the Agency ensures that official service providers meet their obligations under the U.S. Grain Standards Act (USGSA) and associated regulations. Following publication, GIPSA officials engaged in a number of outreach efforts with official agency personnel to discuss program elements and explain the implementation schedule. GIPSA is currently reviewing draft quality manuals for completeness and beginning the transition to a new audit-based system for measuring performance within the official system. The program is expected to be fully operational by the end of 2009.

### **Contract Review Program for Export Shipments**

The contract review program was initiated in October 2009 and compares the type of official inspection requested by a shipper to applicable contractual specifications. The current program expands on an earlier program discontinued in 2000 to include grain exported in containers and rail as well as vessels. Under the USGSA and associated regulations, official service requests provided by shippers must reflect contract specifications for grade and other official criteria. Any adverse situations detected during the program will be communicated to individual shippers for corrective action. The program is scheduled to continue through at least September 2010.

### **International Trade**

GIPSA values its role in facilitating international trade and maintaining positive relationships with stakeholders. GIPSA is working with Mexico to educate them on the U.S. system to increase their confidence in U.S. commodities.

GIPSA works closely with the Foreign Agricultural Service and the Animal Plant Health Inspection Service regarding issues related to trade.

One of GIPSA's successful programs has been the collaborative duty program in Asia. It has proven invaluable to inform importers about GIPSA's programs, and to facilitate resolution of trade disruptions that have arisen on specific shipments.

### **Container Regulations**

In 2007 GIPSA conducted a comprehensive evaluation of the container inspection and weighing program and will propose changes to the USGSA regulations to harmonize export policies across diverse carriers (ship, rail, container and barge), to improve quality uniformity in container shipments, and to ensure that the regulations effectively address market conditions.

### **Scale Program**

Under the requirements of the National Master Scale Calibration Program, the maximum life span of a test car is 50 years. GIPSA currently has 5 test cars, 2 of which are 48 years of age. GIPSA is working with the Association of American Railroads for funding to secure funding to replace the 2 cars.

### **Official Agency Training**

In conjunction with GIPSA's centralization efforts, GIPSA is consulting with the American Association of Grain Inspection and Weighing Agencies to develop and provide technical training to the official agencies on grading, sampling, certification, and other areas. GIPSA anticipates that the majority of the training will be conducted at the National Grain Center.

### **FGISonline**

FGISonline is a suite of business applications that will provide inspection and weighing business functions and information accessible via a desktop. There will be a significant shift in the way GIPSA and the official agencies provide inspection and weighing services. Under the new system, certificates will be available electronically. This new technology will be state of the art and place GIPSA in a favorable position to provide services in the 21<sup>st</sup> century.

### **National Grain Center**

GIPSA is continuing to work with the building owner to finalize the interior design drawings for the National Grain Center under construction in Kansas City. The National Grain Center is located at the same site of GIPSA's current technical center. The existing building will be completely renovated and an addition constructed. The owner has stated that the addition will be ready for occupancy in October 2009, the upstairs of the existing building will be completed in January 2010 and the downstairs ready for occupancy in April 2010. The National Grain Center

will allow GIPSA to provide oversight of the official inspection from one central location and with enhanced facilities for training official inspection personnel and industry representatives.

### **Consolidation of Oversight Functions**

GIPSA has begun consolidating its oversight activities to Kansas City. Currently 15 official agencies providing 43 percent of all inspections are being monitored from Kansas City. These agencies were previously monitored by GIPSA field offices that have subsequently closed. Centralizing GIPSA's monitoring activities will allow for increased consistency by ensuring all service providers are correlated to one central reference point. GIPSA's initial centralization activities have been taken to coincide with attrition in domestic oversight field offices. Continued consolidation will occur after completion of the FGISonline Quality Assurance/Quality Control module. Completion of this module will enhance GIPSA's ability to monitor the accuracy of inspections throughout the entire official system.

For additional details, please see the attached presentation, **Strategic Plan and Program Initiatives**.

### **SORGHUM STANDARDS**

Eric Jabs, Acting Chief, Market and Program Analysis Staff, FGIS, GIPSA, presented an overview and an impact analysis of the revised sorghum standards that took effect June 1, 2008.

Changes to the sorghum standards were discussed as well as impact to the industry related to the reduction in the allowable levels of Broken Kernels and Foreign Material (BNFM) and Foreign Material (FM). The sorghum farm gate assessment data, ability to meet grade specifications, and material portions were covered in detail for League City, Texas; New Orleans, Louisiana; and the Portland/Northwest area.

For additional details, please see the attached presentation, **Sorghum Standards**.

### **SORGHUM ODOR**

John Sharpe, Director, Technical Services Division, FGIS, GIPSA, briefed the Advisory Committee on sorghum odor.

The sorghum odor issue began about a year ago in May 2008 when GIPSA observed potential differences in sorghum odor determinations between origin and export locations. It is important to realize that when an odor is determined to be present in grain that the grain is graded sample grade, the lowest grade in the standards regardless of the other quality factors.

Exporters, domestic handlers, and the sorghum producers met with GIPSA in June 2008 to express concerns about GIPSA's odor line for sorghum and inconsistencies in the application of the odor line. Based on these concerns, GIPSA took 10 samples to various sorghum end-users in November 2008, and obtained their opinion on the acceptability of each sample for their specific end product. GIPSA gathered input from 62 individuals representing 26 companies in 5 States



and presented these findings to Advisory Committee meeting in December 2008. The Advisory Committee resolved that GIPSA should create a taskforce including end-users, producers, and handlers to further examine this issue. In January 2009 the National Sorghum Producers also requested that GIPSA convene a taskforce to try and resolve this issue.

Specifically the USGSA requires that standards are too:

- Promote the marketing of high quality grain to both domestic and foreign buyers.
- Offer users of such standards the best possible information from which to determine end-product yield and quality of grain.
- Provide the framework necessary for markets to establish grain quality improvement incentives.
- Reflect the economic-based characteristics in the end uses of grain.

Based on the resolution and the National Sorghum Producers recommendation, GIPSA convened a taskforce that met on April 8, 2009, in Kansas City. The taskforce included representatives from each of the parties requested. The taskforce included two producer representatives, six handlers (domestic and export), and four end-users. There were two end-users that were identified but could not attend the meeting. They provided their evaluation of the samples at later dates.

The taskforce was charged with seeking consensus on the official odor line for storage musty sorghum. Dr. Chambers guided GIPSA and the taskforce through the sensory evaluation.

Working with Dr. Chambers, GIPSA developed five sets of samples, with each set of sample containing five samples. Each set of samples contained varying degrees of odor with the emphasis being the storage musty odor. Participants were asked to evaluate each sample and determine if it was acceptable for their intended usage.

The results indicated that:

- End-users tend to have a tighter line on musty odors than handlers and producers, especially on storage musty odors.
- There are differences between the needs of individuals even within the same group.

The taskforce was unable to reach a consensus as to the establishment of the odor line. To address the consistency issue, GIPSA is entering into an agreement with Dr. Chambers to develop a sustainable reference for storage musty sorghum odor that can be utilized by inspectors and industry representatives when making odor determinations. The introduction of a reproducible standard should provide inspectors with a tool that can be used to promote adherence to the established line and therefore promote consistency across the official inspection system.

This would allow GIPSA to:

- Ensure the line is maintained over time;
- Official inspectors could be trained with a standard reference;
- Official inspectors could have reference samples when needed; and
- Industry could also have references for their house inspectors.

Dr. Chambers will also provide GIPSA with odor evaluation techniques that enhance the odor determination process, provide guidelines for the environment in which inspectors make determinations, and the process for using and maintain the standard reference.

For additional details, please see the attached presentation, *Sorghum Odor*.

## CONTAINER REGULATIONS

Bob Lijewski, Assistant Director, Policies and Procedures Branch, Field Management Division, FGIS, GIPSA, briefed the Advisory Committee on amendments to the regulations concerning inspection and weighing of grain in combined and single lots.

Grain exported in containers has grown exponentially in the past 5 years to levels that far exceeded grain industry forecasts.

To accommodate the containerized grain trade, GIPSA has remained flexible with regards to sampling, combining samples for composite purposes, and certification procedures. While GIPSA has worked to accommodate these requests, the increase in container shipments prompted GIPSA to review current policies and procedures pertaining to containerized cargoes, and also the regulations for the inspection and weighing of grain in single lots and combined lots.

In 2007 GIPSA performed a comprehensive evaluation of the container inspection and weighing program and is proposing changes to the USGSA regulations to harmonize export policies across diverse carriers, to improve quality uniformity among containers, and to ensure that the regulations effectively address market conditions.

Consequently, based on the findings of the review, GIPSA concluded that the regulations need to be amended to:

- Ensure that containerized shipments are uniform in overall quality;
- Containerized lots are loaded in a reasonably continuous operation;
- Weighing in combined lots is performed in accordance with regulations; and
- Certificates reflect the range of dates for loading and the method of grading when performed on an alternate basis (e.g., composite or average grade analysis).

GIPSA also reviewed regulations that are specific to the CuSum loading plan and is proposing that regulations applicable to inspections of shiplots, unit trains, and lash barges be amended to address situations where load orders specify “Average Grade” or “No subplot to exceed” analysis.

The general regulations that GIPSA is proposing to amend are:

- 7 CFR 800
- 7 CFR 800.84-.86
- 7 CFR 800.97-.98
- 7CFR 800.152

GIPSA implementation of these changes will occur in approximately 12-18 months.

For additional details, please see the attached presentation, *Container Regulations*.

### **CONTRACT REVIEW**

Tom O'Connor, Director, Compliance Division, FGIS, GIPSA, briefed the Advisory Committee on the Contract Review Program that was initiated by GIPSA in October 2008 to compare service requests provided by shippers for export cargos with associated contractual specifications. Mr. O'Connor explained that a discrepancy between these two items might constitute a violation of the USGSA and associated regulations.

GIPSA reported that the current program is similar to an earlier program initiated in the early 1980's but discontinued in 2000 that looked exclusively at export vessels. However, the new program has been expanded to include grain exported in containers in recognition of the increased amount of grain being exported in containers. This program will also gather data on export rail shipments and evaluate conformance with requirements for aflatoxin testing of export corn.

Mr. O'Connor reported that GIPSA is generally encouraged by the level of compliance found so far. He noted that GIPSA intends to run the program through September 2010, at which time GIPSA will decide if the program should be extended, terminated, or modified.

For additional details, please see the attached presentation, *Contract Review*.

### **INTERNATIONAL PROGRAMS AND OUTREACH ISSUES**

John Pitchford, Director, Office of International Affairs, FGIS, GIPSA, briefed the Advisory Committee on a variety of international trade and outreach issues which included:

#### **China Soybean Project**

China has repeatedly reported finding treated seeds in U.S. soybean shipments. To address these concerns and build positive relationships with our Chinese counterparts, GIPSA discussed the possibility of conducting a study on a single shipment of U.S. soybeans from loading to destination in China. The Foreign Agricultural Service (FAS) will fund the study which includes FAS, North American Export Grain Association (NAEGA) and the U. S. Soybean Export Council as cooperators.

GIPSA drafted a project protocol for the study which included a visit to production areas, a barge loading facility, TSD, and the port. FAS submitted the protocol to China's State Administration for Quality Supervision, Inspection and Quarantine (AQSIQ) for concurrence with AQSIQ responding that they want to include phytosanitary issues in the study (weed seeds) despite USDA insistence that these issues should be discussed with Animal and Plant Health Inspection Service (APHIS) in their regular bilateral discussions.

A GIPSA representative will travel to China to discuss the soybean project and other soybean concerns with AQSIQ.

### **Long-Term Assignments to Asia**

The long term assignment to Asia began in 2002 with GIPSA placing a representative in Kuala Lumpur (KL) on a 3.5-month temporary duty assignment to work with customers and their Governments in Southeast Asia.

The last 4-month assignment was May-September 2008 in Hong Kong. The GIPSA officer visited 7 countries, gave 14 grain grading seminars on corn, wheat, and soybeans and also included presentations on containerized grain shipments.

In July, GIPSA will begin training a new person as a Collateral Duty Officer (CDO) for possible deployment in Asia next fiscal year. A U.S. Wheat Associates representative in Singapore expressed interest in having a GIPSA CDO give five wheat grading seminars in five different countries sometime in August/September.

### **Mexico Update**

U.S. shipments of grain (corn, wheat, and soybeans) to Mexico are faced with uncertain border crossing procedures resulting in transportation delays and uncertainty among exporters and importers. The delays stem from Mexican inspectors no longer accepting copies of the APHIS phytosanitary certificates and require detailed wording on them without any typographical errors, otherwise the shipment is delayed entry pending a corrected certificate.

Representatives of FAS, APHIS, and GIPSA planned to meet with SENASICA officials (APHIS' Mexican plant health counterparts) in Mexico City, Eagle Pass, and Veracruz to discuss the issues in June 2009. However, APHIS met with SENASICA officials in Mexico City and reached an agreement to delay the enforcement until October 1, 2009. Since the issue was resolved, the USDA visit was canceled.

For the last several years, Mexican importers have not submitted any official complaints concerning corn quality. Recently, a major Mexican poultry producer and importer of U.S. corn complained about excessive broken corn and foreign material and damaged kernels. GIPSA believes they complained because of not understanding GIPSA's sampling, inspection, and testing procedures.

Earlier this month GIPSA met with representatives of the U.S. Grains Council (USGC)/Mexico City and APPAMEX, (a Mexican grain importer association) and proposed an outreach program later this year to bring several of their quality control people to the U.S. to learn about the role of GIPSA and our quality control programs. USGC will discuss the potential training with the importer.

### **Importer Discrepancies**

In the first quarter of FY 2009, GIPSA received 13 complaints from importers in 8 countries which is more than the typical number of complaints from importers of U.S. grain.

### **StarLink Corn Update**

There have been significant positive changes regarding StarLink corn, which was first detected in the U.S. food supply in 2000. In April 2008, the Food and Drug Administration and the Environmental Protection Agency rescinded recommendations to test corn going into dry milling. In June 2008, the Ministry Health, Labor and Welfare (MHLW) (Japan's food ministry) ended pre-export testing requirements for U.S. food corn exports, but maintained monitoring at the port of entry. In April 2009, MHLW ended import monitoring for StarLink in food corn. In April 2009, MAFF (Japan's feed ministry) ended testing requirements for U.S. feed corn exports. This means that after 8½ years, there are not any requirements to test for StarLink corn on a global basis.

For additional details, please see the attached presentation, ***International Programs and Outreach Issues.***

## **2009 PROGRAM UPDATE**

Mr. Jones briefed the Advisory Committee on 2009 Program Updates. The briefing included the activities under and revenue generated by the Inspection and Weighing Program, Official Agencies, Rice Inspection Program, and the Commodity Inspection Program.

### **Inspection and Weighing Program**

GIPSA has established and maintains 12 standards and provides sampling, inspection, weighing, stowage examination, certification, and auditing and verification.

The chart below reflects fees categorized by revenue, direct, and indirect costs for fiscal years 2006, 2007, 2008 and year-to-date data for 2009.

<b>Inspection and Weighing</b>				
	<b>FY 2006 (entire FY)</b>	<b>FY 2007 (entire FY)</b>	<b>FY 2008 (entire FY)</b>	<b>FY 2009 (to date Oct- May)</b>
Revenue generated by "direct costs"	\$20,519,000	\$21,478,000	\$24,376,000	\$14,446,000
"Direct costs"	\$17,952,000	\$18,700,000	\$20,163,000	\$13,497,000
"Indirect costs"	\$8,886,000	\$8,886,000	\$9,977,000	\$6,984,000
Revenue generated by tonnage fees	\$7,214,000	\$7,222,000	\$8,221,000	\$4,158,000
Million metric tons exported (MMT)	77.3	78.5	81.5	68 (estimated)

### **Official Agencies**

GIPSA supervises the performance of State and private official agencies (official agencies) and approves their fee schedules. Each agency submits a tonnage-based fee to GIPSA to cover the cost of these supervisory activities.

### **Rice Inspection Program**

GIPSA provides permissive official sampling, inspection, weighing, testing, and certification of rice via original services at field offices and cooperative agreements with official agencies.

GIPSA anticipates inspecting 2.5 million metric tons in fiscal year 2009 and is projecting a positive margin of \$389,000 for the program.

### **Commodity Inspection**

GIPSA establishes official U. S. grading standards and testing procedures for rice, lentils, dry peas and a variety of edible beans. GIPSA offers inspection services for additional commodities purchased by USDA such as flour, oil, and syrup. Various agencies responsible for procuring

processed commodities maintain Commercial Item Descriptions for those commodities and contract with GIPSA to carry out the inspection.

Services are provided by FGIS field offices and through Cooperative Agreements with official agencies. To date FGIS has entered into agreements with 41 official agencies to provide AMA services.

GIPSA conducted a fee analysis for the inspection and weighing program and the commodity inspection program. As a result of this review, GIPSA expects to publish Federal Register Notices in the fall of 2009 that will modify fees with an expected implementation date in October 2010.

For additional details, please see the attached presentation, *2009 Program Update*.

### **COMMODITY INSPECTIONS – 580**

Mr. Jabs presented to the Advisory Committee an overview of the commodity inspection program, financial history, and the fee development process for hourly, unit, and commodity testing services for graded and processed commodities. As a result of recurrent losses for several years, fee changes are needed to stem losses and ensure program viability.

Fee increases of approximately 17 percent in fiscal year 2011, 3 percent per year for fiscal years 2012-15 for hourly and unit fees, and fee increases to cover actual costs for commodity testing services were presented. The proposed fees for hourly, unit, and commodity testing services, slated for implementation in fiscal year 2011, are projected to stem program losses and maintain retained earnings at an acceptable level.

For additional details, please see the attached presentation, *Commodity Fee Analysis*.

### **COST CONTAINMENT – STEPS TAKEN**

Mr. Sharpe presented an overview to the Advisory Committee on cost containment steps taken by FGIS.

They included:

- Saving salaries and benefits for positions not being filled;
- Delaying the assignment of a collateral duty officer in Asia;
- Implementing changes to improve the efficiency of the Farm Gate assessment program;
- Discontinuing the use of home purchases as part of relocating employees, thus saving approximately \$125,000 per move; and
- Expanding the use of certain work schedules for the export facilities in New Orleans, Portland, and League City that will result in fewer overtime hours worked that will lower the cost to exporters.

For additional details, please see the attached presentation, *Cost Containment-Steps Taken*.

## **ELECTION OF VICE-CHAIRPERSON**

Tom Bressner, General Manager, Assumption Cooperative Grain Company, Assumption, IL, was nominated and unanimously elected vice chair. Mr. Bressner will resume the role of Chairperson at the spring 2010 Grain Inspection Advisory Committee Meeting.

## **RESOLUTIONS**

1. The Advisory Committee recommends to GIPSA, to ensure a smooth transition when replacing FGIS personnel, that GIPSA look within current staffing with the experience to continue the facilitation of new programs being implemented.
2. The Advisory Committee applauds GIPSA on being a leader of governmental agencies by developing a Quality Management Program, conducting strategic planning, and developing FGISonline. Furthermore, we encourage GIPSA to continue setting positive examples and continue to be a leader of governmental agencies and recommends continuing work to develop an updated strategic plan, which focuses on current and future needs of the Agency, industry, and producers.
3. The Advisory Committee recommends that GIPSA report the future 520 Program accounting information to the Advisory Committee in a manner that reflects revenue and direct costs by field office location.
4. The Advisory Committee recommends that GIPSA reconvene the Sorghum Odor Task Force. The Task Force would work with Dr. Chambers to establish a definitive odor line, that through proper training, would be consistently interpreted and applied system wide.
5. The Advisory Committee recommends that the Chairperson work with GIPSA and FGIS to write a meeting summary containing pertinent information from the meetings in the 2 weeks following the meeting. This meeting summary shall be given to the Advisory Committee members, trade association (e.g., GEAPS, NAEGA, etc.), trade publications (e.g., Grain Journal) and producer publications (e.g., Successful Farming) for publication/distribution.

## **NEXT MEETING**

The Committee recommended the next meeting be held November 18-19, 2009, in either Kansas City or Chicago.

