

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

*Omni Royal Orleans in New Orleans, Louisiana
October 21-22, 1999*

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Mr. James Baker, Administrator, Grain Inspection, Packers and Stockyards Administration (GIPSA) opened the meeting at 8:00 a.m. Mr. Baker thanked Bob Smigelski, Committee Chairperson, and the members of the Committee for their time and advice. He also provided a brief update on GIPSA. As expressed by Mr. Baker, GIPSA's mission is to establish the standards for grain marketing and monitor the application of those standards. Through its programs and services, GIPSA protects the integrity of the marketing system. The Agency ever strives to meet challenges and opportunities head on, such as biotechnology, and to increase the efficiency of its programs and services.

In Fiscal Year 1999, GIPSA made a profit of approximately \$1.5 million. According to Mr. Baker, this was the first time since 1993 that the user fees accounts have exhibited a profit. As a result of the Agency's improved financial position, GIPSA's reserve has increased to \$5 million. The Agency is making progress toward building its operating reserve back up to the desired level of \$9 to \$10 million.

In closing, Mr. Baker acknowledged GIPSA's Customer Outreach Team. Just recently, the Agency learned that the team will be awarded a Vice Presidential Hammer Award for excellence in customer service. The team, a group of creative employees and official agency representatives, is being recognized for their successful implementation of Vice President Gore's powerful reinvention formula - making government work better and cost less. By doing so, they have saved taxpayer dollars and improved the service the government provides to its customers. This team of three Federal government and three private sector representatives joined forces to cut costs and the time needed to provide services to a customer in an industry where time is money. By forming a unique and unprecedented cooperative partnership to provide service and by making rules more flexible, the customer received service results in 5-7 minutes instead of the previous 24 hours, and saved more than \$250,000 per year.

MEETING ATTENDEES

	<u>Name</u>	<u>Affiliation</u>
Committee Members	<i>Wilbur Benroth</i>	<i>Producer in Ottawa, Ohio</i>
	<i>Thomas Bressner</i>	<i>Assumption Cooperative Grain Company</i>
	<i>Mike Cassidy</i>	<i>Cassidy Grain Company</i>
	<i>Warren Duffy</i> <i>(sitting in for Bennie Lackey, Jr.)</i>	<i>ADM/Growmark</i>
	<i>Bert Farrish</i>	<i>Columbia Grain, Inc.</i>
	<i>Gary Gilbert</i>	<i>Kansas Wheat Commission</i>
	<i>Robert Gore</i>	<i>WA State Department of Agriculture</i>
	<i>Diane Hanekamp</i>	<i>Corn Products International</i>
	<i>Arvid Hawk</i>	<i>Cargill, Inc.</i>
	<i>Israel Lopez</i>	<i>The Port of Corpus Christi</i>
	<i>Randy Marten</i> <i>(sitting in for Bonnie Fernandez)</i>	
	<i>Tom Miller</i>	<i>Farmers Cooperative Company</i>
	<i>Ronald Mitzel</i>	<i>Dakota Mill and Grain</i>
	<i>Bob Smigelski, Chairperson</i>	<i>The Andersons (NGFA)</i>
	<i>Robert Williams</i>	<i>Producer in Conway, Arkansas</i>
GIPSA	<i>Jim Baker</i>	<i>Office of the Administrator</i>
	<i>Tess Butler</i>	<i>Office of the Deputy Administrator</i>
	<i>Russell Frank</i>	<i>National Council of Federal Grain Inspection Locals</i>
	<i>Roger Friedrich</i>	<i>Office of the Director, Technical Services Division</i>
	<i>Sarah Hill</i>	<i>National Council of Federal Grain Inspection Locals</i>
	<i>Paul Manol</i>	<i>Field Management Division, Standards and Procedures Branch</i>
	<i>Dave Orr</i>	<i>Field Management Division</i>
	<i>Marianne Plaus</i>	<i>Office of the Deputy Administrator</i>
	<i>Dave Shipman</i>	<i>Office of the Deputy Administrator</i>
	<i>John Shropshire</i>	<i>New Orleans Field Office</i>
<i>Steve Tanner</i>	<i>Office of the Director, Technical Services Division</i>	
<i>Josh Watson</i>	<i>New Orleans Field Office</i>	
Other Attendees (represents those attendees who signed the sign-in sheet)	<i>Jerry Cotter</i>	<i>Port of Corpus Christi</i>
	<i>Greg Hoelck</i>	<i>Hastings Grain Inspection</i>
	<i>Ping Feng</i> <i>(also an alternate member)</i>	<i>Optimum Quality Grains</i>
	<i>W. Kirk Miller</i>	<i>North American Export Grain Assoc. C11 Lab</i>
	<i>Gretchen Stewart</i> <i>(also an alternate member)</i>	<i>C11 Lab</i>
	<i>Cliff Watson</i>	<i>Consultant</i>

