

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

*Omni Bayfront Hotel
Corpus Christi, Texas
November 1-2, 2005*

WELCOME

Jon Setterdahl, Chairperson, opened the meeting with a welcome and introductions.

ACCEPTANCE OF MEETING MINUTES FROM MAY 3-4, 2005

The Committee voted to amend the minutes to adjust an incorrect financial number from positive to negative, and then approved the minutes of the May 3-4, 2005.

**REVIEW AND ACCEPTANCE OF NOVEMBER 1-2, 2005,
MEETING AGENDA**

The Committee revised the agenda to remove the United Soybean Board presentation then approved as modified.

MEETING ATTENDEES

Committee Members

Gene Ackerman, retired farmer
Thomas Bressner, Assumption Cooperative Grain Company
William J. Cotter, Port of Corpus Christi
Angela Dee, Dee Farm Partnership/Dee River Ranch, Inc.
Warren Duffy, Archer Daniels Midland
Patricia Dumoulin, farmer
Cassie Eigenmann, Dickey-john Corporation
Arvid Hawk, Cargill, Inc.
Daniel Kidd, farmer
Ernest Potter, Ernest G. Potter, Ltd.
Jon Setterdahl, Farmers Cooperative Company
Dutt Vinjamoori, Martek Biosciences

Committee Alternates

Chester Boruff, Association of Official Seed Certifying Agencies
Curtis Engel, The Scoular Company

GIPSA

James E. Link, Administrator, GIPSA
David Shipman, Deputy Administrator, Federal Grain
Inspection Service (FGIS), GIPSA
Steven Tanner, Director, Technical Services Division (TSD),
FGIS, GIPSA
John Sharpe, Director, Compliance Division, FGIS, GIPSA
John Giler, Deputy Director, Field Management Division
(FMD), FGIS, GIPSA
Pat Donohue-Galvin, Director, Executive Resources Staff
(ERS), GIPSA
David Funk, Associate Director, TSD, FGIS, GIPSA
Marianne Plaus, Chief, Market Analysis and Standards Branch,
FMD, FGIS, GIPSA
Julia Nelis, Office of the Deputy Administrator, FGIS, GIPSA
Sharon Lathrop, Office of the Director, TSD, FGIS, GIPSA
Amanda Taylor, Administrator's Office, GIPSA
Dannye Cameron, League City Field Office, FMD, FGIS, GIPSA
Kathryn McCaw, Portland Field Office, FMD, FGIS, GIPSA
Dan White, Portland Field Office, FMD, FGIS, GIPSA
Jaime Adams, ERS, GIPSA

Other Attendees

David Ayers, Champaign-Danville Grain Inspection
Nick Friant, Cargill, Inc.
Travis Keil, Global Grain Inspection
Robert Waller, Global Grain Inspection
Ed Sikora, Auburn University

ADMINISTRATOR'S WELCOME

GIPSA's new Administrator, James E. Link, welcomed the Committee and provided a brief autobiographical sketch. He comes from a ranching and farming family, and managed ranches around the country before becoming an instructor and later director of the Ranch Management Program at Texas Christian University. He concluded that he is looking forward to working with the Committee.

STATUS OF MAY 2005 RESOLUTIONS

David Shipman, Deputy Administrator, GIPSA, briefed the Committee on GIPSA's responses to their May 2005 resolutions.

Mr. Shipman noted that responses to the resolutions on financial data presentation, wet gluten analysis, domestic inspection program restructuring, test weight field variability, railcar stowage

examination safety, and consideration of an alternative reference method for test weight would be covered in presentations later in the day.

He reported that the Committee's recommendation to consider eliminating territory boundary limits for domestic official agencies to encourage competition would require a change to the U.S. Grain Standards Act. This issue was raised briefly during reauthorization but no action was taken. Current exemption authority encourages price and service competition. Further, GIPSA is considering developing a pilot program to evaluate the impact of direct competition between official agencies.

The Committee recommended GIPSA develop cost projections for outsourced services versus GIPSA-provided services for each major U.S. export range. Mr. Shipman distributed a fact sheet developed during the reauthorization process that contains the cost projections for outsourcing services versus the current system.

The Committee opposed the establishment of new user fees to cover the costs of standardization activities. The current House and Senate appropriations bills, which are still in Committee, do not contain new fees for fiscal year 2006.

Finally, the Committee commended GIPSA's progress on evaluating and reporting its financial status. GIPSA is continuing its financial management improvement efforts in all programs.

FINANCIAL OUTLOOK

Pat Donohue-Galvin, Director, Executive Resources Staff, GIPSA, briefed the Committee on GIPSA's financial status for 2005 and projections for 2006. She presented an overview of the financial structure, an assessment of the impact of hurricanes on financial status in 2005, and the year's financial report.

The total fund was \$74.3 million, divided about equally between user fee and appropriated funds. User fees are divided into four different types of grain accounts: the grain inspection and weighing account at about \$28.9 million; official agencies at \$1.8 million; the rice inspection program at \$4.4 million; and the commodity inspection program at \$2.2 million. Appropriated funds also are divided into four categories: three for grain programs—compliance, methods development, and standardization; and one for the Packers Programs. A portion of all funds is used for Agency support. There are also Department charges for USDA-wide costs (both direct and support activities).

The biggest portion of each fund is for direct program activities where service is provided. For each grain program fund, 79 percent of all costs are for direct program activity, 9 percent are for program support, 6 percent for Department charges, and 6 percent for Agency support. The Gulf Coast hurricanes imposed additional field office costs in FY 2005. Many GIPSA personnel were displaced—without homes—limiting staff's ability to return to work. To enable those employees

to return to work, and, in turn, meeting the industry service requirements, GIPSA purchased several trailers to house displaced employees. Until the additional staff was able to return to duty, the few employees available worked considerable overtime. GIPSA also is incurring additional costs in repair damage to labs in New Orleans and Texas. As Mr. Shipman mentioned, USDA's National Finance Center (NFC) is in New Orleans. It was totally evacuated and remains vacant. It took about 4 weeks for the NFC to bring up alternate functioning sites. For that reason, the financial operations normally conducted by NFC were delayed, including billing. GIPSA's August billing was not mailed until the end of September, which put the Agency about 2 months behind in collections. This delay reduced available cash, which is used to pay bills and make payroll, to about \$30,000, creating a short-term problem. In addition, all of our financial reporting at the end of the fiscal year was unavailable, making it difficult to evaluate our financial standing. In fact, FY 2005 is not yet officially closed, a delay caused by the effects of the hurricanes.