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# **2009 PROGRAM UPDATE**

**Randall Jones  
Deputy Administrator  
Advisory Committee Meeting  
June 24-25, 2009**

# Inspection and Weighing

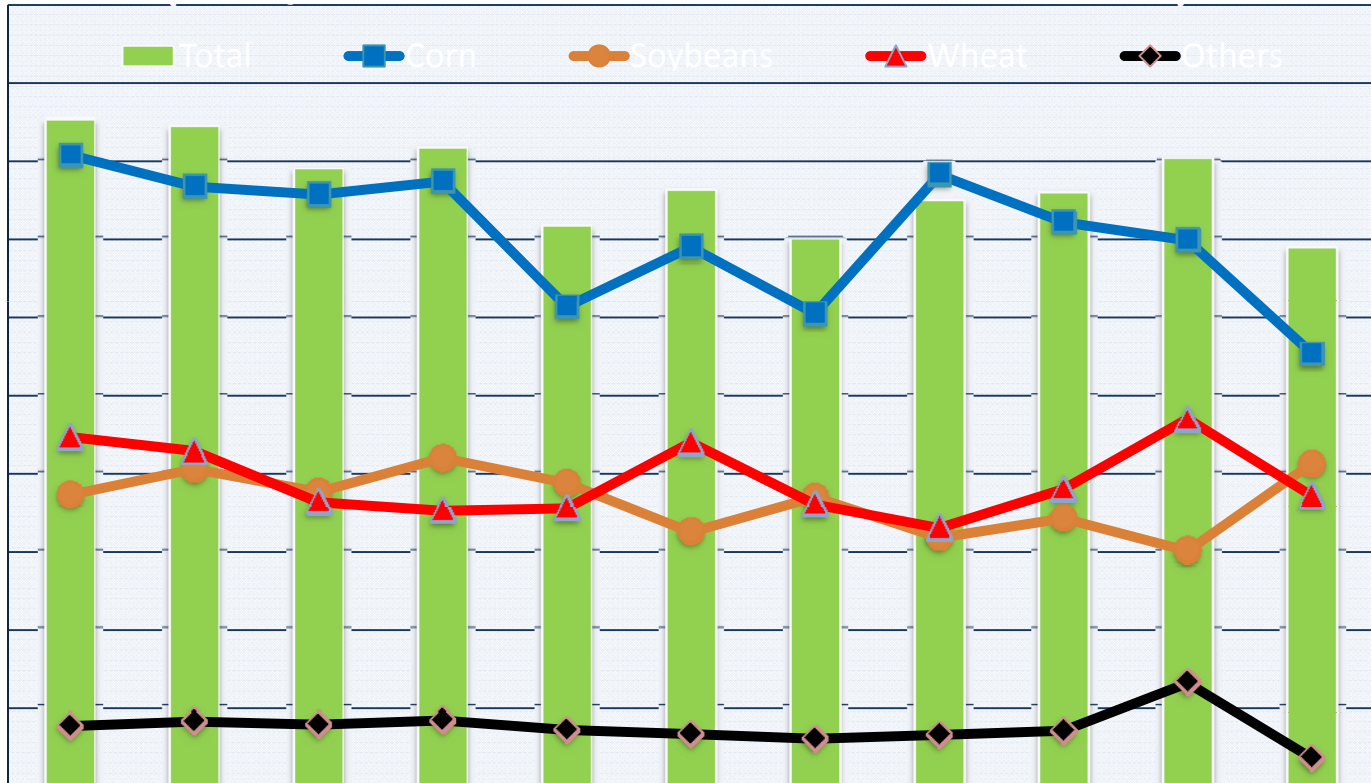
Under authority of United States Grain Standards Act,  
1916, 7 CFR § 800-810

Establish and maintain 12 grain standards

GIPSA provides

- Sampling
- Inspection
- Weighing
- Stowage Examinations
- Certification
- Auditing and Verification

# Inspection and Weighing

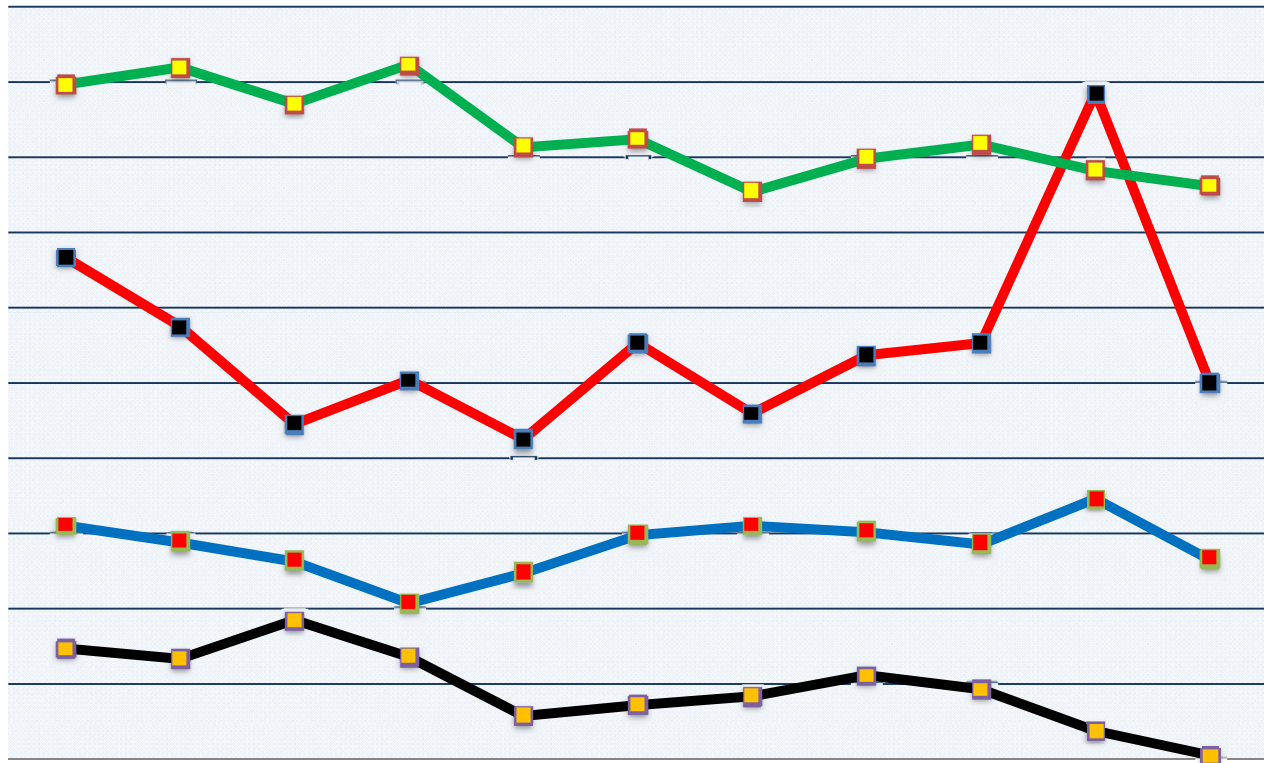


# Status & Projection

- FY 2009 FGIS export tonnage estimated at 68.7 MMT
- Inspection & Weighing Fee Review

<b>520 Program</b>	<b>FY 2009 YTD</b>	<b>FY 2009 PROJECTION</b>
<b>REVENUE</b>	<b>\$18,089,520</b>	<b>\$31,074,184</b>
<b>OBLIGATIONS</b>	<b>\$19,808,910</b>	<b>\$34,156,970</b>
<b>MARGIN</b>	<b>(\$1,719,390)</b>	<b>(\$3,082,786)</b>

# Inspection and Weighing



# Inspection and Weighing

	FY 2006 (entire FY)	FY 2007 (entire FY)	FY 2008 (entire FY)	FY 2009 (to date Oct- May)
Revenue generated by “direct costs”	\$20,519,000	\$21,478,000	\$24,376,000	\$14,446,000
“Direct costs”	\$17,952,000	\$18,700,000	\$20,163,000	\$13,497,000
“Indirect costs”	\$8,886,000	\$8,886,000	\$9,977,000	\$6,984,000
Revenue generated by tonnage fees	\$7,214,000	\$7,222,000	\$8,221,000	\$4,158,000
Million metric tons exported (MMT)	77.3	78.5	81.5	68 (estimated)

# Official Agencies

- Under authority of United States Grain Standards Act, 1916, 7 CFR § 800
- Supervise state and private agencies
- Delegate/designate states
- Designate private agencies
- License samplers and technicians
- Approve fee schedules

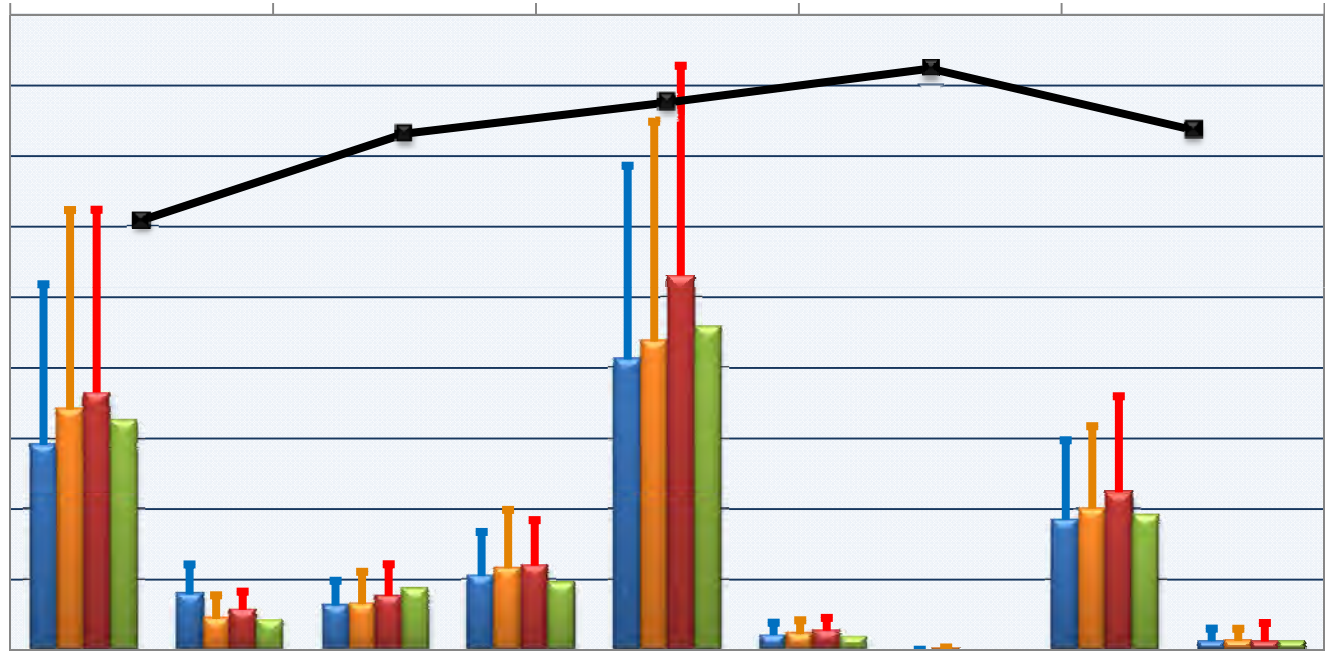
# Financial Status & Projection

- FY 2009 supervised tonnage estimated at 204.7 MMT

<b>530 Program</b>	<b>FY 2009 YTD</b>	<b>FY 2009 PROJECTION</b>
<b>REVENUE</b>	<b>\$1,154,268</b>	<b>\$2,164,541</b>
<b>OBLIGATIONS</b>	<b>\$1,164,274</b>	<b>\$2,032,678</b>
<b>MARGIN</b>	<b>(\$10,006)</b>	<b>\$131,863</b>



# Official Agencies



# Rice Inspection

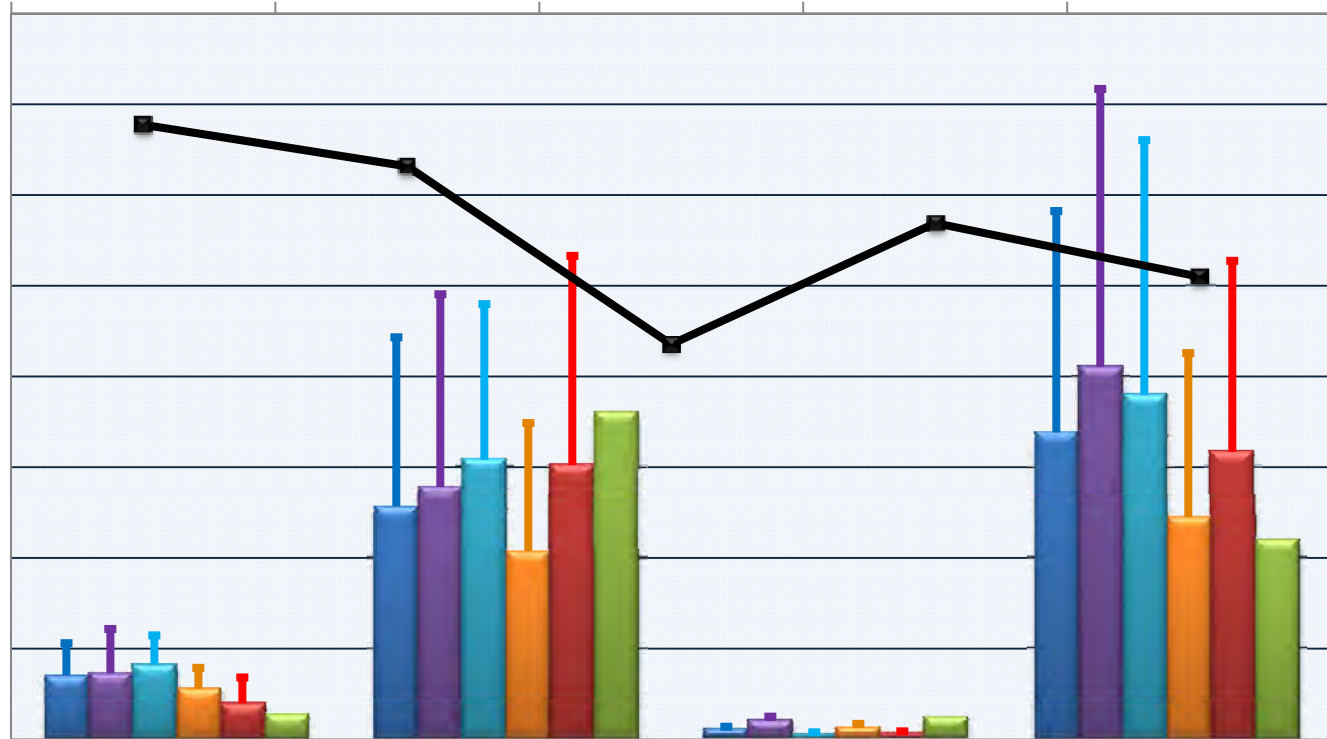
- Under authority of Agricultural Marketing Act, 1946, 7 CFR § 868
  - Permissive official sampling, inspection, weighing, testing, and certification of rice
- Rough, Brown and Milled Standards
  - Long, Medium, Short and Mixed Classes
- Original services provided by FGIS field offices
- Cooperative Agreements

# Financial Status & Projection

- FY 2009 FGIS rice tonnage estimated at 2.5 MMT

<b>570 Program</b>	<b>FY 2009 YTD</b>	<b>FY 2009 PROJECTION</b>
<b>REVENUE</b>	<b>\$2,318,638</b>	<b>\$4,117,131</b>
<b>OBLIGATIONS</b>	<b>\$2,452,008</b>	<b>\$3,727,776</b>
<b>MARGIN</b>	<b>(\$133,370)</b>	<b>\$389,355</b>

# Rice Inspection



# Commodity Inspection

- Under authority of Agricultural Marketing Act (AMA), 7 CFR § 868
  - Permissive official sampling, inspection, weighing, testing and certification of processed and graded commodities
- Peas, beans, lentils, hops, pulses, flour, oil, syrup, etc.
- Standards
- Original services provided by FGIS field offices
- Cooperative Agreements

# Financial Status & Projection

- Commodity Fee Review

<b>580 Program</b>	<b>FY 2009 YTD</b>	<b>FY 2009 PROJECTION</b>
<b>REVENUE</b>	<b>\$1,293,399</b>	<b>\$2,192,085</b>
<b>OBLIGATIONS</b>	<b>\$1,652,011</b>	<b>\$2,669,537</b>
<b>MARGIN</b>	<b>(\$358,612)</b>	<b>(\$477,452)</b>

# **Amendments to Regulations concerning the Inspection and Weighing of Grain in Combined and Single Lots.**



United States Department of Agriculture  
Grain Inspection, Packers and Stockyards Administration  
Federal Grain Inspection Service

# Growth

- Grain exported in containers has grown exponentially in the past five years to levels that far exceeded grain industry forecasts.
- Customers for U.S. export grain are increasingly demanding containerized grain.

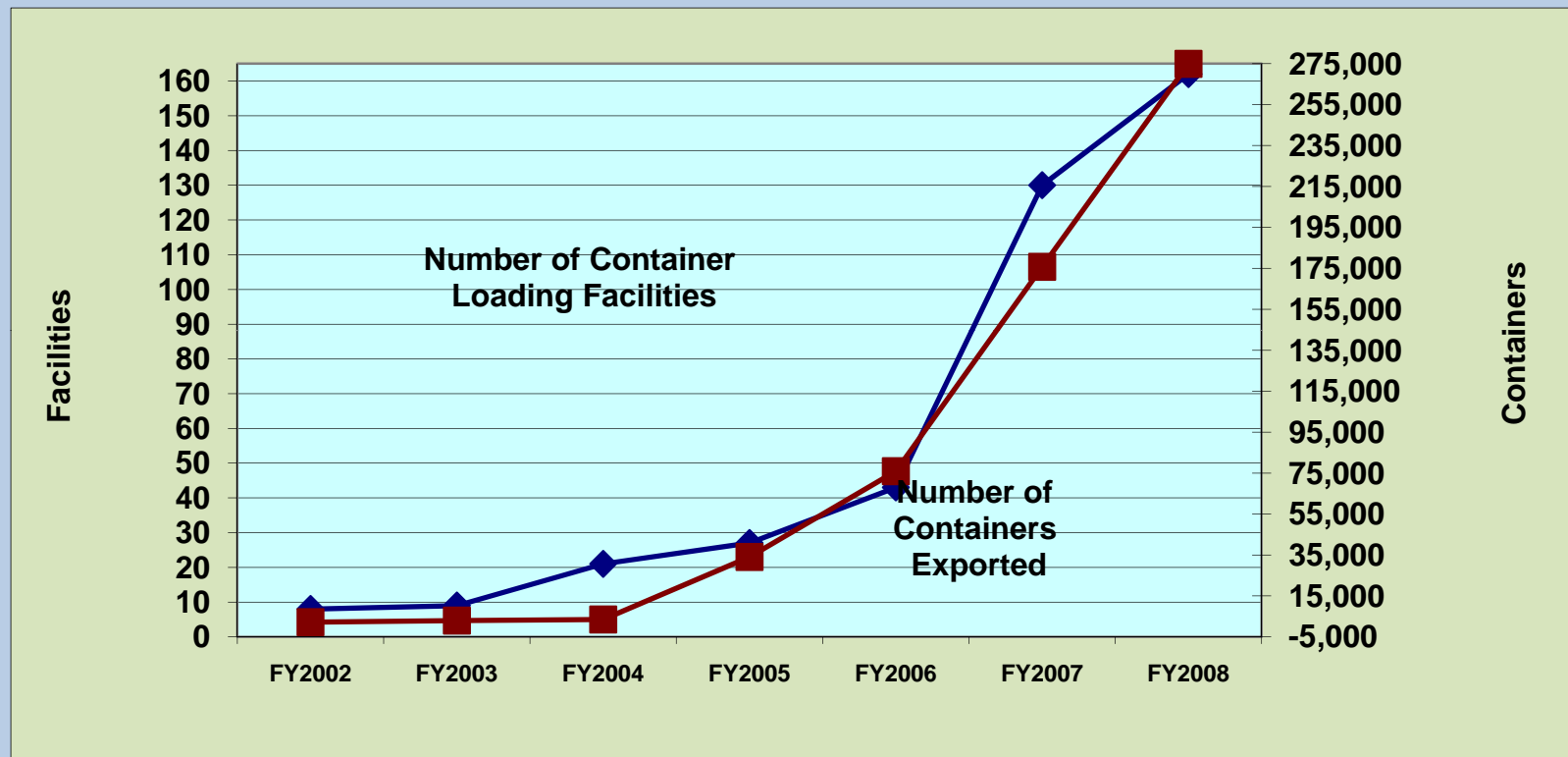


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Federal Grain Inspection Service