ACCEPTANCE OF MEETING MINUTES FROM MAY 11-12, 1999

The Committee approved the meeting minutes from May 11-12, 1999, as written.

REVIEW AND ACCEPTANCE OF AGENDA

The Committee approved the agenda (agenda attached).

GIPSA FINANCIAL STATUS AND FEE PROPOSALS

Mr. Dave Shipman, Deputy Administrator GIPSA/FGIS, provided an overview of GIPSA/Federal Grain Inspection Service's (FGIS) financial status, fee proposals, and an update of the program's reauthorization status (presentation overheads attached).

Financial

The key points of Mr. Shipman's presentation were as follows:

- GIPSA's Fiscal Year 2000 Budget includes a 7.4 percent increase (i.e., \$795,000) in appropriated funding over Fiscal Year 1999. This includes increases of \$56,000 for standardization activities; \$74,000 for compliance activities; and \$665,000 for methods development.
- Standardization activities will continue to be funded by appropriations.
- The \$665,000 slotted for methods development is largely for biotech-related activities, such as development of a biotechnology reference laboratory at the Agency's Technical Center in Kansas City, Missouri, and for assessing market needs.
- Mr. Shipman also reviewed the financial status of FGIS' trust fund accounts. The largest of the trust fund accounts, Inspection and Weighing, showed a reduction in costs of 1.4%, an increase in revenue of 5.2%, and a dramatic increase in workload of 17.6% for FY 1999 as compared to FY 1998 (through August 31 of each FY). Through August 31, 1999, the account was \$244,265 in the black. This is significant progress, since the account lost close to \$1.2 million last FY. The current financial picture is due to a 17-19% increase in grain exports and several cost-reduction measures, such as buy-outs and program restructuring, begun 2-3 years ago.
- The Official Agency Oversight account showed an increase in costs of 6.6%, and an increase in revenue of only 4.8% for FY 1999 as compared to FY 1998 (through August 31 of each FY). Workload indicators for the same time period show a substantial increase: official commodity inspections increased

by 18.6%; wheat proteins performed increased by 5.6%; soybean oil/proteins performed increased by 5.5%; aflatoxin tests increased by 14.5%; and DON analyses increased by 43%. The workload increases help explain the increase in revenue for the account. The Agency, however, is still analyzing the 6.6% increase in costs.

- The Commodity Inspection account showed a dramatic increase in workload of 42.2%, an increase in costs of 22.5%, and an increase in revenue of 42.6% for FY 1999 as compared to FY 1998 (through August 31 of each FY).
- The Rice Inspection account exhibited an increase in costs of 6.0%, an increase in revenue of 4.2%, and a decrease in workload of 12.5% for FY 1999 as compared to FY 1998 (through August 31 of each FY). The Agency leadership will continue to scrutinize this account and look for means to increase efficiencies.