GIPSA pursued financial assistance, including an emergency supplemental funding request, which failed. We did request and received approval to transfer money from our appropriated funding to the user-fee fund to offset some of the additional costs. Prior to the hurricanes, GIPSA had identified about \$500,000 of appropriated money available due to salary lapses. This money was targeted for our on-going IT modernization efforts, but instead was transferred to the user fee funds with approval from the Secretary of Agriculture. This type of transfer is reserved for severe emergency situations and difficult to obtain. In addition, GIPSA successfully negotiated with the Animal Plant Health Inspection Service (APHIS), the agency that provides GIPSA's administrative services, for a one-time reduction in the agreed-upon fees for fiscal year 2005.

All appropriated funds must be spent in the fiscal year received, while trust funds can carry forward unspent funds into the next year(s). While reliable financial information eventually became available and indicated losses were not as severe as anticipated due to the elevators ability to resume functions much faster than anticipated, GIPSA may still seek additional funds due to the impact of the hurricanes. Some of GIPSA's costs related to hurricane recovery will be incurred in FY 2006, such as repair of the two damaged labs. GIPSA is seeking approval to use Commodity Credit Corporation funding to pay for those repairs and is optimistic about the outcome.

Ms. Donohue-Galvin shared the grain program's cost components. The Agency support costs are divided to eight funds using various algorithms. For example, the Executive Resources Staff costs are distributed based on budget dollars, while the Office of the Administrator is spread equally. IT is distributed based on the number of computers in each fund area. Departmental charges are based on number of staff years in the FY 2005 (in 2004 Department charges were based on tonnage). This change is to match how GIPSA distributed the charges with how the Department assessed them. Our costs for NFC services are based on the number of personnel payroll actions processed, so GIPSA changed the distribution algorithm to match how the charges are assessed. This change in the Departmental charges distribution shifted money within the funds, but provides a more logical distribution to the funds.

In FY 2005, the user-fee programs earned \$37.3 million in revenue, had expenses of \$36.8 million after financial assistance, for a profit of about \$500,000 total, leaving a total reserve of \$3.7 million. Most of the \$3.7 million reserve is currently in outstanding accounts receivables.

The grain inspection and weighing program's revenues was \$28.9 million, with a positive margin of \$700,000, which would have been a \$200,000 deficit without the hurricane assistance. The official agencies fund broke even. The rice program had a deficit of \$200,000, and commodity inspection had a deficit of \$100,000. Financial assistance was applied to the grain inspection, rice inspection, and commodity inspection programs.

The inspection and weighing forecast for 2006 is \$29.1 million in revenue based on economic projections. For the expenses projection of \$29.3 million, we added anticipated pay raises expenses, which reduces the reserve. Since the target for the reserve is 3 months of operating expenses, this program would need \$7.3 million in reserve.

GIPSA's fees are based on tonnage. Since FY 2005 the agency had an 8 percent decrease in tonnage inspected, the actual 2005 figures changed from the projection at the beginning of the year.

Distributing the Department charge based on staffing instead of tonnage shifted a lot of costs to Inspection and Weighing from the official agency program. The reason for the shift is, accounting-wise, it was more appropriate to distribute the costs determined by staffing. In response to Committee objections to this change, Ms. Galvin indicated that NFC charges for services based on staff, so those charges are distributed based on staff. In addition, the way the Department determines charges is based on staff, so those charges are distributed based on staff.

The next fund is the supervision of official agencies. In 2006, there are some pay costs included, making a slight deficit, but still above target reserve. With rice inspection, GIPSA had a deficit of \$200,000 this year with a low reserve balance. Including pay increases and based on revenue projections, this fund would have a \$100,000 deficit, much lower than target reserve. GIPSA is taking a look at this fee and waiting to see the impact of Anheuser-Busch dropping official inspection requirements. For commodities inspection, GIPSA is expecting a slight deficit in 2006, but has a substantial amount in reserve.

GIPSA is taking a look at the tonnage factor and distribution costs in grain inspection and weighing, considering a lower tonnage factor. We are currently evaluating the costs of the program with the new distribution. For appropriated, had \$17.4 million for the three grain programs, expenses were \$16.9 million, leaving a balance, due to unfilled vacancies. That balance was transferred to trust.

In 2006, GIPSA has an increase for pay costs and IT modernization costs. Most IT modernization is in the compliance program. The standardization program in 2006, increases are mainly for pay costs. Our 2006 budget is \$18.1 million. This is not final, it is in Congressional

committee. GIPSA is currently under a continuing resolution. For 2006, GIPSA has requested the combination of our three appropriated funds into one fund, called grain regulatory programs. This change is designed to make management of finances easier by reducing the breakouts into different funds.

GIPSA's fund tracking improved tremendously in 2005. This was a targeted improvement. In order to make this improvement, ERS has worked to educate staff on accessing the financial system and forecasting expenses. In 2006, we had an increase of \$1 million for the IT project. In 2004 we identified some available funding and started the project, and then in 2005 we received a specific increase to fund the IT project. GIPSA had thought to augment this increase with additional funds, but instead spent it to offset hurricane-related expenses incurred by the user fee accounts.

REAUTHORIZATION STATUS

Mr. Shipman updated the Committee on the recent reauthorization of the U.S. Grain Standards Act. In March 2005, USDA proposed that the U.S. Grain Standards Act be reauthorized for a period of 10 years. Both the House and Senate held hearings in May 2005. In response to an industry proposal, both the House and the Senate bills called for reauthorizing the Act for 5 years and providing authority for GIPSA to use private entities to perform official export inspections under Federal oversight. At Congress' request, GIPSA submitted a fact sheet outlining the Agency mission and goals, financial picture, and the Delegated Private Agency concept, highlighting the potential impact should the change occur.