# Historical Volume

- Currently there are over 160\* loading facilities with the majority in proximity to the railroad hub in Chicago



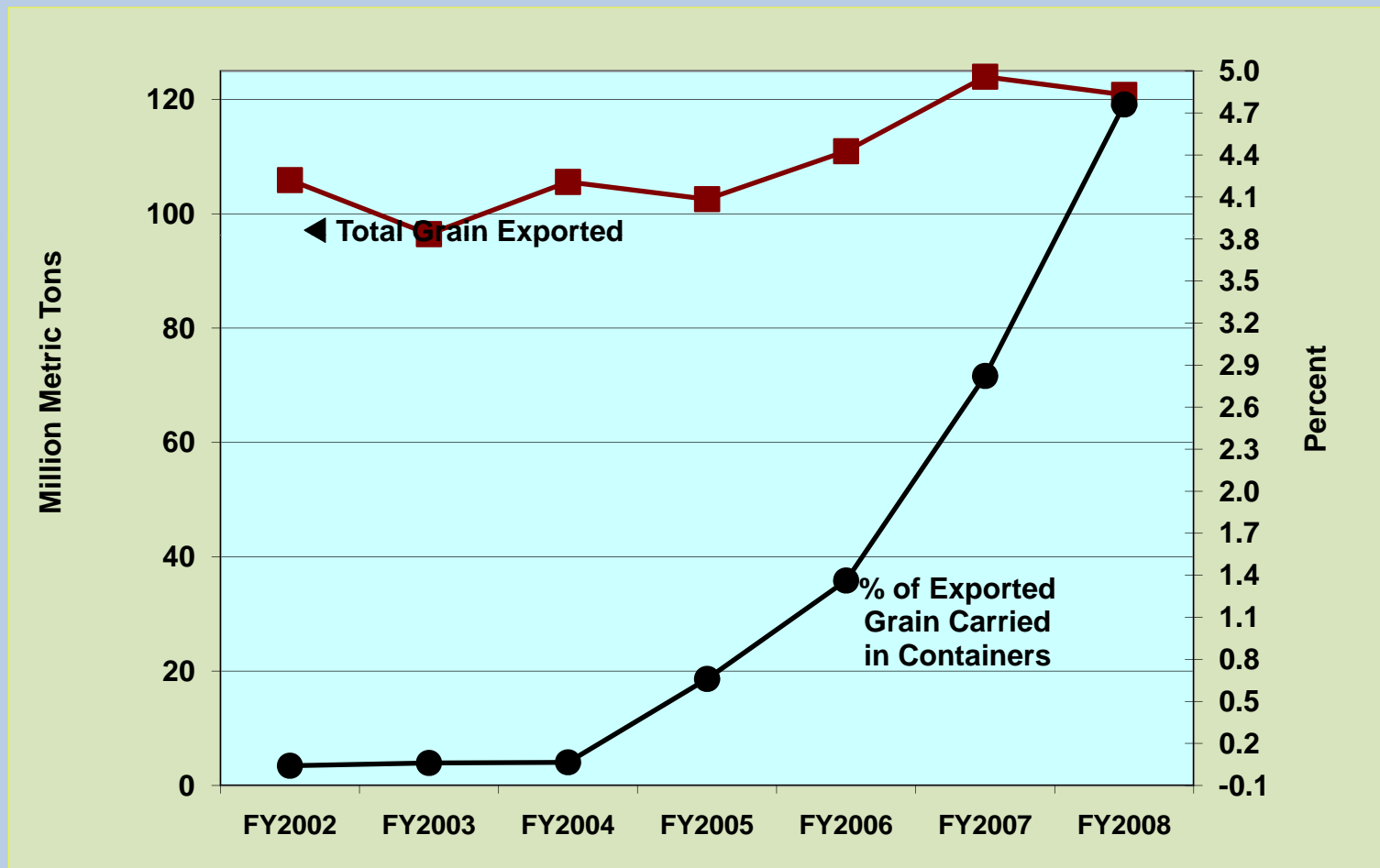
\* There are also over 150 facilities operating under GIPSA's 15,000 metric ton or high quality specialty grain exemptions, contributing to an unknown number of exported containers.



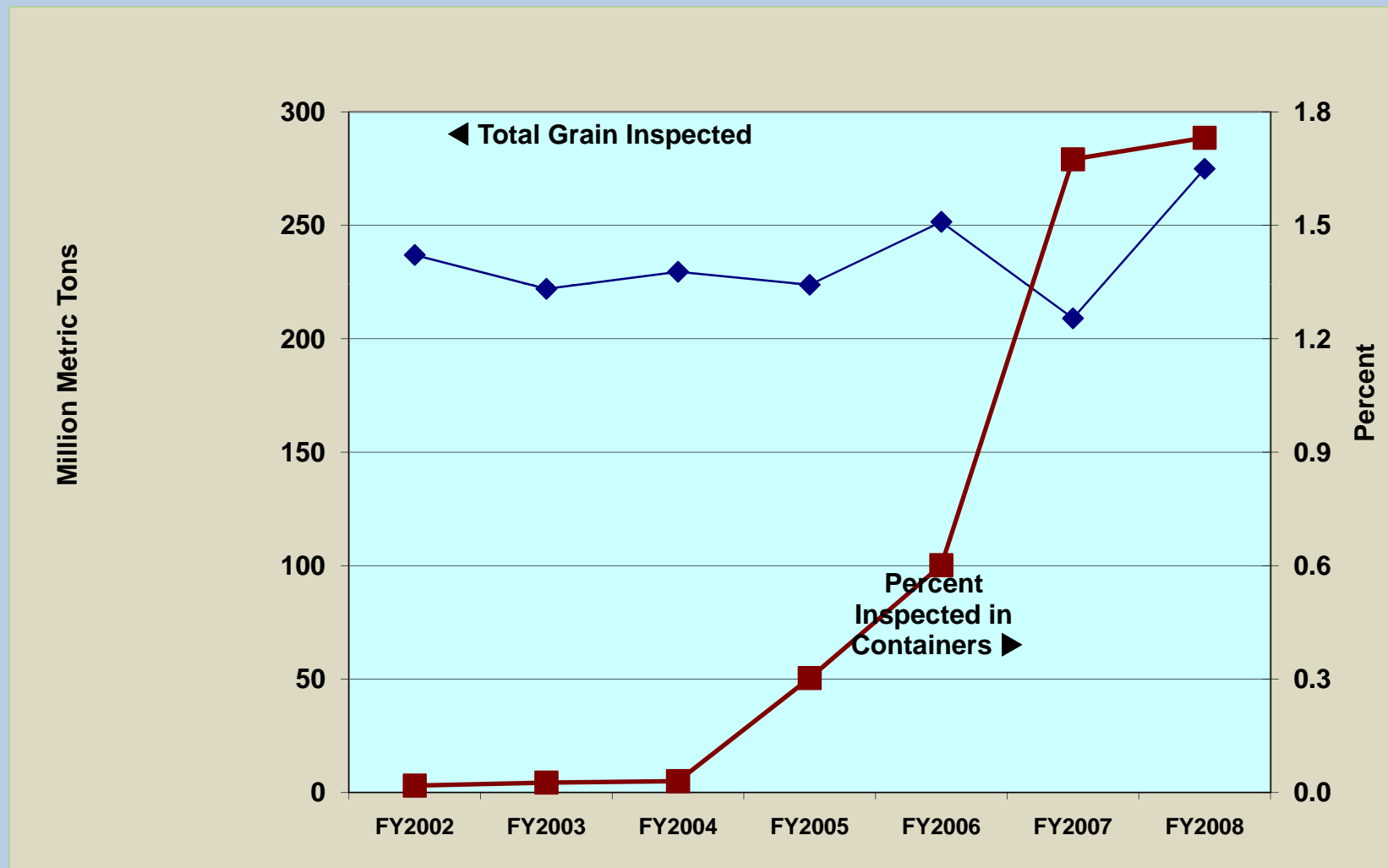
United States Department of Agriculture  
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Federal Grain Inspection Service

# Container Exports Increasing

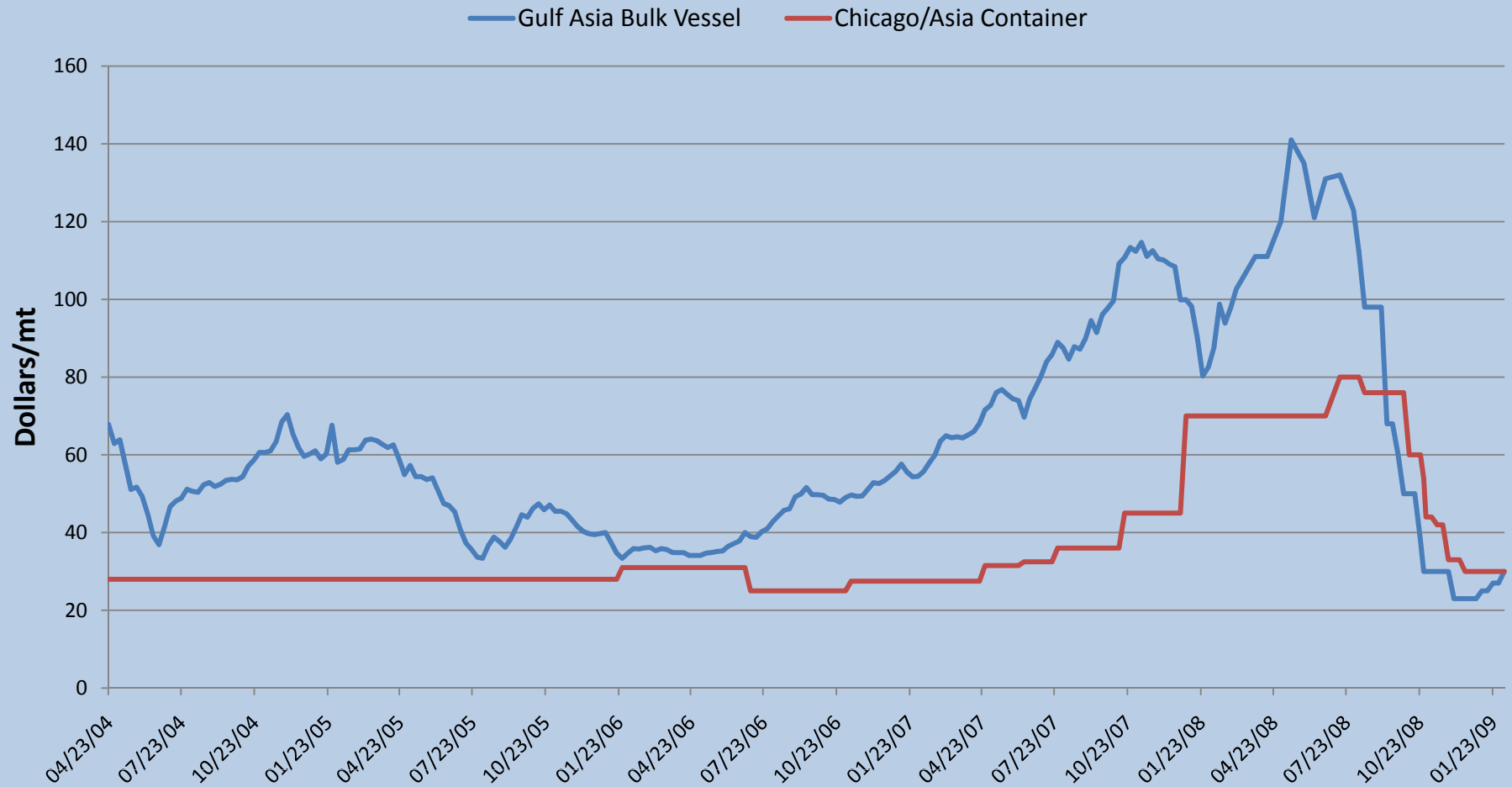
Inspection of containerized cargo has increased from 0.7% of total grain exported (metric tons) in 2005 to 4.8% of total grain exported (metric tons) in 2008.



- Inspection of containerized cargo has increased from 0.3% of total grain inspected (metric tons) in 2005 to over 1.7% of total grain inspected (metric tons) in 2008.



# Selected Ocean Freight Rates, Grain Basis



United States Department of Agriculture  
Grain Inspection, Packers and Stockyards Administration  
Federal Grain Inspection Service

# Container Facts

- Bulk grain lots exported by containers are sampled, inspected, and certificated as individual lots (default) except when the load order specifies certification based on a composite sample.
- Most container loaders request composite sample basis.
- Shippers may request an unlimited number of containers be combined to form a “booking”.
- To form composite samples from multiple carriers official personnel sample each individual carrier and examine the sample for insects, odor, and condition.



# Basis of Analysis

- Single Container - Single Certificate (Default)
  - 1 container, 1 sample, 1 inspection, 1 certificate
- Multiple Containers - Single Certificate
  - Multiple containers, 1 “composite” sample, 1 certificate
- Multiple Containers - Average Composite Certificate
  - Specify number of containers for composite sample inspection
  - Composite sample grades are averaged, 1 certificate issued

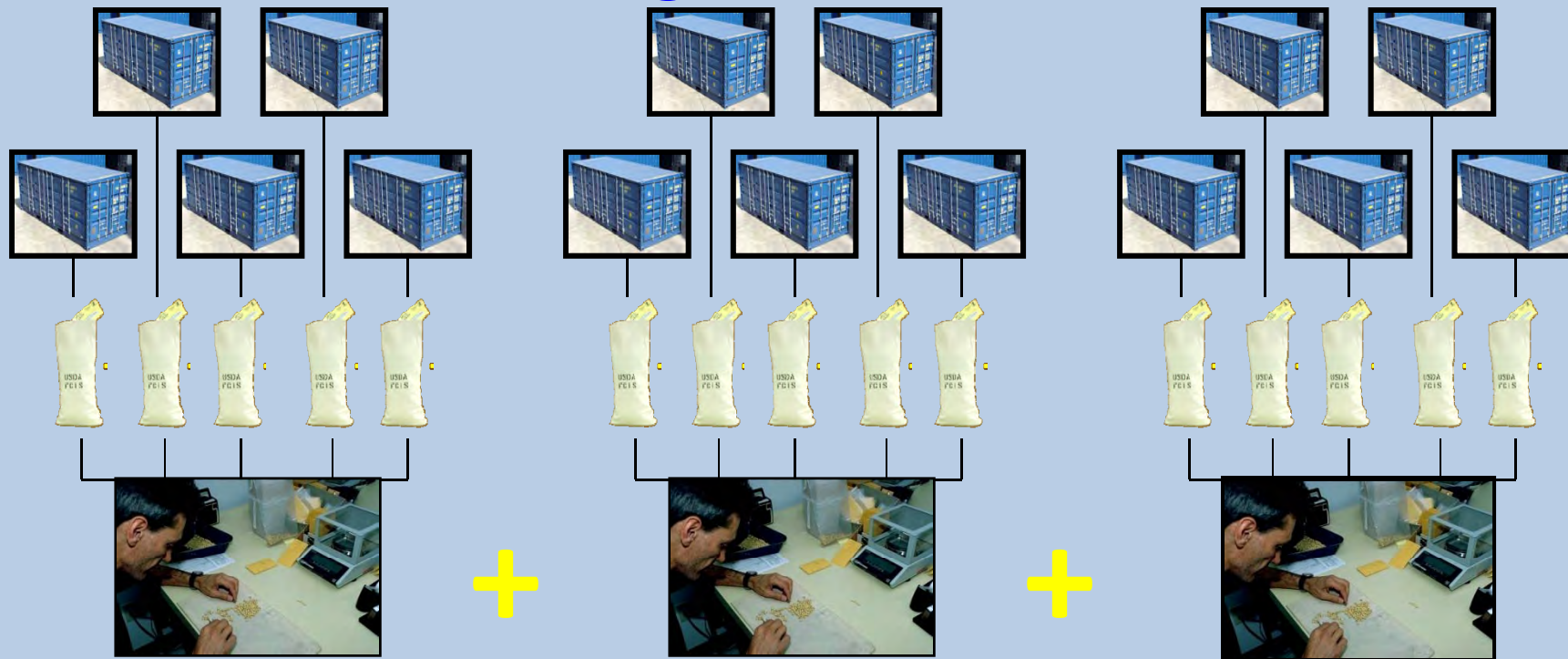


# Single Container Certificates (Default)



**\*If contract is silent; 1certificate per container**

# Average Composite Grade Single Certificate



UNITED STATES DEPARTMENT OF AGRICULTURE FEDERAL GRAIN INSPECTION SERVICE		ADMINISTRATIVE SYMBOLS ORIGINAL NOT RECORDED
OFFICIAL GRAIN INSPECTION CERTIFICATE		US-NO107461
Shipment, Lot & Area		
Quantity (This is not a Weight Certificate)		
CLASSIFICATION		
STORAGE		
REMARKS		



United States Department of  
Agriculture  
Grain Inspection, Packers and  
Stockyards Administration  
Federal Grain Inspection Service



# Multiple Containers – Single Certificate



UNITED STATES DEPARTMENT OF AGRICULTURE FEDERAL GRAIN INSPECTION SERVICE <b>OFFICIAL INSPECTOR'S CERTIFICATE</b>		ADMINISTRATIVE SYMBOL <b>ORIGINAL</b> NOT REPLICABLE
Commodity: <input type="checkbox"/> Domestic <input type="checkbox"/> Foreign Quantity: <input type="checkbox"/> Net <input type="checkbox"/> Gross		<b>US-NO107461</b> Date of Issue: _____ Date of Expiration: _____
Inspected For Use: <input type="checkbox"/> Domestic <input type="checkbox"/> Foreign <input type="checkbox"/> Both Inspected For: <input type="checkbox"/> Identity <input type="checkbox"/> Quality <input type="checkbox"/> Quantity <input type="checkbox"/> All		
<b>100.000 000 Pounds</b> Inspection: _____ Date of Issue: _____ Date of Expiration: _____		IDENTIFICATION OF CARRIER Vessel: _____ Port of Origin: _____ Port of Destination: _____ Date of Arrival: _____ Date of Departure: _____ Name of Shipper: _____ Name of Receiver: _____
Remarks: _____ Signature: _____ Title: _____		



United States Department of Agriculture  
 Grain Inspection, Packers and Stockyards  
 Administration  
 Federal Grain Inspection Service

# Challenges

- GIPSA is challenged to keep up with the growing number of container loading facilities.
- Field offices and compliance division are tested to keep pace with registering export facilities.
- GIPSA scale specialists are providing scale testing service on platform scales at the loading facilities.
- Official agencies have expanded inspection laboratory space and substantially increased manpower to accommodate shippers.



- To accommodate the containerized grain trade GIPSA has remained flexible with regards to sampling, combining samples for composite purposes, and certification procedures.
- Flexibility has provided shippers access to new markets.
- However, too much flexibility may have provided an advantage to container shippers over other bulk lot exporters in terms of uniformity requirements.



# GIPSA's 2007 Review

- Average Booking size - approximately 19 containers with 350 as a high.
- Average loading time - 3.89 days with a high of 44 days.
- Average number of days from the completion of loading to certification is 4.56 days with a high of 29 days.
- Average number of days from loading start to completion of certificate- 8.42 days.



- GIPSA is currently proposing changes to the regulations to address issues concerning uniformity of grade within bookings, weighing of grain in multiple units, average quality on shiplot grain, and certification procedures of container lots.
- GIPSA proposes a number of amendments to our general regulations in:
  - **7 CFR 800**
  - **7 CFR 800.84-.86**
  - **7 CFR 800.97-.98**
  - **7 CFR 800.152**



# Justification

- These amendments would promote fairness by setting regulations for exported grain in containers that are parallel to those we already have for grain exported in shiplots, unit trains, and lash barges.
- It would promote confidence in the USDA certification process and in the quality of U.S. grain exports.



# Anticipated Impacts

- This regulation should impose minimal burden on U.S. exporters of grain.
- There should be no impact on small entities, because exporters of less than 15,000 metric tons per calendar year are exempt from mandatory inspection and weighing.



# 7 CFR 800

GIPSA proposes to amend **7 CFR 800** “meaning of terms” to add definitions for average and composite grade.

- **Average Grade**- Multiple carrier units that are graded individually then averaged to form a single lot inspection.

- **Composite Grade**- Samples from multiple carriers that are combined to form a single lot inspection.





# 7 CFR 800.84

- GIPSA proposes to amend **7 CFR 800.84** , “Inspection of grain in land carriers, containers, and barges in single lots” to add procedures for inspecting and certifying average or composite grade for single lots. We propose a set limit on the number of containers that may be averaged or combined in a single lot.