Fee Proposals

- In response to Section 646 of Public Law 106-58, which provides for a 4.8% increase in Federal employees' base pay rates, GIPSA will propose fee increases to pay for a portion of the mandated pay increases.
- In the Inspection and Weighing account, the estimated cost of the pay raise is \$691,613. To accommodate the pay increase, GIPSA proposes to increase hourly, unit, and tonnage fees by 2.4% which will generate approximately \$390,000. The remaining \$320,837 will be absorbed through improved program efficiencies.
- In the rice program, GIPSA proposes to increase fees by 4.8% to accommodate the pay increase.
- In the commodity program, GIPSA is reviewing the entire program in response to other program changes, such as the Total Quality Audit System, and, as a result, GIPSA will not propose a fee increase at this time.

Reauthorization Status

- Every 5-7 years, the legislation authorizing FGIS' continued operation, the U.S. Grain Standards Act, comes before Congress for renewal or reauthorization. FGIS' current authorization expires on September 30, 2000.
- FGIS has submitted its reauthorization package into Departmental clearance.
- FGIS anticipates Congressional Hearings regarding reauthorization in the spring of 2000.

At the conclusion of Mr. Shipman's presentation, a Committee member questioned whether GIPSA is thinking to the future in terms of whether the U.S. Grain Standards Act provides enough flexibility for future initiatives. Mr. Shipman assured the Committee that GIPSA has thoroughly reviewed the Agency's guiding legislation, and it does provide GIPSA with the flexibility needed to embark on initiatives such as the biotech reference laboratory and others that are in the pipeline.

GIPSA'S ROLE IN BIOTECHNOLOGY

Mr. Steven Tanner, Director GIPSA's Technical Services Division, provided an overview of GIPSA's role in biotechnology (presentation overheads attached). As presented by Mr. Tanner, the United States Department of Agriculture (USDA), under the authority of the United States Grain Standards Act, 7 U.S.C. 71 et. seq., (USGSA), will establish a reference laboratory at the Grain Inspection, Packers and Stockyards Administration's (GIPSA's) Technical Center in Kansas City, MO. The laboratory will be used to evaluate and verify the validity of analytical procedures applied to the detection and quantitation of bioengineered traits in grains and oilseeds. It also will be used to establish sampling procedures for use in testing bioengineered grains and oilseeds. These standardized sampling and testing methods will be implemented through GIPSA's inspection program. The lab is scheduled to open in time for the 2000 crop year.

GIPSA will provide these services to meet a market need to ensure reliability of bioengineered crop detection methods and to facilitate information exchange, which, in turn, will decrease transaction costs and increase overall market efficiency.

GIPSA's mission is to facilitate the marketing of grain and oilseeds for the benefit of U.S. agriculture. The introduction of bioengineered grains and oilseeds is affecting the movement of grains in both domestic and export markets. Certain food manufacturers and retailers are requesting non-bioengineered ingredients and products, particularly corn and soybeans, in response to consumer demand. This trend has accelerated a need to further segregate the marketing of grains and oilseeds, which has, in turn, created a demand for reliable and accurate analytical techniques to differentiate non-biotech from bioengineered grains and oilseeds.

The most promising analytical techniques currently available for identifying grains with bioengineered traits are Enzyme Linked Immunosorbant Assay (ELISA), lateral flow strips, and Polymerase Chain Reaction (PCR). While these technologies show promise, limited technical information or performance verification by an unbiased third party are available. The reference laboratory will meet the market's need for impartial, professional verification of these technologies. GIPSA has traditionally taken this role in the marketplace. Hundreds of methods for the analysis of grain have been standardized to help the grain markets. For example, GIPSA standardized the testing of various mycotoxins in grain by evaluating and approving commercially available test kits that measure the mycotoxin content. Grain markets rely on GIPSA, as an unbiased entity, to supply this important function in facilitating the marketing of grain.

The credibility of this reference laboratory will largely depend on the willingness of biotechnology firms to cooperate with GIPSA by providing the following information and materials:

- Reference materials:
 - ! Supplies of grain with a specified expressed trait to be used in evaluating analytical tests.
 - ! Sufficient quantities of the protein standards for the development and evaluation of analytical procedures that detect and/or quantify genetic modification.
- Genetic sequence information for the evaluation of DNA-base analytical techniques.
- Specific information on analytical techniques developed or used by the biotechnology firms.