On September 30, 2005, the President signed S. 1752 to amend the U.S. Grain Standards Act to reauthorize the Act for 10 years. The law did not include privatization provisions. The Congressional Record cited the industry proposal to privatize at export as well as expected GIPSA attrition due to retirement, and requested that GIPSA explore its current authority to contract with private persons (defined as any individual, partnership, corporation, association, or other business entity) to perform inspection and weighing services at export port locations. GIPSA has never used this authority other than for unusual situations. If pursued, GIPSA would comply with OMB Circular A-76 for any contracting activity that may replace or displace Federal employees.

GIPSA will develop a framework for contracting to provide mandatory export inspection and weighing service. GIPSA would initially look at the authority for areas where States give up their delegations. This does not require A-76 studies as it does not involve competition between Federal employees and a private workforce. For succession planning, GIPSA will assess the costs and benefits of using contracting to replace retiring employees or complement the Federal workforce. Contracting will continue to be an option to address future workforce attrition and ensure program effectiveness and cost efficiency.

RAILCAR STOWAGE EXAMINATION REGULATIONS/PROCEDURES

John Giler, Deputy Director, Field Management Division (FMD), GIPSA, briefed the Committee on railcar stowage examination regulations and procedures. Building on information presented at the last Committee meeting, Mr. Giler focused on regulatory and procedural options to reduce the safety risks associated with working on top of railcars.

The regulatory change option is to make land carriers stowage exams a permissive instead of a mandatory service. Changes in industry practices on railcars since the time the regulations were initiated reduce the risk of having a contamination problem with a railcar. Also, railcars do not fail stowage examination very often. A lot of the cars get turned down due to lids that do not seal. Making stowage exams permissive would result in the service being provided only when needed, thereby promoting a safer work environment. The disadvantages are that service would have to be specifically requested when needed, there is a risk of contamination, and workers would still have to climb on top of railcars to provide the service when requested. Shifting stowage exams from a mandatory to permissive service would require a rulemaking process to amend the regulations.

Mr. Giler then presented three procedural change options for consideration. First, procedures could be revised to do 'bottom checks'. Inspectors would check a railcar by opening the gate slide and visually determining if anything falls out. If nothing is observed, the hopper would be presumed to be empty. This option would eliminate the need to get on top of cars, thereby resolving the safety issue. The disadvantages are that residuals would not be checked which would, in turn, run the risk of contamination, time would be required to open and close the gates, and the conditions of the lids would be unknown.

The second procedure change option is to use digital cameras to view the inside of carriers for stowage examination purposes. These cameras could be either mounted on a stationary device or on a portable telescoping pole. GIPSA currently uses cameras to check barges. Using cameras would eliminate the need to get on top of railcars and allow remote viewing with the ability to zoom. The disadvantages are the installation and equipment costs, restricted viewing, and lighting needs for adequate images. This would be a different way of doing business.

The last procedural change option is to allow the shipper to self-certify that the carrier is clean and ready to receive grain. This option would eliminate the need for grain inspectors to get on top of railcars. Shippers would establish internal company procedures for verifying carrier cleanliness sufficient to meet their customer's expectations

GIPSA's goal is to promote a safe workplace while meeting industry needs. Mr. Giler requested Committee feedback on the options being considered.

STATUS REPORT ON DELEGATIONS AND DESIGNATIONS

John Sharpe, Director, Compliance Division, GIPSA, briefed the Committee on GIPSA's current designation and delegation activities. GIPSA "designates" States and private organizations to provide domestic grain inspection and weighing services. GIPSA "delegates" qualified States to provide export vessel grain inspection and weighing. Designations can be given for a period of up to 3 years and correspond to a specific geographic area for only that agency. Delegations are indefinite but can be canceled either by the State or GIPSA.

GIPSA's State and private partners provide the grain industry with over 2.5 million inspections annually; GIPSA employees perform about 100,000 inspections. Ninety-six percent of all inspections performed under the official system are being performed by our partners. The ratio is slightly different if you compare the volume of grain inspected. Our State and private partners inspect approximately 169.4 million metric tons, or 69 percent, of grain inspected; GIPSA employees inspect about 76.2 million metric tons or only 31 percent. The difference in the volume inspected is attributed to higher portion of ship sublots, which are larger in size than truck and railcar lots, inspected by GIPSA employees.

When the United States Grain Standards Act was revised about 30 years ago to reflect the current program, the composition of agencies included 22 States, 9 of which were also delegated, and 61 private agencies, totaling 83 official agencies. Currently we have 11 States, 6 of which are delegated, and 45 private agencies, totaling 56 official agencies.

Over the past 15 years there has been an overall decline in all types of agencies. The number of private agencies has declined by approximately 6 percent, designated States have declined by 58 percent, and delegations have declined by 25 percent. There are several reasons for these shifts in the composition of the official system.

Operations in some States have shifted to private organizations, such as in the State of Kansas. Other States have chosen to relinquish their designations and have been replaced by private organizations. For example, Illinois transitioned to Eastern Iowa, Wyoming was replaced by the private Kansas agency, Oregon was replaced by the Lewiston agency, Mississippi by Midsouth, California being assigned to Farwell Southwest and California Agri, and most recently Wisconsin being replaced by Eastern Iowa.

There has also been consolidation of some private agencies. This occurs when one private agency purchases another and when GIPSA designates an existing private agency for an area previously covered by another. Examples include North Dakota's purchase of Southern Illinois and Midsouth's acquisition of the Arkansas agency when its designation was not renewed.

We have also established new designations of previously unassigned areas because of evidenced need for service. Examples include Farwell Southwest being designated for the Desert Durum

marketing area of Arizona, and Global for a previously unassigned area in Texas. In addition, there has been an increase in official agencies providing weighing services to the domestic grain industry.