# 7 CFR 800.85

GIPSA proposes to amend **7 CFR 800.85**, "Inspection of grain in combined lots" to add procedures for inspecting and certifying composite or average grade for combined lots. We also propose to specify how composite or average grade analysis should be recorded on the certificate.



FORM FGIS-009  
JAN 07

UNITED STATES DEPARTMENT OF AGRICULTURE  
FEDERAL GRAIN INSPECTION SERVICE  
U.S. GRAIN STANDARDS ACT

Approved OMB No. 0580-0013

## OFFICIAL EXPORT INSPECTION CERTIFICATE

ORIGINAL  
US-VA-1-04637  
NOT NEGOTIABLE

LEVEL OF INSPECTION:  
Original

ISSUED AT:  
Chesapeake, VA

DATE OF SERVICE:  
August 21, 2008

IDENTIFICATION:  
BOOKING NUMBER CHIU4446

LOCATION:  
SALMONS FARMS  
VIRGINIA BEACH, VA

QUANTITY: (this is NOT a weight certificate)  
780.320 Pounds

GRADE AND KIND: U.S. NO. 2 OR BETTER SOFT RED WINTER WHEAT, DOCKAGE 0.4%

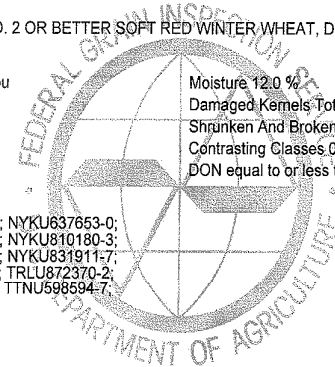
### RESULTS:

Test Weight Per Bushel 61.8 lb/bu  
Heat-Damaged Kernels 0.0 %  
Foreign Material 0.0 %  
Defects 1.9 %  
Wheat Of Other Classes 0.0 %

Moisture 12.0 %  
Damaged Kernels Total 1.6 %  
Shrunken And Broken Kernels 0.3 %  
Contrasting Classes 0.0 %  
DON equal to or less than 2 ppm.

### REMARKS:

NYKU611615-2; NYKU634421-3; NYKU637653-0;  
NYKU643528-9; NYKU803275-0; NYKU810180-3;  
NYKU811055-4; NYKU819898-8; NYKU831911-7;  
NYKU833913-4; TCKU420145-2; TRLU872370-2;  
TTNU405788-8; TTNU561707-7; TTNU598594-7



APPLICANT NAME: SALMONS FARMS

I CERTIFY THAT THE SERVICES SPECIFIED ABOVE WERE PERFORMED WITH THE RESULTS STATED.

NAME OR SIGNATURE: DAVID C STEVENS

ISSUING OFFICE: Virginia Department of Agriculture and  
Consumer Services

This certificate is issued under the authority of the United States Grain Standards Act, as amended (7 U.S.C. 71 et seq.), and the regulations thereunder (7 CFR 800.0 et seq.). It is issued to show the kind, class, grade, quality, condition, or quantity of grain; or the condition of a car or container for the storage or transportation of grain; or other facts relating to grain as determined by official personnel. The statements on this certificate are considered true at the time and place the inspection or weighing service was performed. The certificate shall not be considered representative of the lot if the grain is transhipped or is otherwise transferred from the identified carrier or consignor, or if grain or other material is added to or removed from the lot. If this certificate is not prepared by a cooperating certificate, it is received by all officers and all courts of the United States as prima facie evidence of the truth of the facts stated therein. This certificate does not excuse failure to comply with the provisions of the Federal Food, Drug, and Cosmetic Act or other Federal law.

WARNING: Any person who shall knowingly falsify, make, issue, alter, forge, or counterfeit this certificate, or participate in any such actions, or otherwise violate provisions in the U.S. Grain Standards Act, the U.S. Warehouse Act, or related Federal laws is subject to criminal, civil, and administrative penalties. The conduct of all employees and the licensing of personnel under the regulations governing such services shall be accomplished without discrimination as to race, color, religion, sex, national origin, age, or handicap.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information is 0580-0013. The time required to disclose this recordkeeping requirement is to average 39.087 hours per recordkeeper annually, including the time to retain such records, and to notify, disclose, and report to third parties such recordkeeping requirements.



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Grain Inspection, Packers and Stockyards Administration  
Federal Grain Inspection Service

# 7 CFR 800.86

- GIPSA proposes to amend **7 CFR 800.86**, “Inspection of shiplot, unit train, and lash barge grain in single lots” to allow average grade analysis and to specify how that should be recorded on the certificate.
- We propose that in the application procedure, the applicant’s request to use other inspection criteria required by the sales contract must be shown, if applicable.



# 7 CFR 800.97

- GIPSA proposes to amend **7 CFR 800.97**, “Weighing grain in containers, land carriers, barges, and shiplots” to clarify requirements for containers.



# 7 CFR 800.98

- GIPSA proposes to amend **7 CFR 800.98**, “Weighing grain in combined lots” to allow grain weighed at multiple locations to be certified as a combined lot.
- Single lots of grain that are weighed as a combined lot can be weighed at multiple locations provided that they are the same type of carrier and weighing is performed at each individual location in a ***reasonably continuous operation***.



# 7 CFR 800.152

- GIPSA proposes to amend **7 CFR 800.152**, “Maintenance and retention of file samples” to add requirements for retaining file samples from containers and from short voyage ships and barges, and to include retention periods for the storage of file samples for containers.



# Alternatives



United States Department of Agriculture  
Grain Inspection, Packers and Stockyards Administration  
Federal Grain Inspection Service

- **Not proposing rule**

This would leave inconsistent procedures for different types of grain shipments, and could also reduce the credibility of USDA's certification of U.S. grain.





- **Inspection and Certification of each container individually**

This would place an undue burden on the shipper of U.S. grain, and the official inspection system.



United States Department of Agriculture  
Grain Inspection, Packers and Stockyards Administration  
Federal Grain Inspection Service

# Time Table

- We envision this process to take approximately 18-24 months from drafting the proposed rule to implementation.
- Draft of proposed rule and internal (FGIS) clearance: 6 months. (In progress)
- Publication in Federal Register (August 2009) with a comment period of 60 days.
- GIPSA addresses comments and prepares final rule (February 2010).
- Effective date 30 days after final rule is published (March 2010).



# Summary

- By defining and setting procedures for establishing average and composite grades, we are making the rules more flexible to meet the needs of grain exporters. Customers are writing sales contracts that specify these kinds of inspection tolerances, and we need to be able to certify that U.S. grain meets those tolerances.



# ***Grain Inspection, Packers & Stockyards Administration***

## ***International Trade and Outreach Issues***

***FGIS Advisory Committee  
St. Louis, Missouri***

**June 24, 2009**

John B. Pitchford  
Director of International Affairs



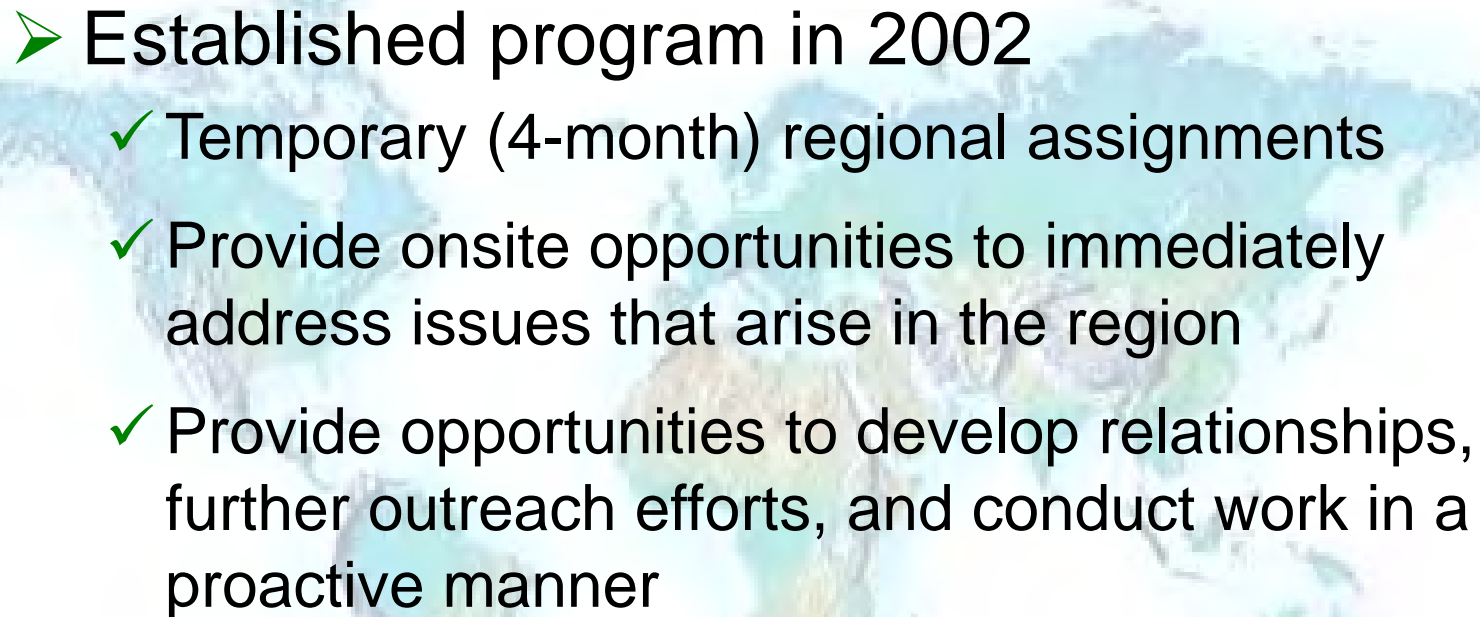
# Current International Trade and Outreach Issues

- 
- China Soybean Project
  - Long-term Assignments to Asia
  - Mexico Update
  - Discrepancies
  - StarLink Corn Update

# U.S. – China Soybean Study

- Outgrowth of “treated” soybean issues
- AQSIQ and NAEGA, ASAIM, FAS, GIPSA as cooperators
- AQSIQ wants to include plant health issues in study
- July 2009 - FGIS representative will travel to China for discussions with AQSIQ and APHIS

# Long-term Assignments to Asia

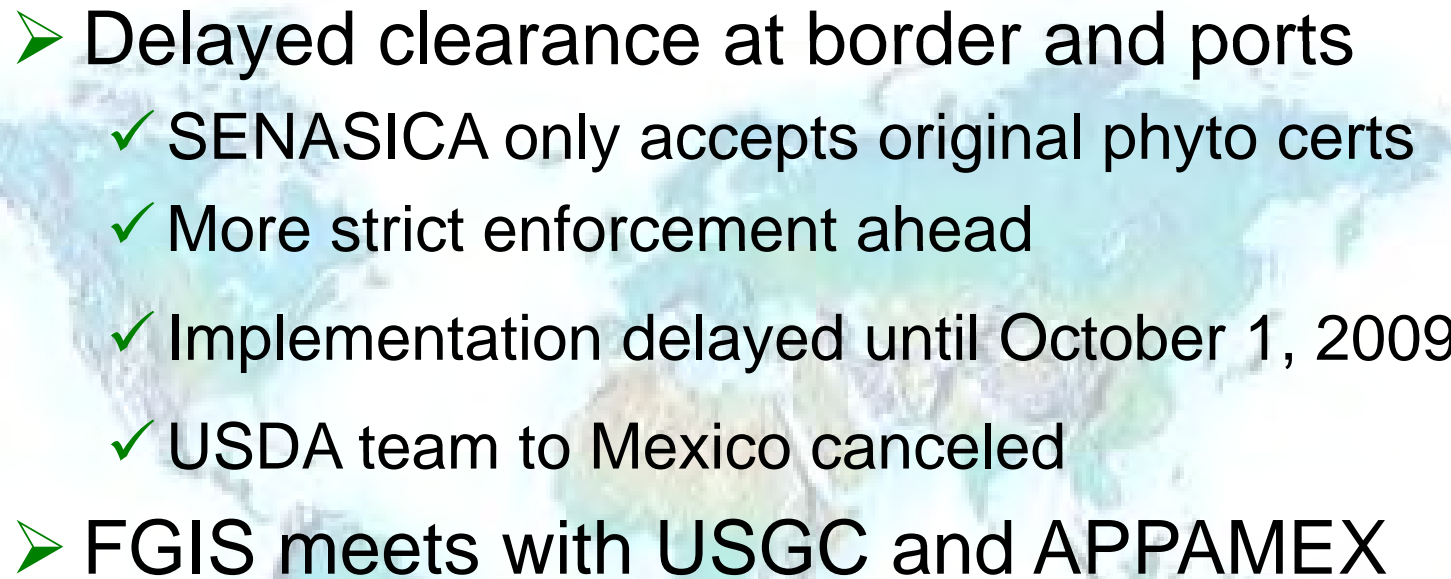
- 
- Established program in 2002
    - ✓ Temporary (4-month) regional assignments
    - ✓ Provide onsite opportunities to immediately address issues that arise in the region
    - ✓ Provide opportunities to develop relationships, further outreach efforts, and conduct work in a proactive manner

# Long-term Assignments to Asia

- 
- Last assignment – May – Sep '08
    - ✓ Based in Hong Kong
    - ✓ 7 Countries visited
    - ✓ 14 Grading seminars
    - ✓ Containers
  - Training new officer – Summer 09
  - 5-Week assignment planned – Aug/Sep 09

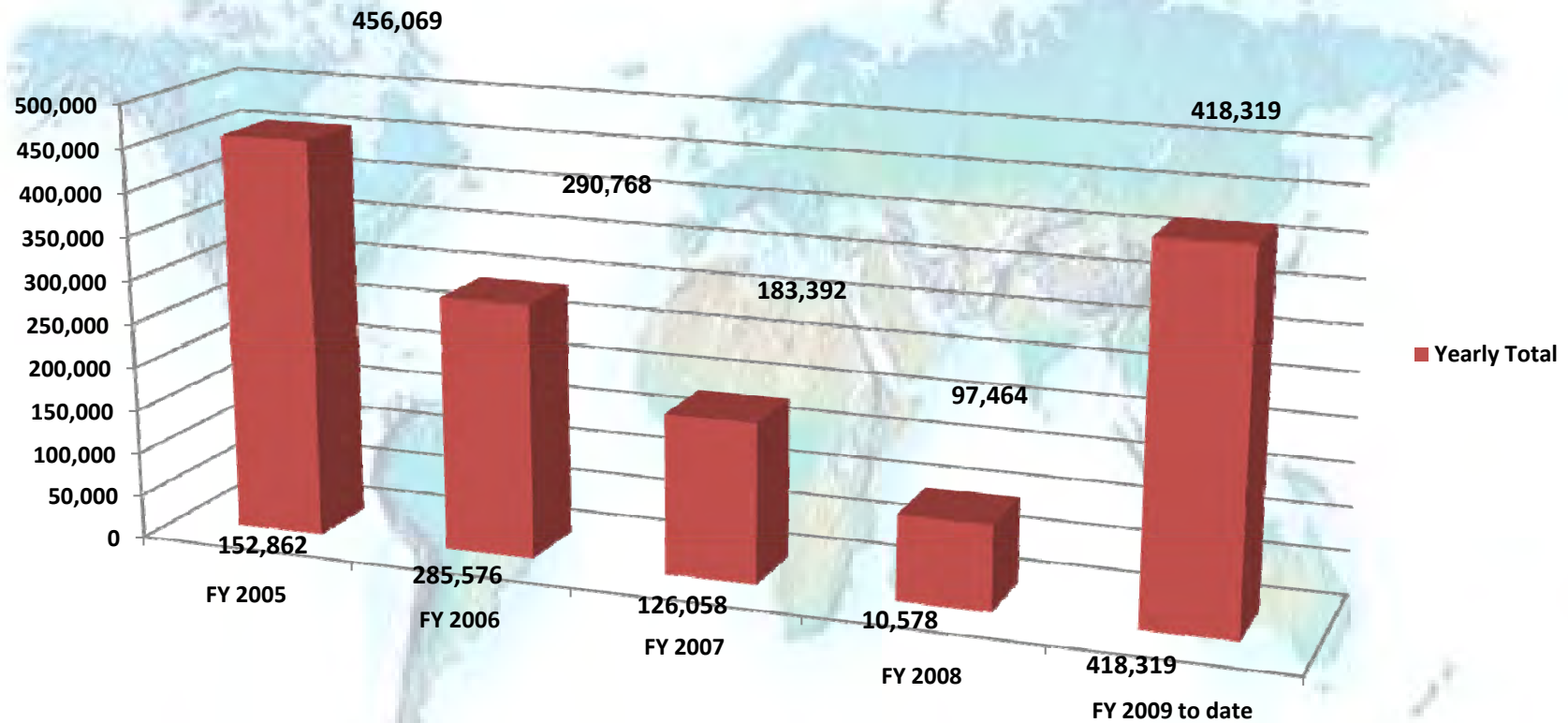


# Mexico Update

- 
- Delayed clearance at border and ports
    - ✓ SENASICA only accepts original phyto certs
    - ✓ More strict enforcement ahead
    - ✓ Implementation delayed until October 1, 2009
    - ✓ USDA team to Mexico canceled
  - FGIS meets with USGC and APPAMEX

# Importer Complaints Metric Tons

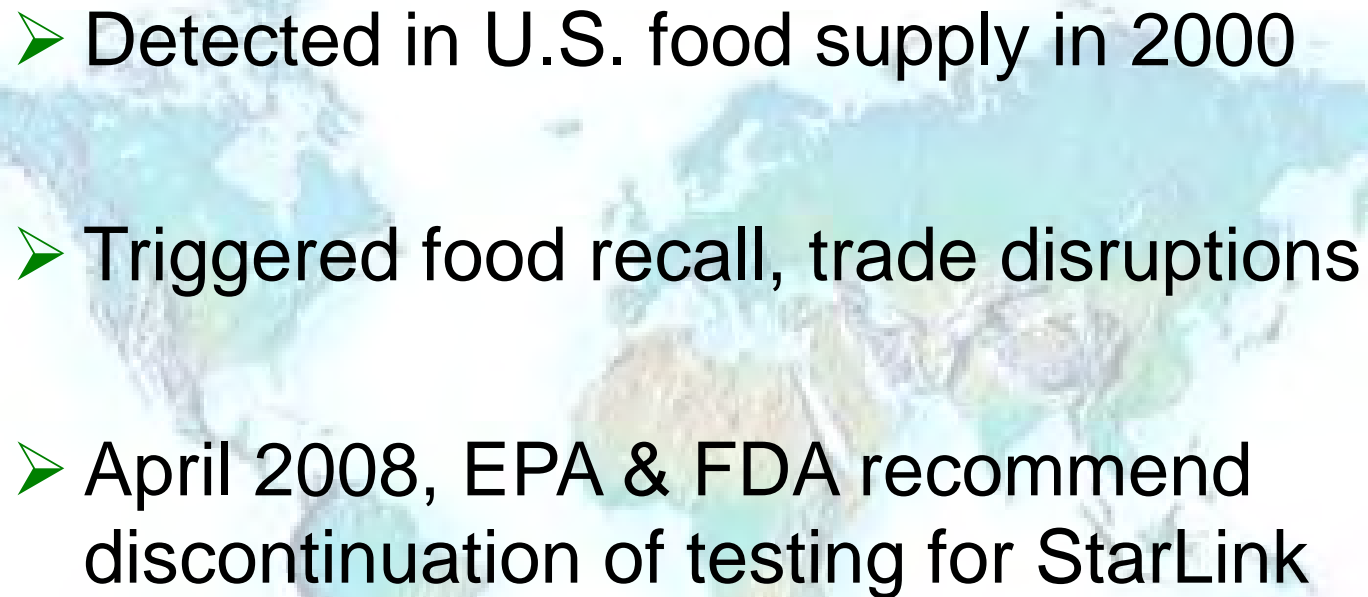
Yearly Total



# FY 2009 Complaints

- 
- 13 Complaints from 8 countries
    - ✓ Korea – Corn BCFM 50%
    - ✓ China – Treated soybeans 28%
    - ✓ Japan – wheat metal/stones 10%

# StarLink Corn Update

- 
- Detected in U.S. food supply in 2000
  - Triggered food recall, trade disruptions
  - April 2008, EPA & FDA recommend discontinuation of testing for StarLink