Much of this information is proprietary, and therefore confidentiality agreements will be established to protect the intellectual property rights of all parties involved. Appropriate security systems will be installed in the reference laboratory to ensure the protection and safekeeping of all sensitive information.

The topic of Mr. Tanner's presentation generated considerable discussion about the use of marker genes to help distinguish bioengineered grains, the need for rapid tests, especially at the country elevator level, and activities by other organizations. Several Committee members recommended that GIPSA carefully assess what the market wants and needs, stay abreast of international developments, and coordinate activities with other Governmental, professional, and scientific organizations. Please refer to the section, "Resolution of the Grain Inspection Advisory Committee," for the Committee's resolution on bioengineered grains.

UPDATE ON CORN STARCH EXTRACTION AND WHEAT PROTEIN QUALITY

At the May 11-12, 1999, meeting, the Committee passed the following resolution:

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

As a follow-up to the Committee's resolution, Mr. Steven Tanner, Director GIPSA's Technical Services Division provided an update on what GIPSA is doing with regard to corn starch extraction and wheat protein quality (presentation overheads attached).

Wheat Protein Quality

- Participants of the Wheat End-Use Quality Meeting held on August 20-22, 1996, ranked wheat protein quality, composition, or gluten strength as having the highest need. This need was re-emphasized by the Grain Inspection Advisory Committee resolution, as stated above.
- In response, GIPSA has established a high priority goal to investigate methods and/or develop a method that will assist the market in grouping/segregating wheat by protein/gluten quality at the first point of sale.
- GIPSA will use existing U.S. Wheat Associates' Export Cargo Survey samples and data to evaluate the potential for near infrared transmittance technology to predict wheat protein quality.

Corn Starch Extraction

- In response to market need and the Committee's resolution, as stated above, GIPSA has established a high priority goal to perform limited investigation into methods for a meaningful, easy, fast, repeatable, and inexpensive test for extractable starch.
- Dr. Paulsen and Dr. Eckhoff of the University of Illinois are currently leading the effort to develop calibrations for extractable starch using near infrared technology.
- GIPSA will continue to monitor Dr. Paulsen and Eckhoff's research and other related research efforts. GIPSA will also perform its own limited research by using existing data and samples to evaluate the potential for near infrared transmittance technology to predict extractable corn starch.

DEOXYNIVALENOL (DON) TESTING IN BARLEY

Mr. Roger Friedrich, a Marketing Specialist with GIPSA's Technical Services Division, presented an update on deoxynivalenol (DON) testing in North Dakota malting barley (presentation overheads and a background paper are attached). According to Mr. Friedrich, levels of DON are generally lower in the 1999 barley crop than in past years but the occurrence is more widespread.

In April 1999, the North Dakota Grain Growers and North Dakota Barley Council, submitted several recommendations for changes to GIPSA's DON testing program. In response to these recommendations regarding DON, GIPSA has/will undertake the following actions:

- GIPSA will implement the use of the terms “DON” or “deoxynivalenol” in place of the term “vomitoxin” in all GIPSA documents.
- GIPSA has contacted and encouraged test kit manufacturers to improve the accuracy and precision of DON test kits and has asked the USDA’s Agricultural Research Service to investigate the potential for improving the technology.
- GIPSA will include an expiration date on certificates of conformance, thereby requiring all approved methods to be re-evaluated periodically.
- GIPSA developed a formal mycotoxin training program in 1997. In 1999, GIPSA trained nine field instructors to teach the course to official and unofficial personnel.
- GIPSA intends to make participation in the check sample survey available to commercial labs for a fee in FY 2000.
- GIPSA developed a guide detailing the sampling, sample preparation, and testing procedures for DON analysis. The document is available on the GIPSA web page.
- GIPSA will develop mandatory local quality control processes for official labs and will make the requirements available to commercial labs.
- GIPSA’s Grand Forks Field Office established a DON lab and has implemented a weekly monitoring program for official labs (Note: for further information, please contact Tom Wrenn, Field Office Manager at e-mail: twrenn@gipsadc.usda.gov or tel: 701-772-3371).
- To assist the industry in understanding test variability, GIPSA prepared a table that quantifies the expected variability (refer to presentation overheads).