Mr. Sharpe updated the Committee on the designation of two private agencies in California and the designation of an unassigned area in Texas. The Farwell Southwest agency was assigned the southern portion of California on May 16, 2005. Farwell has laboratories in Corcoran and Brawley. The Agency also had a laboratory in the Los Angeles area, which was closed due to lack of industry need. Farwell's fees are approximately 33 percent lower than those previously charged by the State. The agency inspected 1,347 samples through September 30, 2005, down from 2,126 samples inspected by the State during the same time last year. The reduction was caused by an 11-percent decrease in the wheat acres planted and compounded by producers' decisions to green-chop approximately 50 percent of the crop rather than harvesting it for grain. Also, one applicant decided not to use official inspection services.

In the Northern portion of the State, California Agri began providing official service on June 1, 2005. California Agri operates three laboratories in West Sacramento, Stockton, and Williams. Cal Agri's fees are approximately 11 percent lower than the State's had been. They inspected 3,000 samples through September 30, 2005, while the State inspected 5,684 during the same time last year. The reduction was caused by a smaller crop and the decision of one applicant to use an unofficial inspection agency.

Global Grain Inspection began providing official services on May 1, 2005, to South Texas, an area that had previously not had an official agency. The agency has laboratories in Fort Worth and Corpus Christi. From May through September, they performed 2,662 inspections and 1,041 aflatoxin tests. The area in Texas has been more challenging because there was no previous service in the area and the agency's business plan was to start in the Fort Worth area and expand at a moderate and yet steady pace to the southern Texas border. However, the recent emphasis by USDA's Animal and Plant Health Inspection Service to have all of their phytosanitary certificates based on samples obtained by the GIPSA official system created an unforeseen workload expansion in the southern area. In response, the Agency opened an office in Corpus Christi office and is working to acquire the staffing necessary to perform all the necessary service.

A significant development since the last Committee meeting is the assignment of the State of Wisconsin's designation to a privately owned agency. The State's designation was scheduled for renewal on October 1, 2005. On March 1, 2005, GIPSA asked for applicants to provide domestic inspection and weighing service in the *Federal Register*. The State of Wisconsin and the already designated Eastern Iowa private agency both applied to provide service. On June 1, 2005, GIPSA asked for public comments on the two applicants in the *Federal Register*. The comment period closed on July 1, 2005. On August 19, 2005, the State informed GIPSA that they were withdrawing their application due to financial shortfalls in their domestic program. Subsequently, GIPSA announced on September 1, 2005, the selection of Eastern Iowa to provide domestic service in the State of Wisconsin effective October 1, 2005. Eastern Iowa has several on-site labs

in the southern area and is looking for space in the Milwaukee area. The State did not relinquish their delegation to provide export inspection and weighing service in the ports of Superior and Milwaukee.

Also since the last meeting, the State of Minnesota notified GIPSA on August 9, 2005, that they wished to cancel their designation to provide domestic services effective December 31, 2005. GIPSA asked for applicants to provide domestic service in the State of Minnesota on August 17, 2005. Nine organizations applied to provide service in either all or specific parts of the State. GIPSA requested the public to comment on the applicants in an October 3, 2005, *Federal Register* notice. Fifty-one comments were received during the 15 day comment period that ended on October 18, 2005.

Those applying include D. R. Schaal Agency, Inc. (Belmond, Iowa), Grain Inspection, Inc. (Jamestown, North Dakota), Mid-Iowa Grain Inspection (Cedar Rapids, Iowa), North Dakota Grain Inspection (Fargo, North Dakota), Northern Plains Grain Inspection Service, Inc. (Grand Forks, North Dakota) and Sioux City Inspection and Weighing Service Company (Sioux City, Iowa), all of which are currently officially designated agencies. Two potentially new agencies also applied. Minnesota Grain Inspection, Inc., which is a subsidiary of Société Générale de Surveillance (Memphis, Tennessee) most commonly referred to as SGS and State Grain Inspection, Inc. (Mankato, Minnesota), a subsidiary of National Quality Inspection Service, also referred to as NQI. Both of these organizations' parent companies conduct unofficial inspections and will have to demonstrate to GIPSA that they have adequately separated themselves from their parent company's unofficial inspection business. The final applicant was the State of Minnesota, which reapplied to perform only laboratory services.

The State of Minnesota is the nation's third largest producer of spring wheat and soybeans, and the fourth largest corn producer. The need for robust official inspection services is vital to the grain industry within and outside the State of Minnesota. GIPSA is currently evaluating the applications and the comments and plans to announce a decision on or before December 1, 2005.

Because GIPSA is treating this process as we would a rulemaking process, Mr. Sharpe could not discuss any decisions thus far, however, he offered to gladly answer any questions regarding the process. In response to a question, Mr. Sharpe noted that there is an opportunity to experiment with lack of boundaries, but, in this case, timeframes were too short to establish a program. Mr. Shipman noted that GIPSA would need to promulgate regulations to establish a pilot for immediate use or to be activated when a similar situation arises.

Mr. Sharpe also briefed members on the ongoing situation involving the States of Wisconsin's and Minnesota's delegations to provide export inspections. At our previous meeting, we discussed the States jointly commissioned a study by World Perspectives to provide solutions to their financial shortfalls. Since that time, the Wisconsin Legislature's Joint Finance Committee voted on May 12, 2005, to fund the current program only through January 31, 2006. The committee did allow the State the opportunity to present an alternative plan to create solvency in the program by

September 30, 2005. The State Agriculture Department submitted a plan to the joint committee on September 28, 2005, that included proposed staffing reductions, a proposal to ask GIPSA to allow the State to relinquish their delegation in Milwaukee while maintaining it in Superior, and finally proposed changes in their labor agreements. The joint committee met on October 26, 2005, and voted to allow the State Department of Agriculture to seek the proposed changes and report back to them by January 9, 2006. If any of the required concessions are not obtained, the State will most likely relinquish their delegation to GIPSA. Wisconsin is looking at concessions on overtime, using part-time staffing, and eliminating positions as one of their possibilities. The State of Minnesota is still reviewing their options regarding how best to address the financial shortfalls in the Port of Duluth.

RE-ENGINEERING DOMESTIC OPERATIONS

Mr. Giler provided a progress report on the re-engineering of domestic operations within the official system. GIPSA plans for the future are to centralize the monitoring (oversight) of official agencies. This 'central lab concept' is moving forward and will be the means of evaluating the performance of official systems. The centralization, targeted for completion in FY 2008, will reduce costs and increase efficiency.