# StarLink Corn Update

- June 2008 - MHLW ends pre-export testing
- April 1, 2009 - MHLW ends import monitoring
- April 14, 2009 – MAFF ends import monitoring

*No more testing required – globally*

# Commodity Fee Analysis

**Eric Jobs**

**Advisory Committee Meeting**

**June 24-25, 2009**



**United States Department of Agriculture  
Grain Inspection, Packers and Stockyards Administration  
Federal Grain Inspection Service**

# Commodity Inspection

- ◎ Under authority of Agricultural Marketing Act (AMA), 7 CFR § 868
  - > Permissive official sampling, inspection, weighing, testing, and certification of processed and graded commodities
- ◎ Peas, beans, lentils, hops, pulses, flour, oil, syrup, etc.
- ◎ Standards
- ◎ Original services
  - > Services provided by FGIS field offices
- ◎ Cooperative Agreements
  - > Agreements with cooperators to provide service on FGIS' behalf



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# Financial History

Revenues	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
TOTAL	\$2,254,425	\$2,197,197	\$2,082,491	\$1,951,882	\$2,281,910
Obligations	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
TOTAL	\$2,405,243	\$2,296,333	\$2,244,782	\$2,399,453	\$2,485,943
Retained Earnings	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Beginning Balance	\$2,888,034	\$2,737,216	\$2,638,080	\$2,475,789	\$2,028,218
Margin	(\$150,818)	(\$99,136)	(\$162,291)	(\$447,571)	(\$204,033)
Ending Balance	\$2,737,216	\$2,638,080	\$2,475,789	\$2,028,218	\$1,824,185
Months (In Obligations)	13.7	13.8	13.2	10.1	8.8



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# Financial Projection

Revenues	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
TOTAL	\$2,281,910	\$2,281,910	\$2,704,898	\$2,786,045	\$2,869,626	\$2,955,715	\$3,044,386
Obligations	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
TOTAL	\$2,560,521	\$2,637,337	\$2,704,898	\$2,786,045	\$2,869,626	\$2,955,715	\$3,044,387
Retained Earnings	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Beginning Balance	\$1,824,185	\$1,545,574	\$1,190,147	\$1,190,146	\$1,190,146	\$1,190,146	\$1,190,145
Margin	(\$278,611)	(\$355,427)	(\$0)	(\$0)	(\$0)	(\$0)	(\$0)
Ending Balance	\$1,545,574	\$1,190,147	\$1,190,146	\$1,190,146	\$1,190,146	\$1,190,145	\$1,190,145
Months (In Obligations)	7.2	5.4	5.3	5.1	5.0	4.8	4.7



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# Summary

- Fee structure revisions to:
  - Align fees with underlying costs
  - Maintain retained earnings
  - Ensure sustainability of program
- Increase fees by ~17% in FY 2011 and 3% annually for FY 2012-15
- Increase TSD commodity testing fees for cost recovery



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Grain Inspection, Packers and Stockyards Administration  
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# **CO\$T CONTAINMENT – STEPS TAKEN**

**John Sharpe  
TSD Director**

**Advisory Committee Meeting  
June 24-25, 2009**



**United States Department of Agriculture  
Grain Inspection, Packers and Stockyards Administration  
Federal Grain Inspection Service**

# Cost Containment – Steps taken

Cost Savings Item	Annual Savings
Salary and Benefits	\$2,142,794
Jonesboro and Corpus Christi Sub-Offices to Duty Points	\$40,000
Collateral Duty Officer Program in Asia	\$150,000
Farm Gate Assessments	\$7,500
Services, Equipment and Maintenance	\$28,747
<b>Total Annual Savings</b>	<b>\$2,369,041</b>



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Federal Grain Inspection Service

# Cost Containment – Steps taken

## Additional Savings:

- Discontinued use of relocation service companies.
  - **\$125,000** per move
- Expand the use of the 2-2-3 Work Schedule in New Orleans, Portland and League City.
  - Reduce overtime hours by at least **20%**



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Grain Inspection, Packers and Stockyards Administration  
Federal Grain Inspection Service

# FGIS Contract Review Program

Thomas C. O'Connor  
Director  
Compliance Division

# Commercial Contract Review Program

- *What is it?*
- *What is the issue?*
- *Why has GIPSA initiated the program?*

# Overview

- Background
  - ❖ Previous Program
- Current Program
  - ❖ Survey procedures
  - ❖ Benefits
- Preliminary findings
  - ❖ General level of conformance
  - ❖ Issues found
  - ❖ Actions
- Next steps
  - Continued analysis thru at least Sept. 2010
  - Communication -- Education



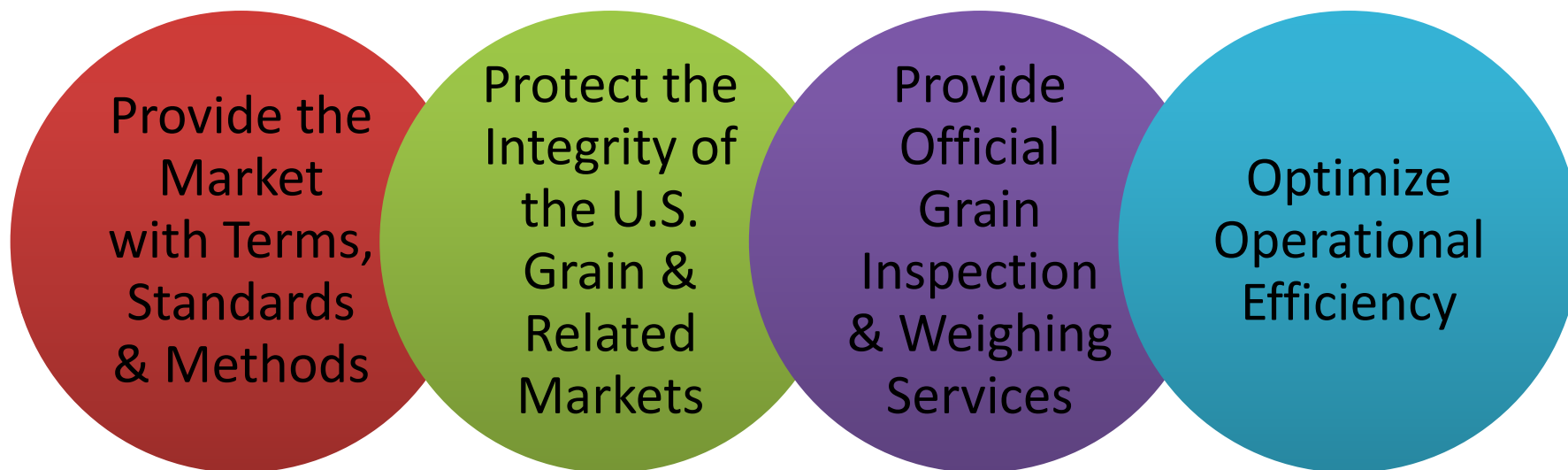
# Program Initiatives and Strategic Plan

**Randall Jones**  
**Deputy Administrator**  
**Advisory Committee Meeting**  
**June 24-25, 2009**



**United States Department of Agriculture**  
**Grain Inspection, Packers and Stockyards Administration**  
**Federal Grain Inspection Service**

# FGIS Core Business Practices



## ➤ **Market Opportunities**

- Meaningful grain quality attributes
- Need for setting priorities
- Developing new criteria

# Terms, Standards, and Methods

## ➤ Wheat Functionality

- Protein Quality (gluten strength) test
  - Market Applicable
  - apid
  - Repeatable
- Farinograph Standardization
- Wheat Variety Library via High Performance Liquid Chromatography (HPLC)



# Terms, Standards, and Methods

- **Unified Grain Moisture Algorithm**
  - New dielectric approach to moisture measurement
  - Benefits
    - Improved accuracy
    - Permits multiple manufacturers to use common calibrations
    - Reduces cost of on-going calibrations



United States Department of Agriculture  
Grain Inspection, Packers and Stockyards Administration  
Federal Grain Inspection Service

# Terms, Standards, and Methods

## ➤ Sorghum Odor Line Evaluation

- Industry panel April 2009
- Assess industry position
- Dr. Edgar Chambers of K-State University to develop proposal to address consistency issues of musty odor



# Terms, Standards, and Methods

## ➤ Farm Gate Assessments

- Establish producer quality
- Aid GIPSA in promulgating standards

	Sorghum	Soybean
<b>Initiated in</b>	FY 2006	FY 2007
<b>Samples to be collected in FY 09</b>	1,248 from 13 states 99% of production	1,478 from 29 states 99.9% of production
<b>Collection period</b>	FY 2006-10	FY 2007-11



# Terms, Standards, and Methods

## ➤ Soybean Export Assessment

- Analyze foreign material composition in samples from export offices
- Correlate farm gate and export quality
- Pesticide residue analysis

	<b>Sorghum</b>
<b>Initiated in</b>	FY 2008
<b>Samples to be collected in FY 09</b>	400 from field offices and official agencies
<b>Collection period</b>	FY 2008-11



# Terms, Standards, and Methods

## ➤ **2009-2010 Customer Survey**

- Seeking feedback from customers
- Updates to addresses including e-mail
- Exploring electronic submission of responses

## ➤ **Standards under review**

- Whole dry pea: Effective July 15, 2009
- Mixed Rice: In clearance
- Wheat : In clearance





# U.S. Grain Integrity

## ➤ **Quality Management Program**

- Goal - Transition to full audit-based review program
- Who - FGIS Field Offices and Official Agencies
- Program implemented in 2009



# U.S. Grain Integrity

- **Contract Review Program for Export Shipments**
  - Compare loading instructions with contract terms
  - Assess compliance with USGSA and associated regulations and directives
  - Based on a similar program that ended in 2000
  - Will extend thru September 2010
  - Initial findings



# U.S. Grain Integrity

- **Reduce/eliminate international trade barriers**
  - Mexico – new outreach proposal
  - Biotechnology
- **Partnerships and international outreach**
  - Collateral duty officer program – Asia
  - Quality and Weight Discrepancy Resolution Program



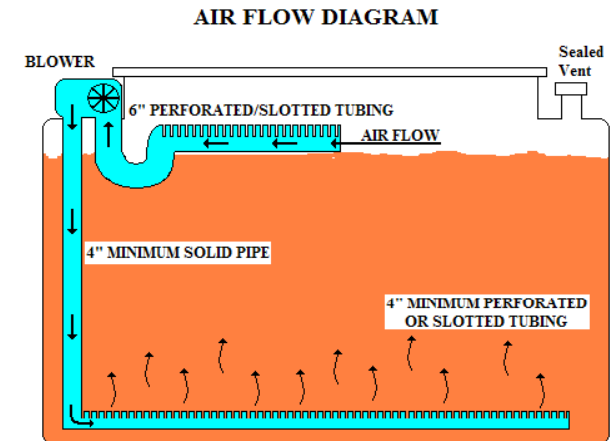
# Inspection and Weighing Services

## ➤ Container Regulations

- In 2007 GIPSA performed comprehensive evaluation
- Proposed changes to the USGSA regulations

## ➤ In-transit Fumigation

- Uniform requirements for applying fumigant to grain and rice loaded aboard acceptable vessels
- Recommended procedures are now mandatory



# Inspection and Weighing Services

## ➤ **NIST 2010 Metrology Lab Certification**

- National Master Scale Calibration Program
- Renovation of FGIS metrology lab in Chicago

## ➤ **Scale Program – Test Car Procurement**

- 50 yrs lifespan
- FGIS has 5 test cars
- Funding request currently considered by the Association of American Railroads



# Inspection and Weighing Services

## ➤ Official Agency Training

- Driven by centralization of services
- American Association of Grain Inspection and Weighing Agencies provided input regarding training for grading, sampling, certification, etc.
- Cost covered by official agency supervision funds and official agencies



# Inspection and Weighing Services

## ➤ **FGISonline**

- FGIS Official Licensing (FOL) – 7/20/09
- Quality Assurance & Control (QAC) – 7/20/09
  - Enter QAQC data at all levels of the official system
  - Expedient system for finding and correcting inspection problems
  - Helps establish a minimum benchmark of QAQC activity for Quality Management Plans
- Inspection Testing & Weighing (ITW) – 9/9/09



# National Grain Center

- Construction drawings in final review
- Tentative occupancy dates

Oct 2009

- New Building

Jan 2010

- Existing building upstairs renovation

April 2010

- Existing building downstairs renovation

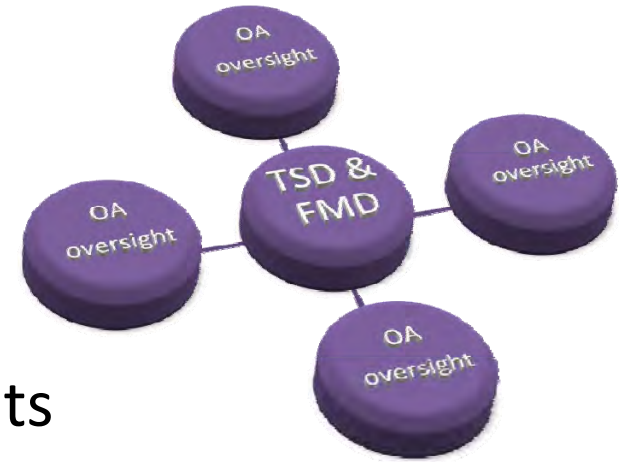




# Operational Efficiency

## ➤ Consolidation of Oversight Functions

- Goals
  - Improve efficiency of operations
  - Reduce costs
  - Address attrition due to retirements
- 15 official agencies currently monitored (43% of national inspections)
- Expansion dependent on completion of FGISOnline QA/QC module



# Sorghum Odor

John Sharpe  
June 24, 2009  
GIPSA Advisory Committee  
St. Louis, Missouri



United States Department of Agriculture  
Grain Inspection, Packers and Stockyards Administration  
Federal Grain Inspection Service

# Background

**May  
2008**

- Odor differences occur between origin and export location

**June  
2008**

- Exporters, handlers & producers concerned with the current musty odor line.

**Nov 2008**

- GIPSA surveyed 62 individuals from 26 companies in 5 states.

**Dec 2008**

- Advisory Committee resolved GIPSA form a taskforce to validate the odor line.

**Jan 2009**

- National Sorghum Producers requested that a taskforce also be formed.

**Apr 2009**

- GIPSA convened a taskforce
- Led by Dr. Edgar Chambers IV, sensory expert K-State University

# Initial Survey Results

Sample Number	1	2	3	4	5	6	7	8	9	10
Acceptable	52	49	13	40	7	60	54	28	50	54
Unacceptable or Accept with Discount	10	13	48	21	55	2	7	33	11	7
Total Observations	62	62	61	61	62	62	61	61	61	61
GIPSA	OK	Musty	Musty	OK	Sour	OK	OK	Musty	OK	OK

# Advisory Committee Resolution

**“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 as its members a cross section of users, producers, and handlers.”**

# National Sorghum Producers Request

**“FGIS create a taskforce consisting of industry, producers and government representatives to outline a plan of action for FGIS’s odor determination for official grades of grain sorghum. At this time, we recommend the taskforce’s objectives include evaluation where the odor line should stand and ensuring FGIS’s interpretation is not too restrictive, causing uncertainty in the marketplace and costing sorghum producers money. We also recommend that the taskforce work with FGIS to define the word distinctive.”**

# United States Grain Standards Act

7 USC, Chapter 3, Sec 74, (b)

(b) It is also declared to be the policy of Congress -

- (1) **to promote the marketing of grain of high quality to both domestic and foreign buyers;**
- (2) that the **primary objective of the official United States standards** for grain is to certify the quality of grain as accurately as practicable; and
- (3) that official United States standards for grain shall –
  - (A) define uniform and accepted descriptive terms to facilitate trade in grain;
  - (B) provide information to aid in determining grain storability;
  - (C) **offer users of such standards the best possible information from which to determine end-product yield and quality of grain;**
  - (D) **provide the framework necessary for markets to establish grain quality improvement incentives;**
  - (E) **reflect the economic value-based characteristics in the end uses of grain;**  
and
  - (F) accommodate scientific advances in testing and new knowledge concerning factors related to, or highly correlated with, the end use performance of grain.

# Taskforce Meeting

April 8, 2009

Kansas City

## Participants

6 Handlers (domestic and export)

2 Producers (NSP)

4 End-users

### Note:

2 additional end users that had been invited and unable to attend analyzed the samples at after the meeting



# Taskforce Charge

Seek consensus on the official odor line for musty sorghum.

Sensory evaluation Guided by  
Dr. Edgar Chambers IV,  
internationally distinguished  
sensory expert K-State University

# Sample Creation

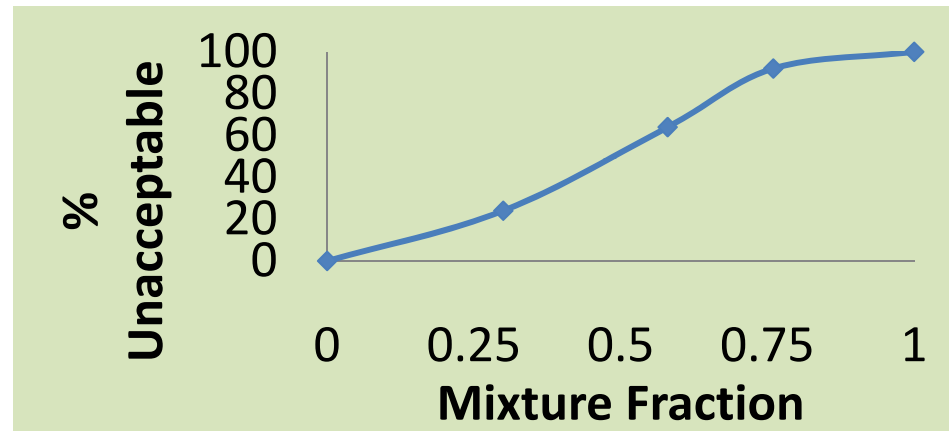
- 5 sets of 5 samples with varying odor intensities were created.
  - emphasis on storage musty
- Duplicates of each sample were created.

# Sample Distribution

- 2 sets of 5 samples                      10 Samples  
Ground Musty
  - 2 sets of 5 samples                      10 Samples  
Basement Musty
  - 6 sets of 5 samples                      30 Samples  
Storage Musty
- 50 Samples Total**

# Sample Range

- Each set ranged from ok odor to definite odor with middle sample representing the current GIPSA line.



- Samples were mixed using good and musty grain to specific percentages to create the range.