The North Dakota Grain Growers and North Dakota Barley Council also made two recommendations regarding certification that GIPSA has not implemented.

1. Certify DON levels rounded to the nearest whole PPM only, or upon request, certify results to the nearest tenth of a PPM, but include the standard error for the reported level of DON.

GIPSA currently certifies DON results in whole PPM. Upon request, GIPSA provides results in tenths of a PPM. At the present time, all of GIPSA’s customers in North Dakota are requesting their results in tenths of a PPM. This is happening because current malting barley discount ranges are out of sync with GIPSA certification ranges by 0.4 PPM. DON test customers need results in tenths to determine which discount range to apply. If GIPSA discontinued offering results in tenths, our customers would be forced to obtain unofficial DON testing to meet their needs.

Related to this issue, GIPSA believes that reporting standard error on certificates will increase market confusion. In addition, certifying DON ranges is strongly opposed by the North Dakota Grain Dealers.

2. GIPSA should encourage the domestic market to trade barley containing DON based on results in whole PPM.

GIPSA has no authority or influence over industry discount schedules and has recommended that industry organizations such as the North Dakota Grain Growers and North Dakota Barley Council take the lead in encouraging the malting barley market to trade barley containing DON based on results in whole PPM.

In summary, some of the producer concern could be alleviated if the industry discount schedules were synchronized with GIPSA certification ranges. Mr. Friedrich asked the Committee, how GIPSA should respond to the recommendations of the North Dakota Grain Growers and North Dakota Barley Council concerning certification. More specifically, Mr. Friedrich posed three possible responses to the Committee, as follows:

1. Should GIPSA respond that it is the industry's responsibility to resolve problems caused by differences between the discount schedule and whole PPM certification ranges?

or

2. Should GIPSA take an active role in facilitating industry action to modify the discount schedule ranges as the producer organizations have suggested?

or

3. Should GIPSA adopt the recommendation of the North Dakota Grain Growers and North Dakota Barley Council and unilaterally discontinue offering certification in tenths?

Mr. Friedrich's presentation and three questions prompted considerable discussion. A number of Committee members expressed a similar view which can be summarized as: "GIPSA should not get involved with whether discounts or marketing practices are adequate. Rather, GIPSA should focus on testing and certification of DON results." Please refer to the section, "Resolutions of the Grain Inspection Advisory Committee," for the three resolutions passed by the Committee on this subject.

UPDATE ON UTILITY/FEED WHEAT

At the May 11-12, 1999, meeting, the Committee passed the following resolution:

The Grain Inspection Advisory Committee resolves that GIPSA

continue its fact-finding discussions on feed/utility wheat and report those findings to the Committee. Based upon information available at this time, the Advisory Committee does not support this feed wheat concept.

As a follow-up to the Committee's resolution, Mr. Paul Manol, a Marketing Specialist with GIPSA's Standards and Procedures Branch, provided an update on GIPSA's fact-finding with regard to the development of a feed or utility class of wheat (presentation overheads attached). Since Mr. Manol also prepared a thorough discussion paper on this matter (attached), what follows is only a brief summary of the Advisory Committee's discussion about utility/feed wheat:

- Dr. Bill Wilson, North Dakota State University, is conducting a study of utility/feed wheat. Dr. Wilson anticipates issuing a report on his work in December 1999. The Committee expressed interest in learning more about Dr. Wilson's study and forthcoming report.
- Several Committee members expressed concern that GIPSA would be encouraging producers to grow a lower quality of wheat if the Agency were to establish a utility/feed grade for wheat. One Committee member expressed concern that the overall quality of the U.S. wheat crop would denigrate.
- The Committee encourages GIPSA to actively communicate information about the performance of varieties (e.g., which varieties are better than others for certain end uses).