To achieve this significant reengineering, GIPSA established two groups.

The first group is addressing the selection process and criteria for evaluating performance of official agency providers. The second group is assessing quality assurance requirements and determining how best to standardize and maintain the calibrations of the official system. This team has two subgroups, one for objective services and one for subjective services.

The section criteria/performance measures team is charged with identifying the critical functions of official service providers and developing measurable expectations of service providers. They also were asked to develop means of promoting use of quality management principles by service providers. Some providers are technically strong but fall behind on the business side. The team is to make sure the providers comply with the laws while providing efficient and effective service.

The team has drafted quality management system standards for service providers, selection criteria for selecting outside service providers, and performance measures for evaluating each provider. The team expects to complete their charge during this fiscal year. They are also developing good business management practices and equitable selection criteria so GIPSA can provide more efficient audits, and the service providers become more involved in the operation of the agency while GIPSA personnel will be less involved.

The Instrument and Personnel Quality Assurance Team charge is to recommend ways to align to standards, consider efficiency and costs, hopefully to streamline the process. These changes will put more of the burden on the service providers. Through these processes, we hope that the end result is the confidence and respect of the official system will still remain.

The objective services sub-team is focused on processes related to hardware, and how calibrations are developed, moved to field units, and kept standardized. The subjective services sub-team is assessing alignment of licensed personnel, and how best to collect and distribute quality control information. Two official agencies are involved and a pilot is expected to begin this month on checking and monitoring equipment/instruments and to look at ways to train and obtain licenses for individuals. Overall, this team is trying to improve efficiency and streamline processes, thereby reducing costs of oversight for standardization and calibration. They are exploring new ways to measure performance of inspection service, and increasing service providers' involvement in the QC process.

U.S./MEXICO OPERATIONS

Mr. Giler discussed two issues regarding U.S./Mexico operations -- phytosanitary certification and cracked corn inspections. In May 2005, APHIS informed the Texas grain industry that phytosanitary certification must be based only on samples inspected by the official grain inspection program. APHIS informed exporters that the Corpus Christi Grain Exchange (CCGE), which had been providing the service in the area, was not an acceptable service provider. GIPSA did not have official service providers in place in the southern Texas area to allow the industry to meet APHIS' requirement. Global Grain had just opened their doors to business in Fort Worth several weeks before the APHIS policy was implemented. In addition, Texas exporters were reluctant to change from CCGE, which had provided the service for years. APHIS stuck to their policy and wanted a change as quick as possible. To allow Global Grain time to prepare to provide the service, APHIS moved their technicians on site to provide the service for 60 days. Global Grain initiated action to open sampling sites in southern Texas. In August 2005, Global began providing sampling service. Global now has three sampling points in Texas and is currently trying to augment their staff to convert sites from phytosanitary services only into full-service labs.

Global really stepped up to the plate. They originally expected their business to be small for the first year or so. They did a good job in addressing the need for rapid expansion. Global Grain services is in a position now to staff inspection offices to provide complete inspection services to the Texas grain industry.

The second issue Mr. Giler discussed was the increase in cracked corn shipments to Mexico and commensurate growth in cracked corn inspections. In 2002, GIPSA developed tests and methods to certify cracked corn. GIPSA recently updated that policy based on Mexican buyers' concerns that cracked corn was heavy on damage. Most of the damage in cracked corn is mold, some heat, and germ damage. Mr. Giler noted it is not difficult to keep cracked corn in good condition since it generally is not stored for any length of time and is typically lower in moisture.

Part of the problem was contracts for cracked corn did not have specifications for maximum damage levels and inspection procedures did not establish this quality factor. GIPSA developed procedures for testing for damage and heat damage in cracked corn using a sieve to remove broken kernels then picking the remaining portion for damage and heat damage. This procedure

is comparable to that used for corn. This is an optional testing service. Cracked corn does not have standards by grade, so quality specifications are set in the contract.

Mexican buyers have responded favorably to our new directive. They appreciate having a tool in place to specify damage and the official system's responsiveness to their concerns. Mr. Giler has heard from agencies that do the services that there will probably be a fee adjustment for the additional test. That cost will probably be worked into the contract price.

METHODS TO ASSESS GRAIN END-USE FUNCTIONALITY

Steve Tanner, Director, Technical Services Division (TSD), GIPSA, outlined the topics to be discussed in this joint presentation as the determination and prioritization of method development and evaluation of needs, potential new soybean methods to evaluate intrinsic traits, the status on implementing wet gluten testing, additional wheat end-use functionality testing, and a discussion regarding the idea of a new test weight reference method.

Mr. Tanner indicated that, while there are multiple needs for methods development, evaluation, and improvement within the grain industry, GIPSA has a limited amount of resources with which to address those needs. He indicated that the needs list is more extensive than resources permit to address at once, so industry feedback is used to prioritize the needs. GIPSA's specific role is to develop and publish specific procedures for standardizing and controlling methods to meet market needs. For example, GIPSA evaluates and publishes evaluation results regarding biotechnology test kits for industry use but does not provide testing. GIPSA has also evaluated and published results on several aflatoxin test kits for industry use in addition to those used in the official system. GIPSA only includes methods within the official system if there is a demonstrated commercial market need for official service that cannot be provided by the private sector. Each method/test in place in the official system does take resources to maintain.

Resources are divided between evaluation of equipment and investigating existing and emerging technologies to determine their suitability for grain inspection. As an example of emerging technologies, GIPSA is working on the unified moisture algorithm that, when used in multiple types of meters, will give relatively close results. In addition, GIPSA participates in collaborative research with Agricultural Research Service (ARS) and academia to validate methods.

Mr. Tanner then briefed the Committee on GIPSA's activities related to developing and/or evaluating new soybean methods for intrinsic traits. GIPSA is working closely with the United Soybean Board (USB) to provide reference analysis and some testing and consulting on new soybean attribute measurements. USB has requested GIPSA to play a central role in the standardization of new soybean tests.