# The Odor Line Question

The USGSA requires standards be set to meet end-users needs

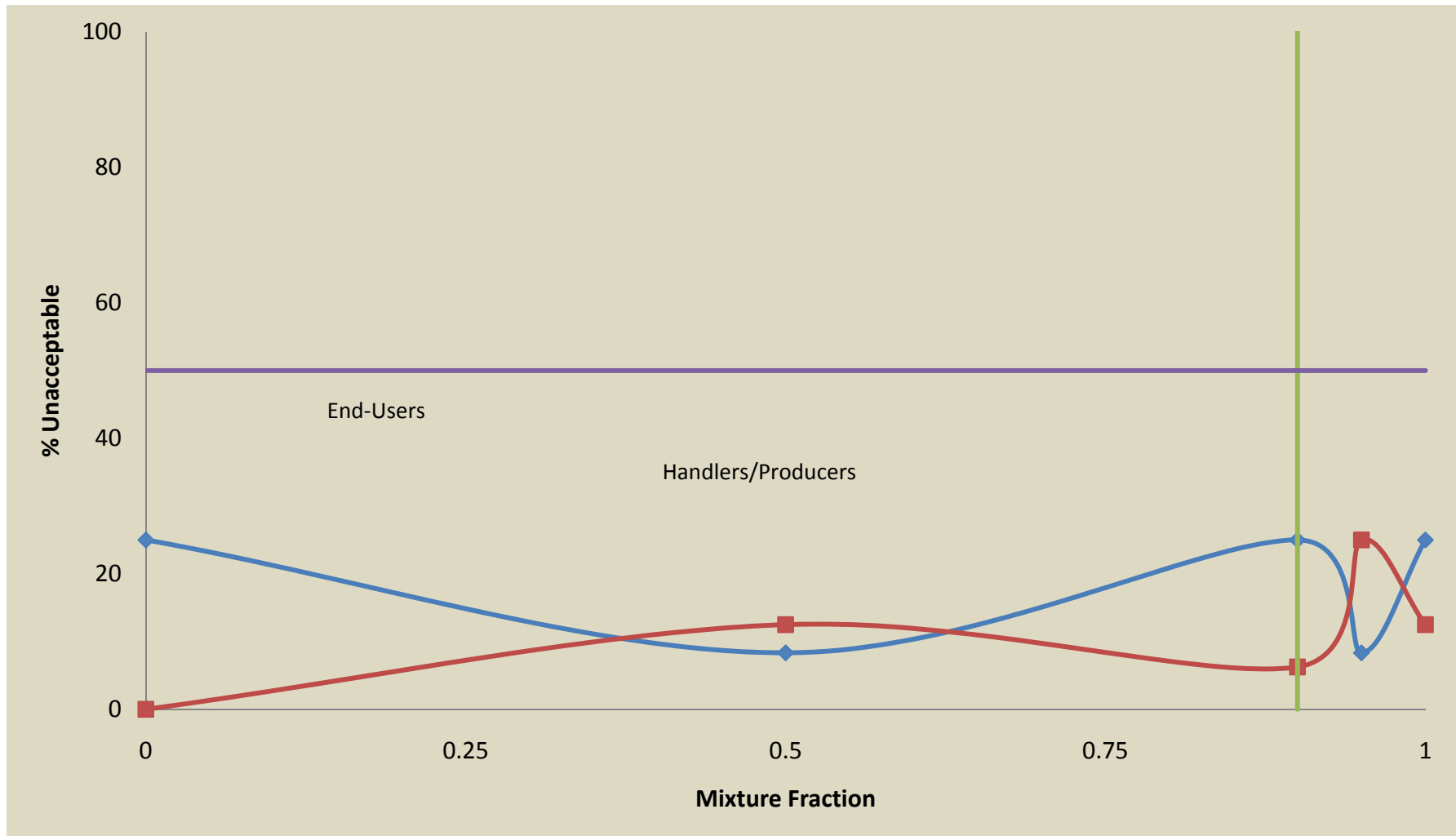
***When smelling sorghum samples, consider each as the only grain available. Blending to diminish the intensity of any off-odor is not an option. With this in mind, do you consider the odor present acceptable, without discount, for its intended use?***

# Evaluation

- Samples presented
  - In random order
  - In booths to prevent distraction and influence
  - Votes cast in boxes using bar coded cards
  - Noses cleared between samples using washcloths
  - Breaks after 10 samples
  
- Process Administered by Dr. Chambers

# Ground Musty

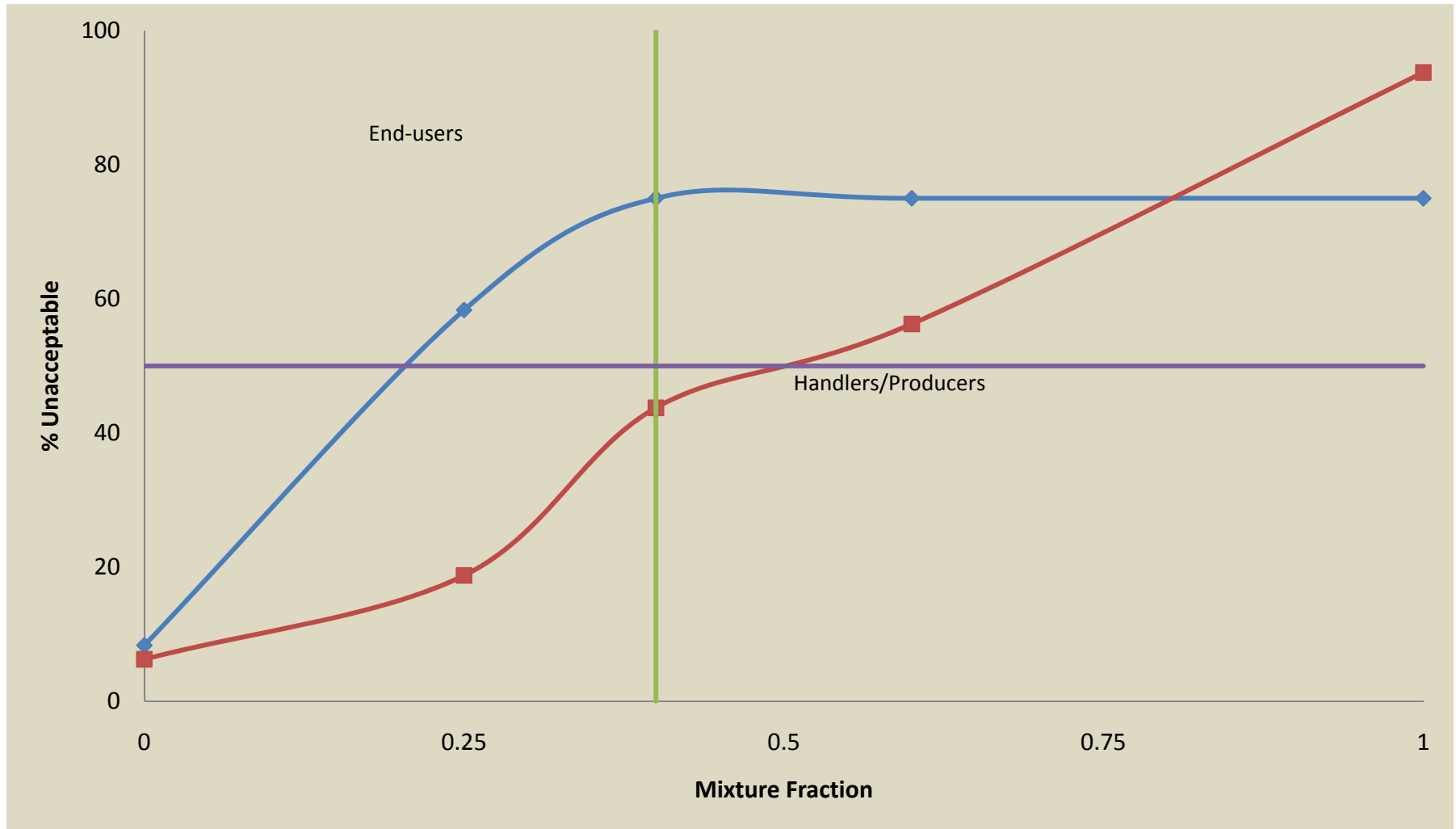
End-Users (Blue)  
Handlers & Producers (Red)



# Basement Musty

End-Users (Blue)

Handlers & Producers (Red)

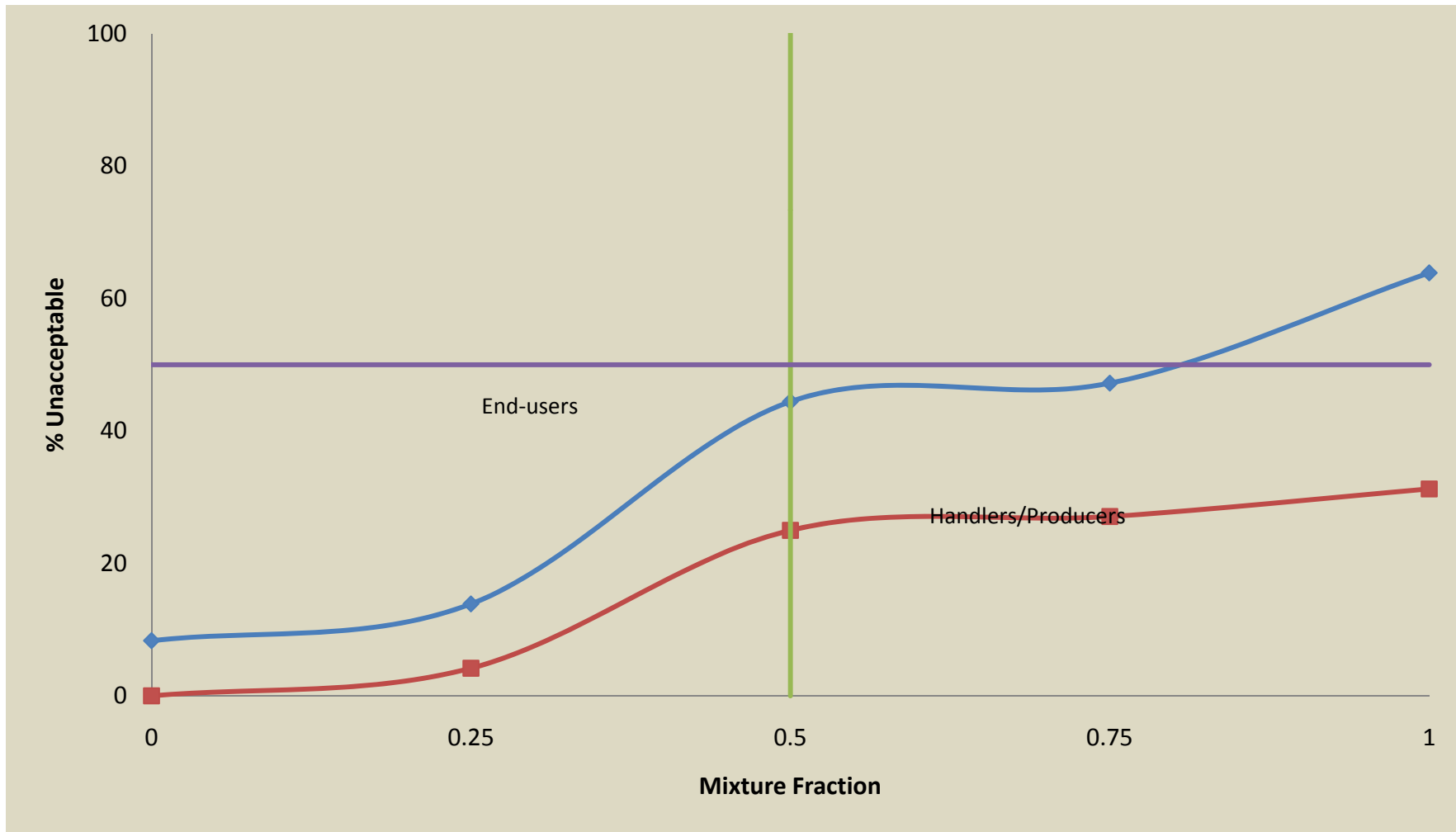




# All Storage Musty

End-Users (Blue)

Handlers & Producers (Red)



# Percent Unacceptable Samples

Odor Type	Industry Group	Number of Participants	% Unacceptable Odor by Participant		
			Average	Minimum	Maximum
Basement	End-user	6	58.3	30	80
	Handler/Producer	8	43.8	20	80
Ground	End-user	6	18.3	0	70
	Handler/Producer	8	11.3	0	50
Storage	End-user	6	35.6	0	73.3
	Handler/Producer	8	17.5	3.3	46.7

# The Odor Line Policy Question

The taskforce was also asked to provide their thoughts on.

***To what percentage of end-users should sorghum representing the GIPSA “odor line” be unacceptable without discount?***

# Outcomes

- **End-users odor line is tighter than handlers and producers**
- **There were significant differences within individuals even within the same group**
- **No consensus was reached on the level of end-users that should find the official line unacceptable**
- **Reporting “levels” of odors for samples should be explored**
- **Handlers and producers have great concern about consistency of odors between inspection points**

# Next Steps

- Seek input from Advisory Committee
- Work with Dr. Chambers to increase determination consistency

# Consistency Initiative

- Agreement with Dr. Chambers
  - Develop Standards
    - Ensure line maintained over time
    - Inspectors trained with a standard reference
    - Inspectors have reference when needed
    - Industry could have standards for house inspectors
  - Provide Evaluation Techniques

# REVISED SORGHUM STANDARDS

**Eric Jobs**  
**Advisory Committee Meeting**  
**June 24-25, 2009**



**United States Department of Agriculture**  
**Grain Inspection, Packers and Stockyards Administration**  
**Federal Grain Inspection Service**

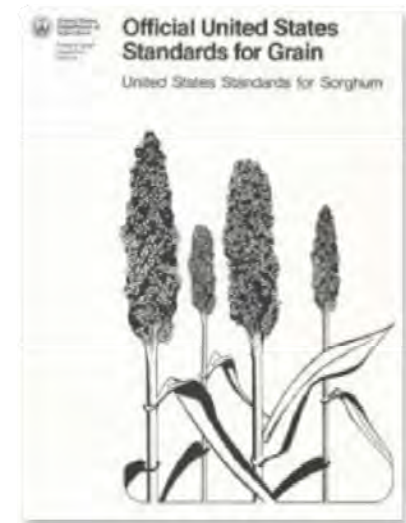
# Regulatory Process

- Advanced Notice of Proposed Rulemaking: December 2003
- Proposed Rule: March 2006
- Final Rule: July 2007
  - Definitions, TW certification, Count limit
  - Foreign material (FM) and Broken Kernels and Foreign Material (BNFM) limits tightened
  - Breakpoints revised
- Effective date for new standards: June 1, 2008



# Comments

- Stakeholders dissented regarding BNFM and FM limits
- Supported tightening
  - Equate BNFM and BCFM
    - (2,3,4,5% compared to 3,6,8,10%)
- Against tightening
  - Proposed BNFM and FM limits will make it difficult to load #1 sorghum
  - Delete FM sub-factor



# Grade Analysis

- Data: 10/02-8/05
  - Before publishing PR, GIPSA projected the impact of imposing tighter BNFM and FM factor limits on volume of sorghum meeting specific grades
  - At U.S. #2 O/B: Predominant grade exported
    - 95.8% of lots conformed based on FM
    - 99.8% of lots conformed based on BNFM
  - At BCFM limits:
    - 9.7% of lots conformed to U.S. #2
    - 61.7%, 93.7%, and 100% of lots conformed to U.S. #3, #4, and SG

# Material Portion Analysis

- Data: 2001-04
  - Reviewed Material Portions (MP) due to BNFM and FM in sorghum and compared it to corn and soybean MP's for Texas, New Orleans, and PNW locations
  - MP's were
    - $\leq 2.4\%$  of sublots due to FM
    - $\leq 0.4\%$  of sublots due to BNFM
    - Varied by year, grain, and port
    - Texas had a lower MP rate and nominal MP's than New Orleans and the PNW for BNFM and FM

# What changed?

- Definitions of Classes:
  - Removed reference to tannin
- Definition of Non-grain sorghum:
  - Deleted sorghum-sudangrass hybrids, sorgrass, and sweet sorghum from the definition
  - Added language referencing seeds of *Sorghum bicolor* (L.) Moench (sweet sorghum) that appear atypical of grain sorghum to be counted as nongrain sorghum.
- Total Material Count:
  - Total count limit of 10 for other material to determine sample grade factors

# What Changed?

- Test Weight Certification
  - Certify TW in tenths of a pound per bushel
- Grading Limits:
  - Tightened the grading limits for broken kernels and foreign material (BNFM) and the sub-factor foreign material (FM)
- Breakpoints:
  - Revised the sorghum breakpoints and starting points for BNFM and FM

Factor	Pre-Rulemaking (U.S. #1-4)		Post Rulemaking (U.S. #1-4)	
	BNFM	FM	BNFM	FM
Grade Limits	4, 7, 10, 13	1.5, 2.5, 3.5, 4.5	3, 6, 8, 10	1, 2, 3, 4
Breakpoints	0.3, 0.4, 0.5, 0.6	0.3, 0.4, 0.5, 0.6	0.5, 0.6, 0.7, 0.8	0.4, 0.5, 0.6, 0.7
Starting Value	0.1	0.1	0.2	0.2

# Question?

What has been the impact of tightening  
BNFM and FM grade limits?

# Post-Standards Analysis

- Sorghum Farm Gate Assessment
- Sorghum Exports
- Grade Analysis
  - Projected/Actual exports meeting U.S. #2
  - BNFM/FM distribution
- Material Portions
  - Nominal MP's
  - BNFM/FM MP distribution
  - Pre/Post MP changes
  - MP Concentration
  - 28

# Farm Gate Assessment

Summary of All States		Dockage	Test Wt. lb/bu	Moisture	--- Damage ---		Brkn Kernels & Foreign Mat.		No. of Samples
					Heat, %	Total, %	FM, %	BNFM, %	
2006	Average	0.1	57.6	13.9	0.0	0.4	0.9	2.7	1036
	Min	0.0	32.0	7.6	0.0	0.0	0.0	0.0	
	Max	5.2	62.7	21.9	0.2	22.2	26.2	32.7	
2007	Average	0.1	58.9	13.9	0.0	1.5	0.8	2.4	1063
	Min	0.0	40.3	4.5	0.0	0.0	0.0	0.0	
	Max	6.8	63.0	21.0	1.0	52.7	5.1	19.9	
2008	Average	0.1	58.4	14.6	0.0	0.5	0.7	2.4	756
	Min	0.0	44.1	9.4	0.0	0.0	0.1	0.2	
	Max	2.3	62.6	21.0	0.0	59.8	5.1	15.3	
3-Yr Avg	Average	0.1	58.3	14.1	0.0	0.8	0.8	2.5	
	Min	0.0	32.0	4.5	0.0	0.0	0.0	0.0	
	Max	6.8	63.0	21.9	1.0	59.8	26.2	32.7	

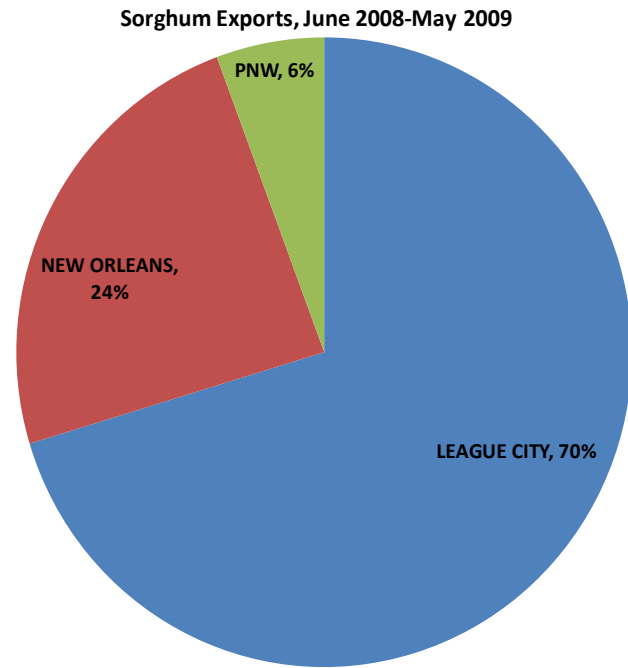
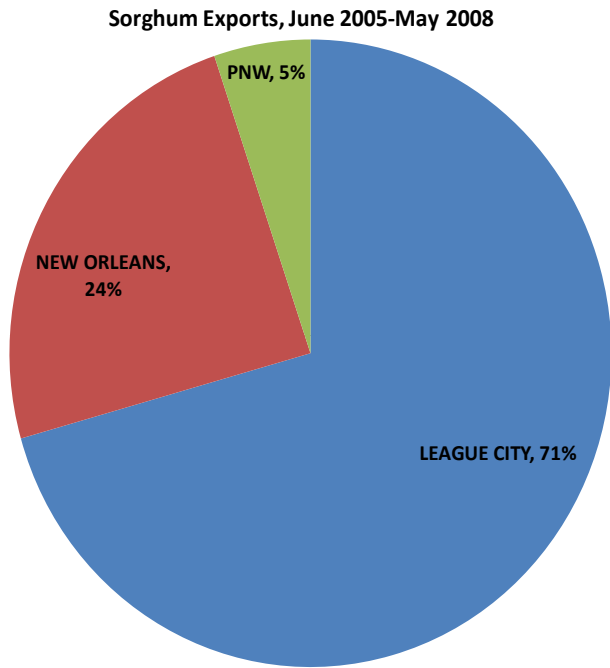
- Decline in FM and BNFM levels from 2006-08
- 811 returned samples targeted for 2009