STATUS OF USDA WHEAT CLEANING PROPOSAL

Mr. Dave Shipman, Deputy Administrator GIPSA/FGIS, provided a very brief update on the USDA wheat cleaning proposal. In short, a decision memo was prepared and forwarded to the Secretary for review. Based upon the information provided, the Secretary has decided to publish a Notice in the *Federal Register* requesting comments on several options. The Notice is currently working its way through Departmental clearance.

HARD WHITE WHEAT QUALITY TARGETS

Mr. John Oades, Director of the West Coast Office of US Wheat Associates, provided an overview of Hard White wheat quality targets (handout attached). By way of background, Mr. Oades indicated that HWW first became a separate class under the U.S. Standards for Wheat approximately 10 years ago. Traditionally, specific HWW varieties were used for the production of pan breads and others for the production of Asian noodles. Today, however, the market is evolving for HWW, and as new markets arise, new varieties are being grown and traded. Customers are also becoming savvier in terms of their expectations for better and more consistent HWW quality.

In response to increasing customer expectations, increasing competition for market share, and the emergence of new varieties, US Wheat Associates has developed draft HWW quality targets. These targets are intended as a potential guideline for the development of new U.S. HWW varieties and to increase international acceptance of U.S. HWW. Mr. Oades encourages that these targets be shared with breeders and looks forward to feedback from breeders as well as other market segments. The association recognizes that periodic updates of these targets may be necessary as market demand changes and evolves.

FOREIGN BUYERS EXPECTATIONS

Mr. John Oades, Director of the West Coast Office of US Wheat Associates also provided an update on foreign buyers' expectations. According to Mr. Oades' observations of the wheat market, foreign buyers' have become increasingly sophisticated in terms of their needs and expectations. This is due, in part, to privatization of grain purchasing in many countries, increasing competition in grain markets, and increasing mechanization and use of information technology. Increased needs and expectations translate into increasingly complicated grain contracts. Whereas contracts were once rather basic, it is now common to see specifications for class, subclass, protein (minimum, maximum, and range), moisture, dockage, falling number, sprout, and a multitude of other factors.

NEW ORLEANS FIELD OFFICE

At GIPSA's New Orleans Field Office, Mr. John Shropshire, Field Office Manager, provided a brief overview of office structure and operations. Ms. Yohanna Lorio, Computer Specialist, provided a demonstration of GIPSA's automated shiplot inspection plan (Cu-Sum). Before departing on the afternoon's tours, representatives of Bunge provided a brief overview of Bunge's operations in the Gulf.

TOUR (INSPECTION AND WEIGHING AUTOMATION)

Thanks to the hospitality of Mr. Harold Reese, Elevator Manager of the Bunge facility in Destrehan, Louisiana, and Mr. Warren Duffy, Jr., Elevator Manager of the ADM/Growmark facility in Destrehan, Louisiana, attendees were able to get a first-hand look at inspection and weighing automation. Also, at the ADM/Growmark elevator, Mr. Richard Pforr, Chief of GIPSA's Weighing and Equipment Branch, provided an overview of GIPSA's progress on the inspection automation project (presentation handouts attached). In brief, GIPSA, working with the North American Export Grain Association (NAEGA), has charged a team of automation and grain inspection experts with the task of developing an automated grain inspection system for use at export elevators. When completed and approved, the system will provide export elevators with constantly updated grain inspection information five times faster than present manual methods. Automated systems may reduce costs to the industry and enhance GIPSA's

efficiency. Advisory Committee members saw a partially-completed prototype system at the ADM/Growmark facility. The automation team and ADM/Growmark representatives are currently establishing a schedule for completion of the project.