GIPSA's current efforts are to establish a rapid method to differentiate low linolenic acid soybeans from conventional soybeans by 2007. Our initial efforts are to differentiate low-linolenic bulk soybeans from conventional soybeans. We think it is possible to differentiate low linolenic

acid soybeans from those with 6-8 percent linolenic acid. In addition, by 2008, GIPSA hopes to have a method to differentiate saturated from unsaturated fatty acids. After that, the next challenge is to find a rapid method for evaluating soybean amino acids, hopefully by 2009.

For new soybean methods, major life science companies are involved. For corn, the National Corn Growers Association (NCGA) is working with GIPSA, currently focusing on high total fermentable corn. NCGA has also involved the National Corn-to-Ethanol Research Center in these efforts. The working group's original goal was to establish a NIRT calibration by fall of 2006. There are challenges related to sharing information between the two major life science companies involved. There are some reference methods for determining total fermentables in corn, but they are proprietary. GIPSA is working through the NCGA to obtain an agreement on a standard reference method that everyone in the industry follows in order to establish a rapid method to determine that measure. In response to information volunteered by a Committee member on activities at the University of Illinois related to these methods, Mr. Tanner indicated he would follow up.

David Funk, Associate Director, TSD, FGIS, GIPSA, took over the presentation to talk about wheat functionality. Wheat functionality is a very important part of research efforts right now, especially as wheat exports are trending down. GIPSA is collaborating with a couple of universities to look at different ways of assessing gluten strength in wheat. This work may result in practical, but not necessarily rapid tests. GIPSA is also involved in collaborative research with ARS to evaluate potential reference methods for single kernel wheat hardness for calibrating the Single Kernel Hardness Tester (SKHT). GIPSA is also in the process of evaluating several wheat functionality methods and has obtained several types of equipment to use to standardize tests and to have opportunities to look at the NIR spectrum in different ways to see if we can extract useful information.

Wet gluten for wheat is GIPSA's first target for implementation—our first step forward in wheat functionality measurements. There is a high correlation between wet gluten and protein content in wheat. This correlation is so strong it is both an opportunity and problem. Based on studies with ARS and the Export Cargo Sample Project, wet gluten can be calculated from NIRT protein predictions with essentially the same accuracy as wet gluten can be calculated from NIRT calibrations that are created specifically to measure wet gluten. It may not be possible to create wet gluten calibrations that are significantly more accurate than simple calculations based on NIRT protein (and, possibly, other factors such as test weight).

GIPSA has prioritized Hard Red Winter wheat followed by Hard Red Spring wheat for wet gluten calibrations. It is possible that ANN calibration methods could be used if the reference data from the export cargo project are determined to be suitable for use.

The reference data for the Export Cargo Sampling Project was derived from multiple labs. In order to use the data, GIPSA would need to repeat several samples from each lab to confirm those labs are standardized to our lab. It is necessary to obtain the data and prepare the

calibrations before we can evaluate the options. The priority is on the two classes mentioned. We are conducting an export customer survey to determine what is most important to provide meaningful service. GIPSA is finishing NIRT scans of samples this week and expects to have reference method results by December.

Mr. Funk then addressed the question raised at the last Committee meeting concerning use of the test weight kettle compared to other instruments. Existing data from a 1996 Soft Red Winter (SRW) test weight issue in the Mississippi delta provided similar data to the Committee's proposed test, as samples were tested by both the elevator and the official system. There were about 300 locations, of which 13 were using GAC units and 89 were using quart kettles approximating official methods. The agreement between unofficial tests and official results was poorer for GAC data than for kettle data. For a second test, GIPSA used data from the 1998 original HRW check test for GIPSA's new GAC 2100 units (using one bulk sample). The standard deviation was 0.29 lbs/bu. There were significant biases between GAC 2100 instruments. For comparison, the official method standard deviation is 0.17 lb/bu. GIPSA determined that the GAC 2100 is significantly more variable among units than the official kettle method performed by official personnel. While individual GAC instruments can be tweaked using a bias adjustment to each grain, having to apply individual standardization adjustment to every instrument for each grain type is not suitable for the official inspection system.

In considering the possibility of a new base reference method for test weight, GIPSA looked at options to consider that could be automated. Options were to make no change to the current method, adopt the ISO 7971-1 method, or find something different. For the current system, there are some advantages. One, no standards changes are required and there are routine methods available to simulate this reference method. Disadvantages of continuing with the kettle are 1) it is not an international standard method, 2) the kettle is both the reference and routine method, which limits adoption of secondary routine methods, and 3) at this point there are no automated units in production.

The ISO method is internationally recognized. It is a large apparatus, using a 24-liter initial sample and a 20-liter kettle. The design is similar to GIPSA's official method. It does have a number of conversion factors to calibrate a chondrometer, facilitating adoption of a secondary method. The large volume probably simulates a ship better than the current quart kettle. An additional long-term benefit is it could advance international harmonization. The disadvantages are the large volume samples needed for calibrating the apparatus, the need for large and expensive equipment, and slow implementation. Use of the ISO method would also require a standards changes and recalibration of the entire official system. The third option is to find something completely different, but we do not know what that method would be. This option would be years away and does not help international harmonization.

Experience with our attempt at automating the existing TW apparatus has been disappointing, but there is some potential for improvement in this area. Using the same quart kettle and strike off procedure, GIPSA has been doing some engineering analysis of the automated process/

equipment. Both of the prototype instruments are now at TSD and engineering staff are identifying design weaknesses. To date, GIPSA has identified a list of improvements that could be made to the automated systems. With some modifications, TSD engineers have enabled the equipment to run for a day without problems. TSD engineers have also done some performance tests with corn and wheat that are promising. The basic results look encouraging that, with some effort, GIPSA could standardize and automate the current official method.

For the official system, the GAC 2100 is not considered a viable option. The required standardization adjustment for each instrument for every grain type is complex. For official commercial inspection services it is acceptable to use the GAC 2100 for test weight where State weights and measures permit such use. GIPSA's current research plan is to assess the impact of same basis of determination for all grain types and to develop a second generation of the automated test weight prototypes. Automating the current method appears to be the most productive and rapid method for achieving automated inspection rather than pursuing a totally different base reference method.