# Sorghum Exports

June 2005-May 2008

June 2008-May 2009



## Sorghum Exports (Metric Tons)

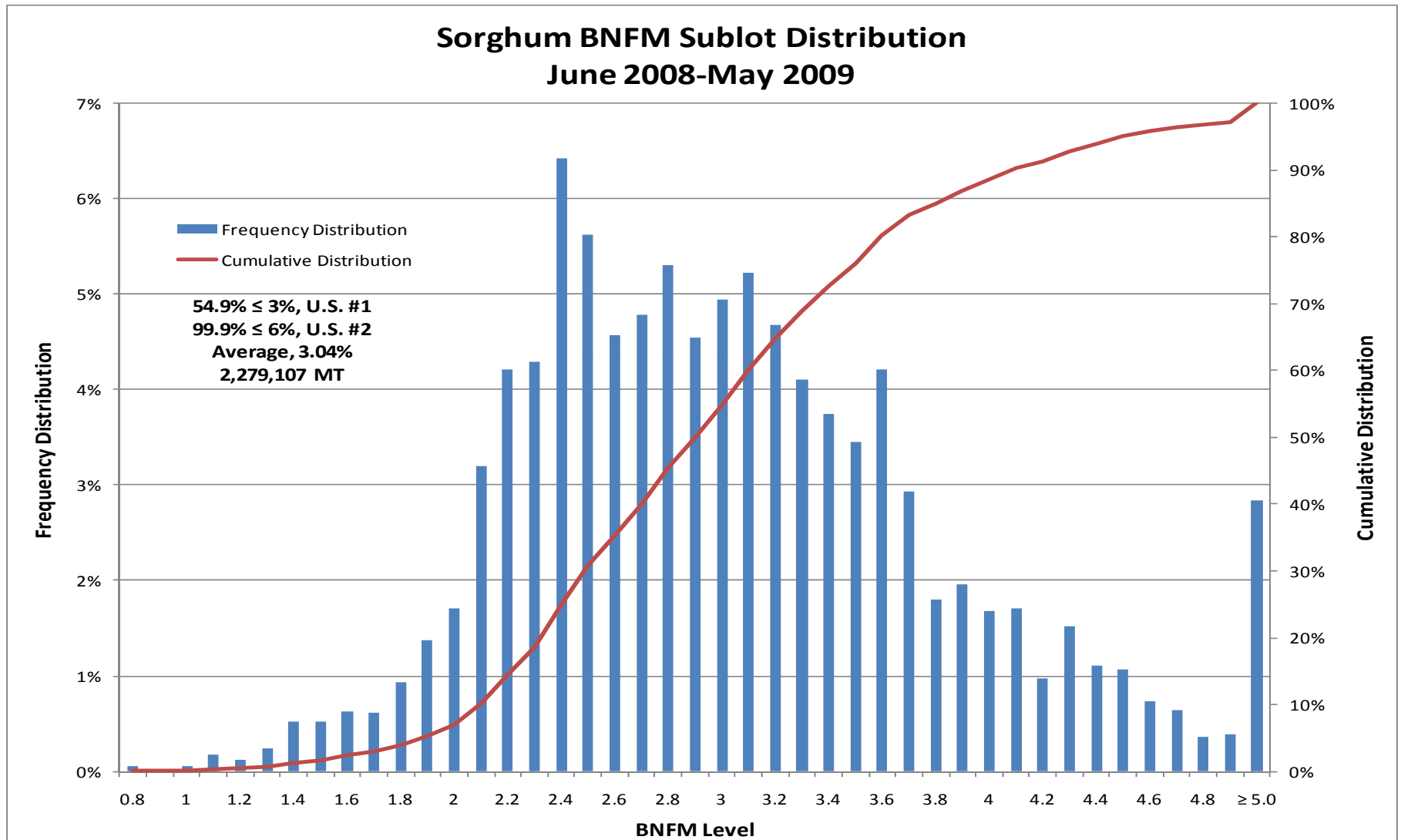
	6/05-5/06	6/06-5/07	6/07-5/08	6/08-5/09
<b>LEAGUE CITY</b>	1,793,816	1,804,120	4,617,699	1,595,269
<b>NEW ORLEANS</b>	831,233	891,585	1,095,469	545,069
<b>OLYMPIA</b>	236,695	148,698	216,538	128,635

# Grade Analysis

## % of Sorghum Exports Meeting U.S. #2 Grade

<b>BNFM</b>	10/02-8/05 Projected in Proposed Rule (Lots)	6/08-5/09 (Lots)	6/08-5/09 (Sublots)
<b>LC</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>NOLA</b>	<b>99.5</b>	<b>100.0</b>	<b>100.0</b>
<b>OLY</b>	<b>100.0</b>	<b>100.0</b>	<b>98.6</b>
<b>ALL</b>	<b>100.0</b>	<b>100.0</b>	<b>99.9</b>

# BNFM Sublot Distribution

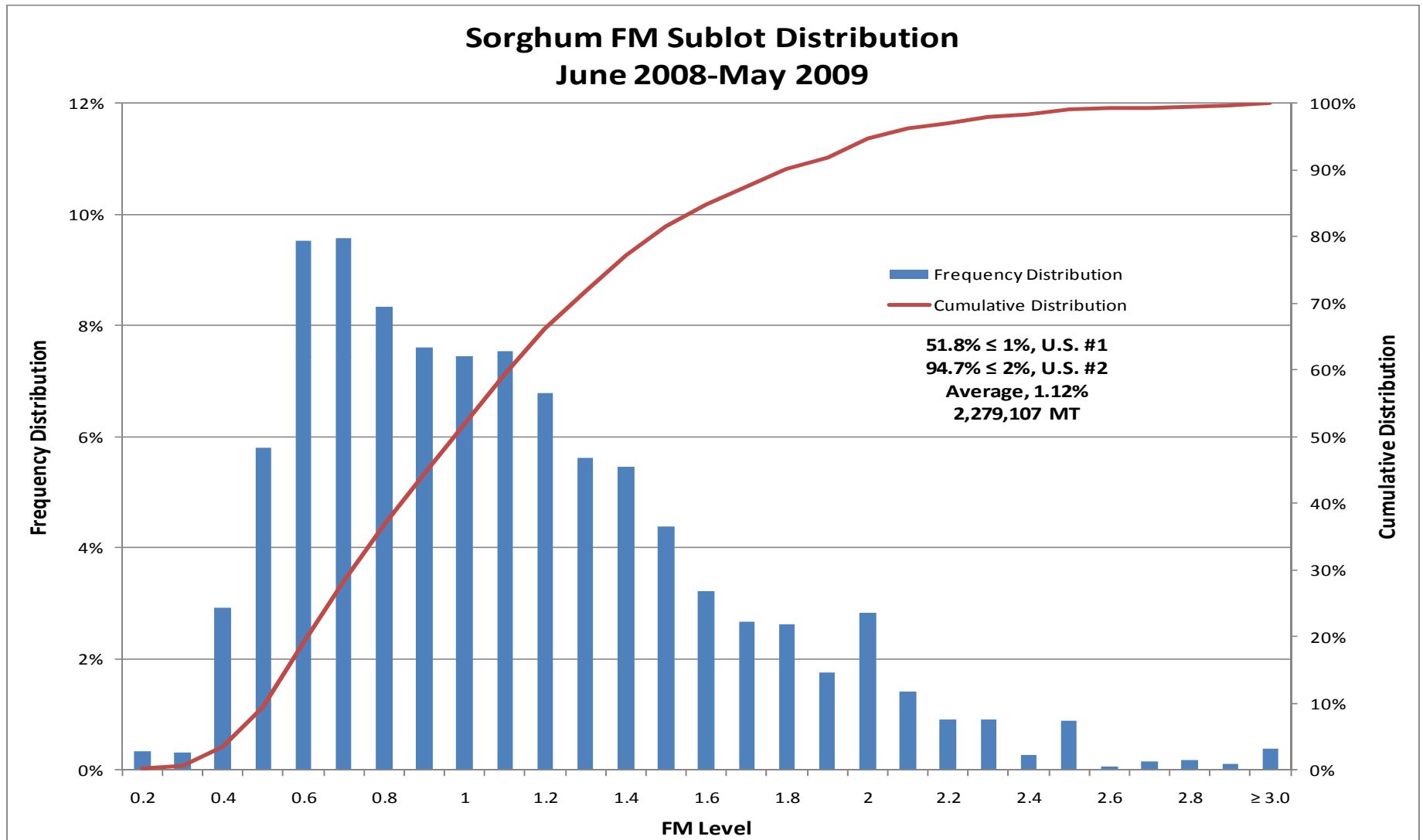


# Grade Analysis

## % of Sorghum Exports Meeting #2 Grade

<b>FM</b>	<b>Projected in Proposed Rule (Lots)</b>	<b>6/08-5/09 (Lots)</b>	<b>6/08-5/09 (Sublots)</b>
<b>LC</b>	<b>97.2</b>	<b>100.0</b>	<b>98.0</b>
<b>NOLA</b>	<b>91.5</b>	<b>97.8</b>	<b>86.0</b>
<b>PNW</b>	<b>100.0</b>	<b>100.0</b>	<b>89.7</b>
<b>ALL</b>	<b>95.8</b>	<b>99.5</b>	<b>94.7</b>

# FM Sublot Distribution



# Material Portions

- Data analyzed
  - Pre: June 2005-May 2008
  - Post: June 2008-May 2009
- Reviewed MP's in sorghum for pre/post due to BNFM and FM in Texas, New Orleans and PNW
  - Nominal MP's
    - Old/Current Standard
  - BNFM/FM MP Distribution
  - Pre/Post Percentage Changes
  - MP Concentration

# Material Portions: Nominal

(June-May)	2005/06	2006/07	2007/08	2008/09
<b>NOLA: BNFM</b>	<b>0</b>	<b>5</b>	<b>2</b>	<b>2</b>
<b>NOLA: FM</b>	<b>20</b>	<b>19</b>	<b>11</b>	<b>19</b>
<b>LC: BNFM</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>
<b>LC: FM</b>	<b>4</b>	<b>5</b>	<b>16</b>	<b>6</b>
<b>PNW: BNFM</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>PNW: FM</b>	<b>12</b>	<b>4</b>	<b>1</b>	<b>3</b>
<b>ALL: BNFM</b>	<b>0</b>	<b>5</b>	<b>3</b>	<b>3</b>
<b>ALL: FM</b>	<b>36</b>	<b>28</b>	<b>28</b>	<b>28</b>

- No increase in ALL FM MP's in 2008/09 versus 2005-08
- No increase in ALL BNFM MP's in 2008/09 versus 2006-08
- New Orleans
  - Increase in FM MP's in 2008/09 versus MY 2007/08
  - 2008/09 FM MP's consistent with 2005-07
- League City
  - Decrease in FM MP's in 2008/09 versus 2007/08
  - 2008/09 FM MP's slightly higher than 2005-07

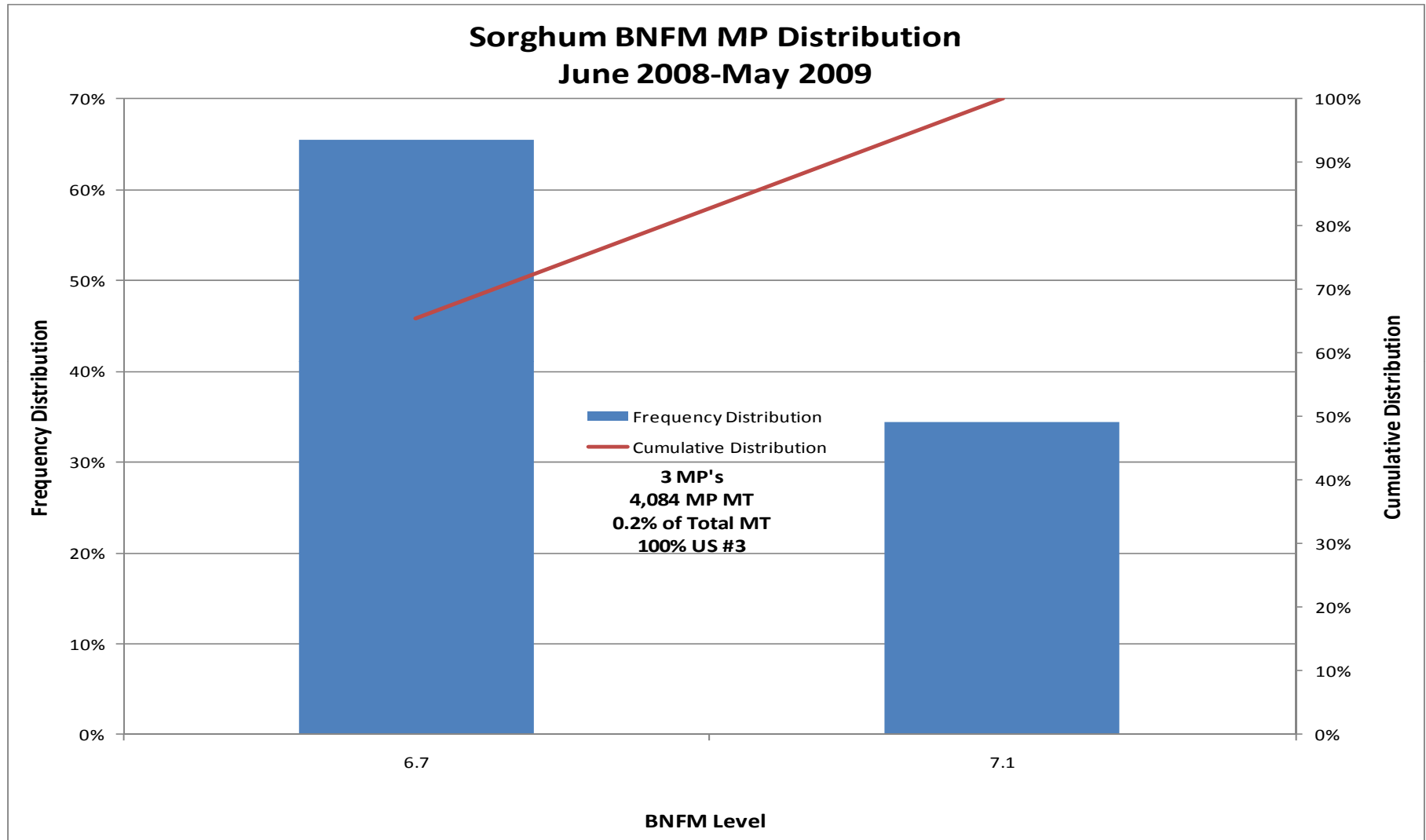
# Material Portions: Nominal

<b>June 2008-May 2009</b>	<b>FM</b>		<b>BNFM</b>	
<b>Standard/Breakpoint</b>	<b>Current</b>	<b>Old</b>	<b>Current</b>	<b>Old</b>
<b>NOLA</b>	19	6	2	0
<b>LEAGUE CITY</b>	6	2	1	0
<b>PNW</b>	3	1	0	0
<b>TOTAL</b>	<b>28</b>	<b>9</b>	<b>3</b>	<b>0</b>

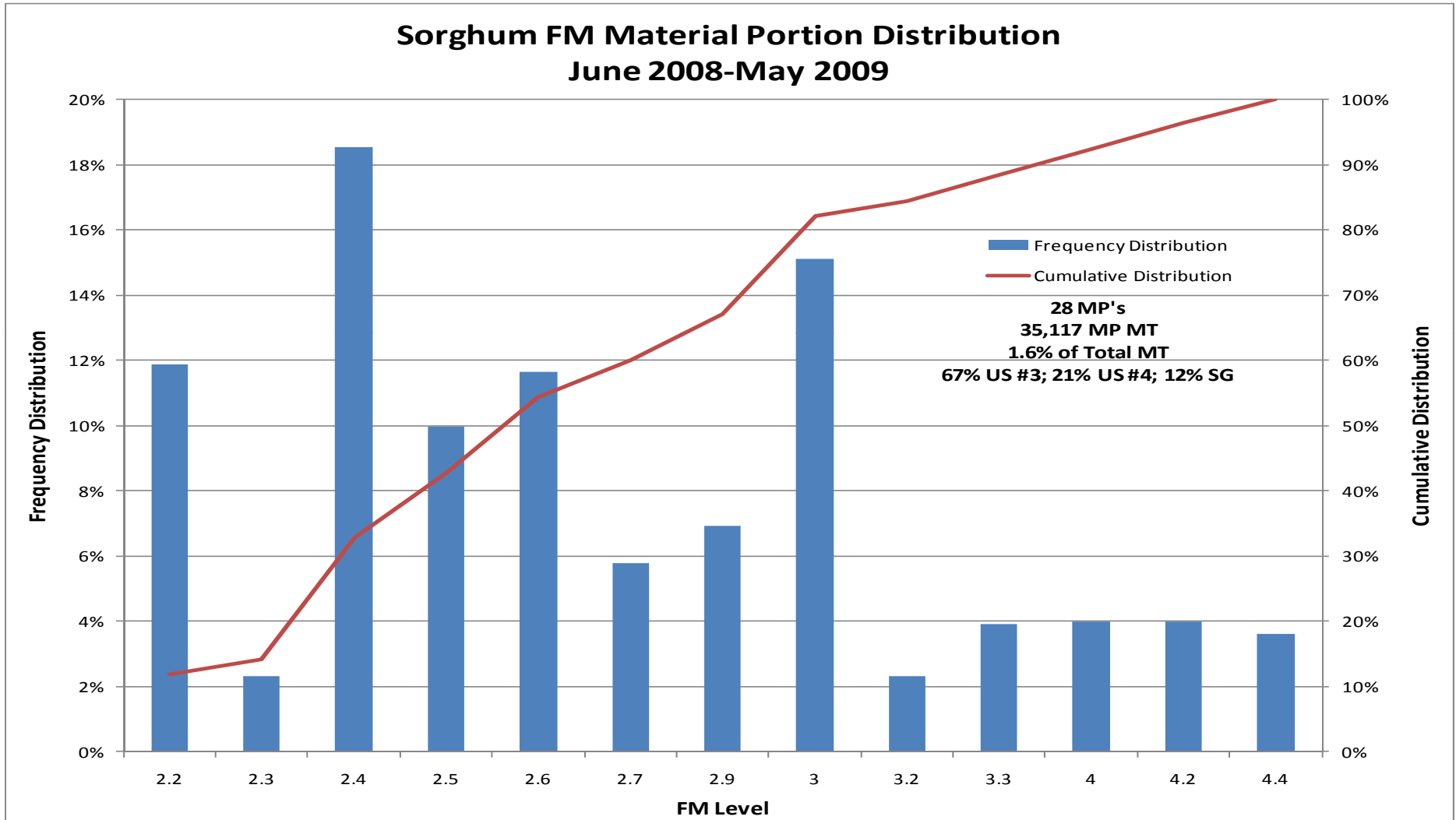
- Applied the old grade standard, breakpoint, and starting value to post standards data
- 9/28 FM MP's and 0/3 BNFM MP's were MP's under the old standard



# BNFM MP Distribution



# FM MP Distribution



# Material Portions: Nominal (Per 1,000 Sublots)

Year (June-May)	League City		New Orleans		PNW	
	BNFM	FM	BNFM	FM	BNFM	FM
2005/06	0	2.6	0	31.6	0	45.8
2006/07	0	3.6	7.1	26.9	0	23.4
2007/08	0.3	5.2	2.8	15.7	0	4.4
2008/09	0.9	5.5	5.2	49.7	0	22.9

# Material Portions: Nominal (Per Million Metric Tons)

## League City

## New Orleans

## PNW

Year (June-May)	BNFM	FM	BNFM	FM	BNFM	FM
2005/06	0	2.2	0	24.1	0	50.7
2006/07	0	2.8	5.6	21.3	0	26.9
2007/08	0.2	3.5	1.8	10.0	0	4.6
2008/09	0.6	3.8	3.7	34.9	0	23.3

# Material Portions: Percentage

## League City: 2008/09 Percentage Change

Year	Metric Tons		Sublots	
	BNFM (%)	FM (%)	BNFM (%)	FM (%)
Vs 2005/06	0	66	0	112
Vs 2006/07	0	35	0	55
Vs 2007/08	190	9	183	6

# Material Portions: Percentage

## New Orleans: 2008/09 Percentage Change

<b>Year</b>	<b>Metric Tons</b>		<b>Sublots</b>	
<b>June-May</b>	<b>BNFM (%)</b>	<b>FM (%)</b>	<b>BNFM (%)</b>	<b>FM (%)</b>
<b>Vs 2005/06</b>	<b>0</b>	<b>45</b>	<b>0</b>	<b>57</b>
<b>Vs 2006/07</b>	<b>(34)</b>	<b>64</b>	<b>(26)</b>	<b>85</b>
<b>Vs 2007/08</b>	<b>102</b>	<b>248</b>	<b>84</b>	<b>217</b>