THE CANADIAN GRAIN COMMISSION

Mr. Barry Senft, Chief Commissioner of the Canadian Grain Commission (CGC), provided an overview of the structure and function of the CGC and the major issues confronting his organization (presentation overheads attached). As explained by Mr. Senft, the CGC is both a service provider and regulator. In its service capacity, the CGC provides services necessary to facilitate trade within the Canadian grain industry. As a regulator, the CGC provides regulations that give producers, the grain industry, and their customers a framework for conducting business.

The overriding objective of the CGC is to bring integrity into the entire Canadian grain system. The CGC achieves this through a variety of programs and services which result in consistent, reliable shipments of grain that meet contract specifications for quality, safety, and quantity. Some of CGC's key quality and quantity assurance services include:

- Developing grain quality standards and inspecting grain to certify quality, including all grain received at and shipped from terminals, all grain exported from transfer elevators, and samples of grain submitted by producers and the grain trade.
- Certifying weights for grain exports, supervising weighing at terminals, conducting audits of terminal and transfer elevator stocks, and inspecting terminal and transfer elevator scales.
- Participating in the system for registering varieties which can be grown in Canada by evaluating the end-use quality of varieties that are being considered for registration.
- Conducting end-use quality research to identify and explain that relationships between the physical and biochemical properties of grain and its end-use value.
- Evaluating the quality of plant breeders' lines to ensure that they have the physical and quality criteria needed for success in the marketplace.
- Monitoring and certifying grain shipments to ensure they are safe and meet strict international tolerances for toxic contaminants.
- Provides information to marketers and processors of Canadian grain on the quality of commercial grain shipments and of each new harvest.

- Investigating and resolving complaints related to the quality of Canadian grain.

Mr. Senft also gave his perspective of future challenges facing the CGC and the Canadian grain industry. A few of the key challenges are as follows:

- CGC revenues come mainly from the weighing and inspection of grain exported from terminal and transfer elevators. Changes in export policies and practices are affecting the CGC's revenue base. For example, the end of the Crow Rate on August 1, 1995, meant that prairie farmers must now pay the full freight rate for grain. This has meant a boost for grain processing industries on the prairies and an increase in grain exports directly to the U.S. But, it has also meant reduced exports and reduced revenue for the CGC - - revenue that supports CGC's operations and pays for the quality assurance system. As a result of this situation, the CGC faces a significant deficit. In January 1999, the CGC proposed comprehensive changes in the way grain quality assurance services are delivered and how the CGC is to be funded in the future. So far, the CGC has implemented several recommendations affecting operation and internal services. Other recommendations are pending the decision of the Minister of Agriculture.
- In June 1999, the Canola Council of Canada estimated that 60 percent of canola produced in Canada would be grown from genetically modified (GM) seed. Whereas shipments of Canadian canola to Japan, Mexico, and the U.S. have been unaffected, European buyers have rejected all of Canadian canola, since so much of the crop is GM. The CGC does not regard GM grains as good or bad, healthy or hazardous. It is not within the CGC's purview to determine their safety or to make marketing decisions. The CGC's role is to provide services to farmers and the grain industry that will maintain the integrity of the quality assurance system in Canada. As more GM grains enter the market, the CGC plans to evaluate their end-use value and make recommendations to ensure they conform to established quality standards; develop and apply methods for the identification and testing for GM grains as needed by the industry; provide quality assurance through monitoring programs; provide certification as required within the limits of technology; support the development of identity preservation systems within the Canadian grain industry; provide services for GM grains as with non-GM grains; and offer advice and expertise when companies implement identity-preserved systems to handle genetically modified grains.

In closing, Mr. Senft indicated that this is an exciting time in the CGC's history. Although the theme of his presentation was on the CGC's organization, operations, and future challenges, he indicated that the CGC is currently going through an exciting period of reinvention; creating innovations in quality assurance services; and developing new ways to do business with the industry.

REMOTE ELECTRONIC CERTIFICATION

Mr. Dave Orr, Director of GIPSA's Field Management Division, provided an update on remote electronic certification. Directive 9000.5, "Remote Issuance of Official Certificates" captures the key points of Mr. Orr's presentation (attachment).