STANDARDS OVERVIEW

Marianne Plaus, Chief, Market Analysis and Standards Branch, GIPSA, provided the Committee with an overview of standards-related activities, including Hard White wheat, soybean test weight, sorghum standards, and feed pea standards. Ms. Plaus also provided information about two future initiatives, multi-functional equipment and farm gate/first point of sale quality, and closed with a brief remark about foreign material in soybeans.

First, on May 1, 2006, the change in the wheat standards regarding Hard White wheat classification in predominantly Hard Red wheat will take effect. Hard White wheat will no longer be considered as both contrasting classes and wheat of other classes when found in a predominantly Hard Red wheat sample and will only be counted as wheat of other classes. Further, the current classification policy of allowing darker Hard White wheat kernels to count as Hard Red wheat when found in predominantly Hard Red wheat samples will change. The future policy will require all Hard White wheat kernels to be considered as Hard White wheat, regardless of seed coat color. The new policy ensures the purity of Hard White and Hard Red classes. GIPSA has actively shared this information with sister USDA agencies, State grain and feed associations, and numerous media outlets. The takeaway message for producers is to review planting, harvesting, and binning practices and for elevator operators to bin classes of wheat separately.

GIPSA has a potassium hydroxide (KOH) test to distinguish between white and red wheat kernels. Since many inspectors are proficient at picking white from red wheat without the aid of the test, GIPSA will not require the use of the KOH test. However, the KOH test will serve as the standard, and inspectors will need to be proficient at picking to apply the same line. GIPSA will carefully monitor its quality assurance/quality control system data. If any inspector has difficulty in picking white from red wheat, assistance will be provided and the inspector's work site may be required to use the KOH test. FOM Danyne Cameron, who was in the audience, indicated that League City uses the KOH routinely based on feedback from area industry. Second, Ms. Plaus updated the Committee on GIPSA's progress regarding soybean test weight.

At the November 2003 meeting, the Committee resolved that GIPSA should “. . . remove test weight from the standards as a grade determining factor. Further, GIPSA should propose changes to report soybean test weight to the nearest tenth pound per bushel.” Ms. Plaus indicated that GIPSA is making progress on the resolution and has prepared a proposed rule which is in Departmental clearance. GIPSA anticipates that the proposal will be published in 2 to 4 months. It is important to note, however, that the Departmental clearance process involves agencies/entities outside of GIPSA.

Third, as requested by the National Sorghum Producers, GIPSA initiated a review of the sorghum standards and published an Advance Notice of Proposed Rulemaking late in 2003. GIPSA received a variety of comments which raised several issues regarding the definitions of class, non-grain sorghum, heat damaged kernels, and damaged kernels total. The comments also raised concerns regarding the grade limits for broken kernels and foreign material, foreign material, damaged kernels total, and the lack of a maximum count limit for all other material. GIPSA is currently evaluating all comments, gathering additional information, and developing a docket to propose changes to the United States Standards for Sorghum. GIPSA anticipates publication of the proposal in early 2006 and looks forward to receiving comments on the proposed action from all interested parties.

Last, at the recommendation of the U.S. Dry Pea and Lentil Council, GIPSA expects to publish Feed Pea Standards mirroring the Canadian standards in mid-November 2005. Feed peas are dried peas that are intended for feed purposes. These standards would come under the authority of the Agricultural Marketing Act of 1946.

Ms. Plaus then provided information on future Agency initiatives that impact standards. GIPSA will explore the use of multi-functional equipment as a means of providing accurate, timely, and cost-effective inspection results into the future. Multi-functional equipment has the potential to allow one technology/ instrument to perform multiple analytical functions. This could improve the timeliness of results and lower the overall investment costs for inspection equipment. This initiative entails a number of policy, technical, and standards-related issues.

With regard to the standards-related aspect of this issue, the current standards/procedures provide the bases of determination for the various factors. For example, in the official system, moisture is always determined on the grain sample as a whole. However, test weight is determined on the sample as a whole for some grains but after the removal of dockage or foreign material for other grains. If GIPSA’s goal is to increase the efficiency of the system by using multi-functional equipment, then serious consideration must be given to making measurements on the same basis for all factors for each grain. GIPSA will prepare a study protocol consisting of field and lab work to determine the effect of changing the basis for specific factors, such as moisture and test weight, in specific grains, such as corn, wheat, soybeans, and rice. Results will be shared with the public.

GIPSA also plans to establish and institute a statistically-sound mechanism for capturing farm gate/first-point-of-sale inspection data for all major grains. This data will provide more objective, data-based rationale for standards changes and complete data covering the entire marketing chain, which facilitates more objective decision making. This will help when GIPSA is faced with opposing points of view and must make a decision about an appropriate course of action. GIPSA

has prepared a draft outline and cost analysis for a pilot study involving sorghum. The pilot study draft needs to be reviewed internally then a decision made on whether to continue.

In closing, Ms. Plaus indicated that GIPSA will carefully review the results of the study of the amount and composition of foreign material in U.S. Soybeans which is being sponsored by the United Soybean Board. The study report has not yet been released.

RICE INSPECTION PROGRAM

Mr. Giler provided an update on the rice inspection program for GIPSA. There has been a major shift in the marketing of rice that negatively impacts the official system. In an effort to reduce their costs due to lower beer sales, the Anheuser-Busch Company no longer requires GIPSA analysis of milled rice shipments. Instead, Anheuser-Busch has informed rice mills that participation in the company's check-sample program is sufficient. This has significantly affected our rice offices; the rice program has \$4.4 million in revenue annually, of which the Stuttgart Field Office contributed \$2.3 million. Eighteen percent of the revenue generated in the Stuttgart circuit is for services to Anheuser-Busch. The rice companies in that geographic area has GIPSA under contract in order to meet Anheuser-Busch requirements. At this time, we do not know if those rice companies will terminate their contracts with GIPSA in response to the Anheuser-Busch policy change. GIPSA's potential loss could reach 30 percent of the Stuttgart circuit's revenue.

Rice mills are currently considering their options regarding their GIPSA contracts. To be able to respond rapidly if the mills terminate their contracts, GIPSA is exploring both staffing realignment options and cost containment options if the contracts are terminated. Potential cost-containment options include moving the current Jonesboro office into industry-provided space and amending rice inspection fees.