# Material Portions: Percentage

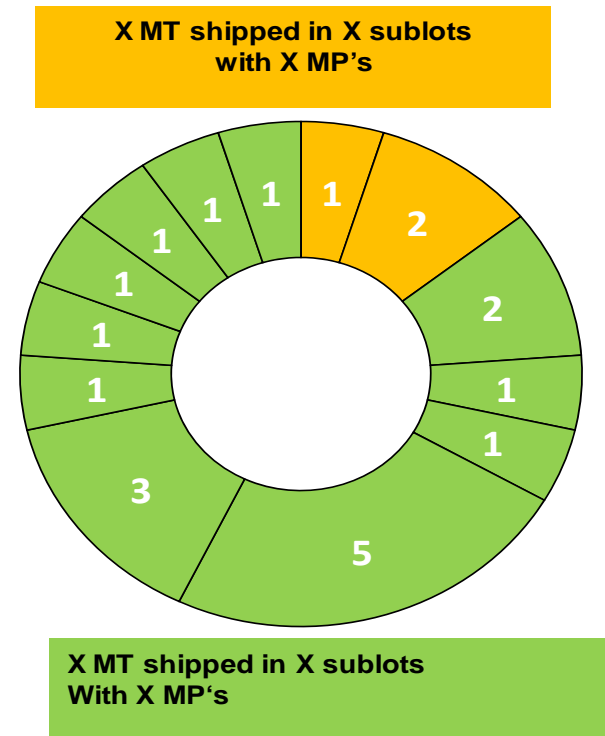
## PNW: 2008/09 Percentage Change

Year	Metric Tons		Sublots	
June-May	BNFM (%)	FM (%)	BNFM (%)	FM (%)
Vs 2005/06	0	(54)	0	(50)
Vs 2006/07	0	(13)	0	(2)
Vs 2007/08	0	405	0	415

# Material Portions: Concentration

## Overview

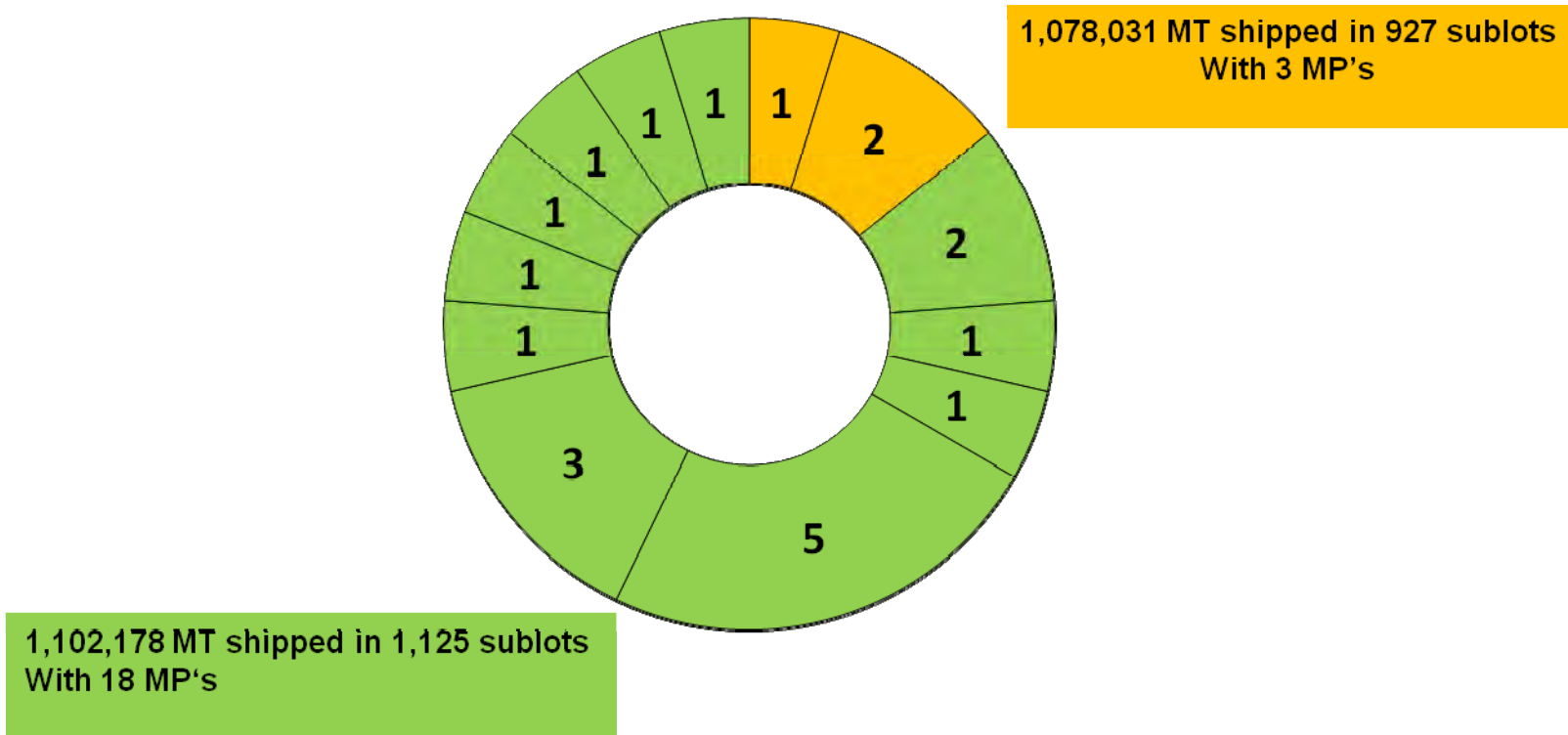
- Disaggregated data to review concentration of MP sublots
  - Ports
    - Texas, New Orleans
  - Elevators
- MP Concentration
  - Elevator MP's
    - Color coded
  - Lot MP's
    - Wedges
  - Sublot MP's
    - Numbers inside wedge
  - Elevator Metric Tons/Sublots
    - Text box





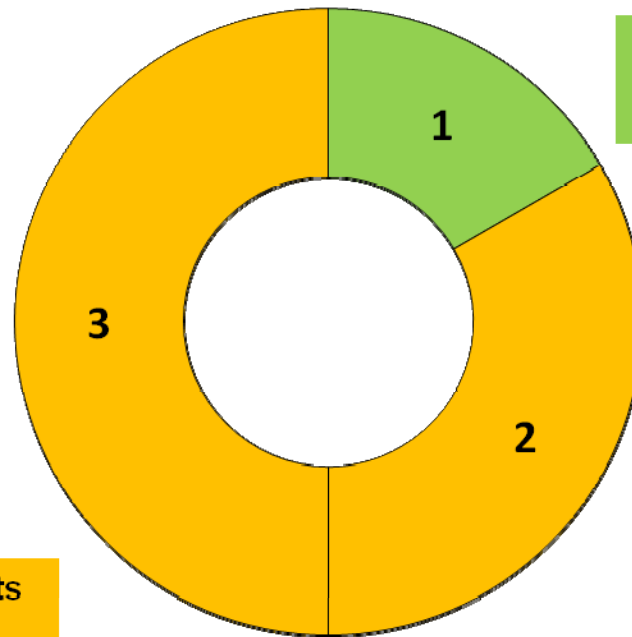
# MP Concentration: League City

FM MP's Pre-Rule Change: League City  
June 2005-May 2008



# MP Concentration: League City

FM MP's Post-Rule Change: League City  
June 2008-May 2009

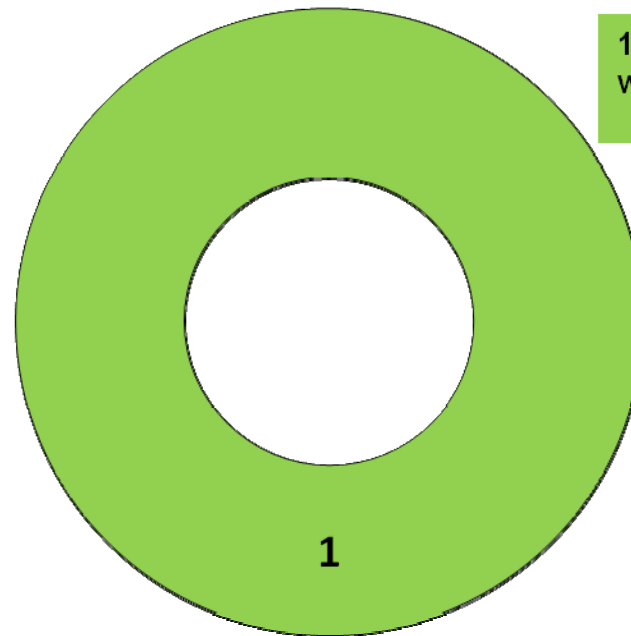


127,641 MT shipped in 131 sublots  
with 1 MP

140,509 MT shipped in 113 sublots  
with 5 MP's.

# MP Concentration: League City

**BNFM MP's Pre-Rule Change: League City  
June 2005-May 2008**

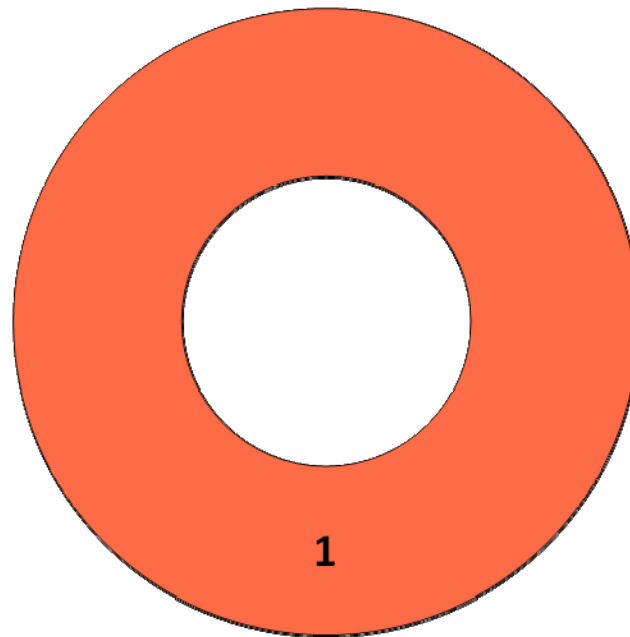


1,102,178 MT shipped in 1,125 sublots  
with 1 MP

# MP Concentration: League City

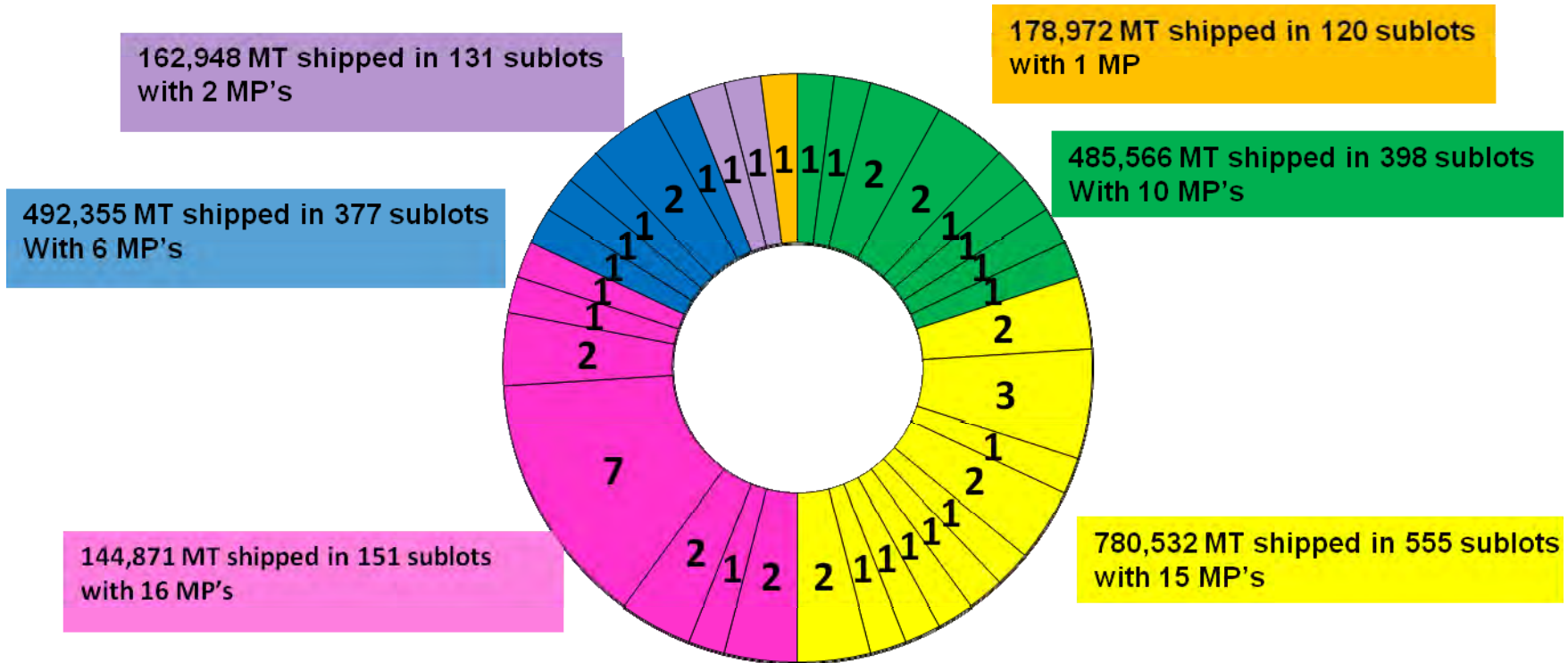
**BNFM MP's Post-Rule Change: League City  
June 2008-May 2009**

140,509 MT shipped in 113 sublots  
with 1 MP



# MP Concentration: New Orleans

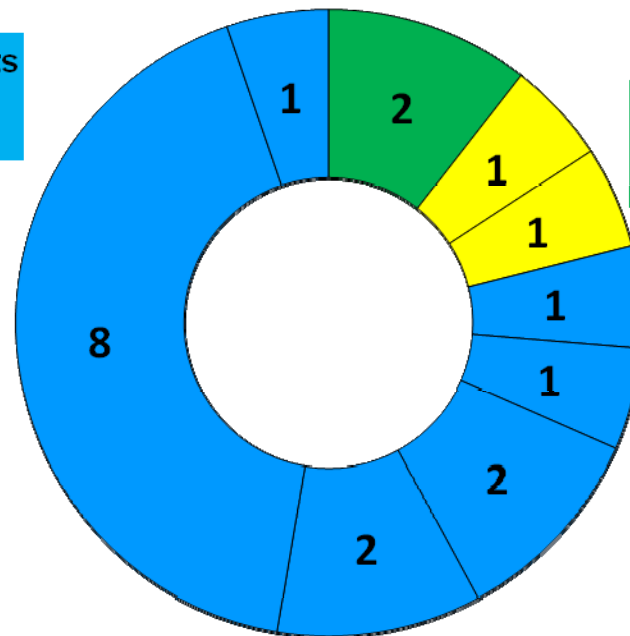
FM MP's Pre-Rule Change: New Orleans  
June 2005-May 2008



# MP Concentration: New Orleans

FM MP's Post-Rule Change: New Orleans  
June 2008-May 2009

235,645 MT shipped in 176 sublots  
with 13 MP's

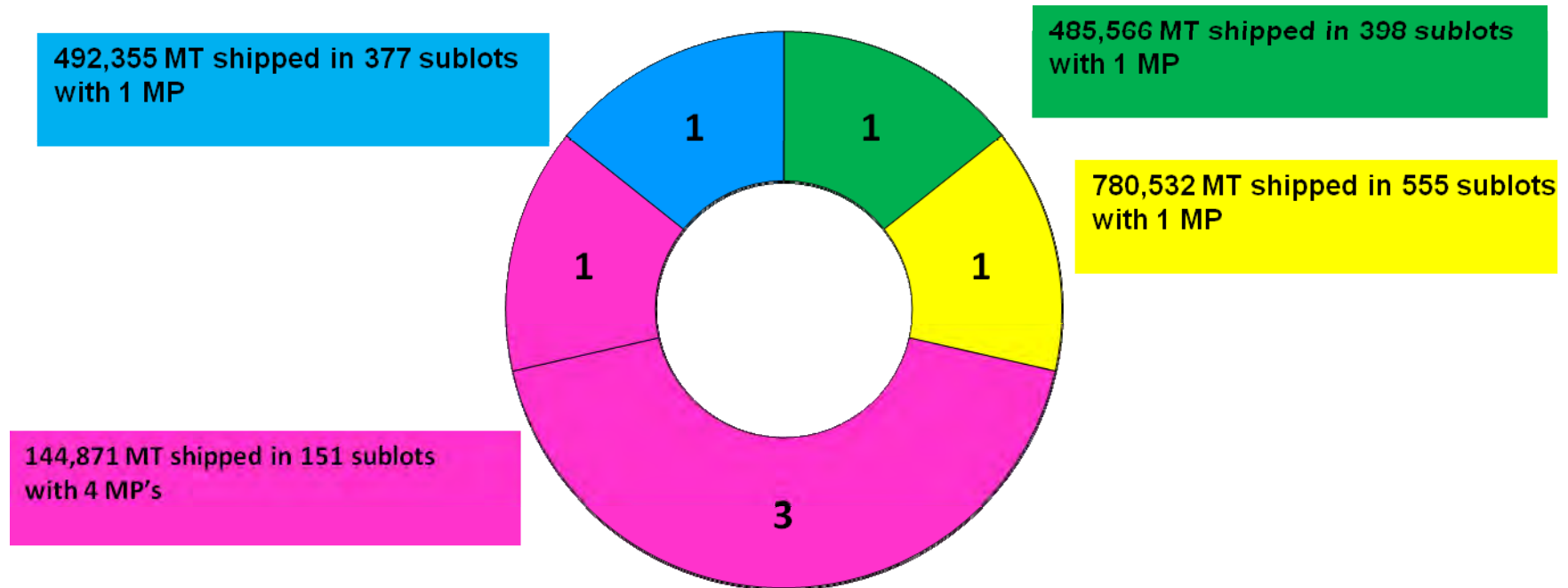


60,229 MT shipped in 42 sublots  
With 2 MP's

146,712 MT shipped in 104 sublots  
With 2 MP's

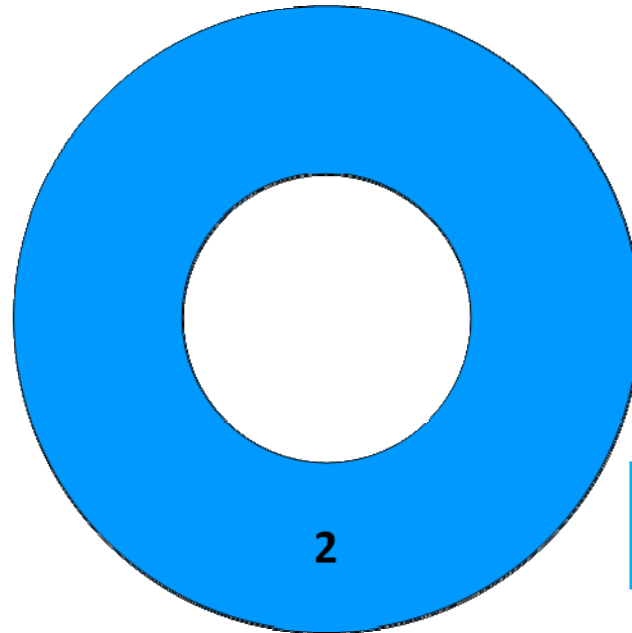
# MP Concentration: New Orleans

**BNFM MP's Pre-Rule Change: New Orleans  
June 2005-May 2008**



# MP Concentration: New Orleans

**BNFM MP's Post-Rule Change: NOLA  
June 2008-May 2009**



235,645 MT shipped in 176 sublots  
with 2 MP's



# Summary

- Standards Changes:
  - Farm Gate
    - Overall reduction in BNFM and FM levels from 2006-08
  - Grade
    - Reduction in exports meeting U.S. #2 grade due to FM in New Orleans and PNW
  - Material Portions
    - Level
      - Minimal change in nominal material portions in pre/post period
    - Distribution (Post)
      - BNFM MP's: 100% US #3
      - FM MP's: 67% US #3; 21% US #4; 12% Sample Grade

# Summary

- Material Portions
  - Percentage Change
    - Increase in FM MP's as a percentage of MT and sublots in New Orleans and League City and mixed changes in the PNW
    - Increase in BNFM MP's as a percentage of MT and sublots in League City and mixed changes in New Orleans
  - Concentration
    - League City had similar BNFM/FM MP pre/post concentrations in elevators and lots
    - New Orleans had 1 post lot with 10 MP's (8 FM/2 BNFM)
    - Other lots in New Orleans had similar pre/post concentrations
    - PNW had no BNFM MP's and limited FM MP's