CU-SUM CHANGES

Mr. Dave Orr, Director of GIPSA's Field Management Division, provided an update on the Agency's automated shiplot inspection plan (Cu-Sum). In brief, the domestic grain marketing system is experiencing several phenomenon: the use of larger unit trains; quicker turn-around times at domestic facilities; and Cu-Sums being requested on domestic shipments. A number of domestic facilities are also looking into the feasibility of using shipping bins. What this all means is that GIPSA is reviewing its traditional Cu-Sum policy regarding the size of sublots (i.e., a unit train sublot = 5 cars) and exploring whether changes in domestic marketing necessitate other changes in Cu-Sum procedures. GIPSA will share its findings and continue discussion of this topic with the national associations' grades and weights committees.

**RESOLUTIONS OF THE GRAIN INSPECTION ADVISORY COMMITTEE
OCTOBER 21-22, 1999**

1. GIPSA's Financial Matters: The Grain Inspection Advisory Committee commends GIPSA for its improved financial performance and, in particular, for lower costs with higher volume. The Committee urges GIPSA to continue its efforts to improve cost efficiency and productivity and responsiveness to industry concerns.
2. Feed/Utility Wheat: The Grain Inspection Advisory Committee commends GIPSA for its study of the feed/utility wheat issue. At this time, the Committee does not yet support the establishment of a feed/utility wheat class. The Committee recommends that GIPSA continue to monitor the issue and present an update at the next meeting, in particular, Dr. Wilson's report. Furthermore, the Committee requests that GIPSA, to the extent that it can, encourage the wheat industry to evaluate and publish milling performance data on wheat varieties.
3. Deoxynivalenol: The Grain Inspection Advisory Committee resolves that GIPSA should not get involved with whether DON discount schedules and marketing practices are adequate. Rather, GIPSA should focus on testing and certification of results.
4. Deoxynivalenol: The Grain Inspection Advisory Committee recommends that GIPSA should not unilaterally discontinue offering certification in tenths.
5. Deoxynivalenol: The Grain Inspection Advisory Committee recommends that GIPSA encourage manufacturers of deoxynivalenol (DON) test kits to reduce the variability in the results obtained when using their kits.
6. GMOs: The Grain Inspection Advisory Committee recommends that GIPSA work closely with AOAC International and other industry trade/professional/scientific associations before the Agency sets up a laboratory to test and certify GMO test methods. The Committee's goal in proposing this resolution is to ensure uniformity both in the United States and worldwide.

RECOGNITION OF DEPARTING MEMBERS

Mr. James Baker, GIPSA Administrator, recognized those advisory committee members whose term expires in March 1999. The departing members are as follows:

- Mr. Wilbur Benroth, (Ottawa, Ohio)
- Mr. Gary Gilbert (Oklahoma City, Oklahoma)
- Mr. Robert Smigelski (Maumee, Ohio)
- Mr. Bert Farrish (Portland, Oregon)
- Mr. Thomas Bressner (Assumption, Illinois)

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

- John Escue (Ripley, Tennessee)
- Mack Brown (Chicago, Illinois)

ADMINISTRATIVE MATTERS/NEXT MEETING

Committee Membership :

In the fall of each year, GIPSA seeks new members and alternate members to fill the slots of departing members and alternate members. Mr. Robert Smigelski, Committee Chairperson, encourages Committee members to recommend individuals to GIPSA for Committee membership.

Next Meeting:

Mr. Robert Gore, Committee Member, recommended that the Committee hold its next meeting in Portland, Oregon. He believes that the Portland area would be an appropriate location as it is home to a GIPSA Field Office, grain elevators, and the wheat marketing center.

Mr. Robert Smigelski suggested that all Committee members be afforded the opportunity, at least once during their term, to attend a meeting in the vicinity of GIPSA's Technical Center. He feels that a tour of the Technical Center is an excellent educational experience.

Mr. James Baker concluded the discussion by stating that he would take these recommendations into consideration as GIPSA plans its next meeting which will likely take place in May 2000.

CONTACTS

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