Another affect of the Anheuser-Busch policy change is to delay the A-76 study discussed at the last Committee meeting. The feasibility study needs to be revalidated after the rice situation stabilizes. GIPSA has conferred with both the Office of Management and Budget (OMB) and the Department regarding the delay. By May 2006, GIPSA should be in a better position to determine the direction needed for rice program outsourcing.

GENERAL DISCUSSIONS

Reauthorization: Mr. Shipman addressed a question from the Committee on the A-76 process. The first step is to do a feasibility study to see if it makes good business sense to conduct a competition. If the feasibility study indicates there are potential savings, then the Agency would

establish a Most Efficient Organization (MEO) within the Federal workforce which would then compete head to head with outside entities to determine the most cost effective alternative. If the private sector won the competition, GIPSA would incur costs associated with reducing the Federal workforce. Arvid Hawk stated that Congress should provide additional funding for the A-76 studies since they did not provide a privatization provision in the revised Act, which would have been a less costly alternative.

Ernest Potter asked if downsizing costs in the event the private sector won the contract were immediate or spread out over several years. Mr. Shipman indicated that, for the rice program, the costs would be incurred over 2 fiscal years with savings projected over a period of time. Pat Dumoulin commented that downsizing costs are quite large and that costs are minimized if downsizing is accomplished through attrition. Mr. Shipman indicated projected attrition is based on retirement eligibility dates, which are not necessarily indicators of actual retirements.

Mr. Hawk suggested considering Toledo early on in the process due to their costs. Mr. Shipman responded that GIPSA first plans to create the framework, then address States, then consider other areas due to costs/benefits as they relate to attrition. Decisions will hinge on good business sense. States are able to enter into contracts to acquire an adequate workforce with State supervision. This is where GIPSA could contract for services. Under the FAIR Act, every government Agency is required to inventory the potential to outsource every position. With an inventory in places, agencies begin the process with a feasibility study. The Office of Management and Budget (OMB) is driving the process and is closely evaluating position inventories. OMB is addressing funding issues. GIPSA is the first user fee program that has gone through this process, so the cost issue is different.

Financial Information: Ernest Potter requested clarification of the projected revenue for 2006 in the rice program in light of information presented by Mr. Giler regarding Anheuser-Busch's policy change eliminating official inspection requirements. The Committee specifically wanted to know if the projection of \$4.5 million in revenue for 2006 had included the loss of this significant customer. Mr. Shipman indicated he would find out as the information was not available at the time.

Mr. Potter also asked for clarification about the negative reserve balance in the Weighing and Inspection Program data.

Mr. Shipman explained that the reserve's four user fee accounts are actually in one treasury fund, so that one fund could have a negative balance. He reiterated that some of the reserve was cash and some was accounts receivable. Mr. Potter also requested and Mr. Shipman concurred that the reserve balances at the beginning of the timeframe be included on slides to clearly see trends and analyze data.

The Committee also requested that when extraordinary actions such as moving money from appropriated funds to cover trust expenses occurs, the information presented should clearly show

the actual revenue, actual expenses, and then the adjustment. Looking at future trends without segregating the adjustment would raise questions about why program expenses had increased. The Committee also questioned whether some of the costs incurred due to the hurricanes could be partially recoverable in the future (i.e., selling temporary housing when no longer required).

Additional Committee discussions focused on the change in the allocations and the need for more detailed accounting. Mr. Potter reiterated a request from the last meeting to provide information regarding programming changes with information showing original programming versus revised programming to allow analysis of the effects. Financial statements are the subject of **Resolution #3**.

Dutt Vinjamoori asked if GIPSA was looking into revenue enhancement schemes to avoid revenue losses in the future. Mr. Shipman explained that the Agency works hard to provide the market with the grain standards and testing methods needed to facilitate marketing, but does not maintain an aggressive marketing strategy to promote the use of Federal inspection services. Cassie Eigenmann asked if GIPSA had the ability to negotiate with large official system users to provide a special deal. Mr. Shipman indicated that regulations require GIPSA to have equitable fees for all customers so we do not have the latitude to negotiate. Mr. Giler indicated that high volume customers could obtain breaks through the contract rate.

Warren Duffy asked what the official agency count would have been without transferring funds to the Inspection and Weighing account in fiscal year 2005. Mr. Setterdahl noted that the recent fee change was expected to bring the reserves to the 3-month level in 2 years, which current financial information does not support. He suggested GIPSA should not keep increasing fees on mandatory users. Program costs transfers between official agency and inspection and weighing account are the subject of **Resolution #6**.

Stowage Exams: The Committee discussed how often railcars failed stowage exams, determining it was rare and usually due to functional difficulties with the car. They also suggested GIPSA consider the policy option of checking cars only where staff can be safe. Mr. Hawk suggested elevators need to talk to merchants, but liked the permissive service idea presented. Tom Bressner suggested that under the self-certify option, GIPSA would review the elevator process and approve their system. One inspector present indicated that the ladder on the railcar is a big safety problem.

The Committee discussed the options presented for stowage examinations and asked GIPSA to look at a solution for the industry as a whole to avoid simply shifting the risk factor from official inspectors/samplers to industry personnel. Warren Duffy suggested sonar technology as an alternative for consideration. Angela Dee suggested that GIPSA establish more rigid requirements of OSHA's in the interest of staff safety. Mr. Setterdahl indicated that industry does not want to have staff required to walk a mile in the dark to open and close the gates for the bottom-check option. Mr. Setterdahl also indicated that it is rare for railcars to fail stowage exam for other than operational defects. The Committee also discussed the difference between probed versus diverter-sampled cars in the reporting on the certificate.

Additional discussions suggesting including the National Grain and Feed Association in considering options for altering the stowage examination policies and the need for regulation change following the 9-12 month process. Domestic stowage examinations are the subject of **Resolution #1**.

Domestic Operations: In response to a suggestion proposed by Mr. Vinjamoori to provide check standards across the board to evaluate performance, Mr. Giler indicated that the team is considering that option and how it could work best. The goal is to focus primarily on the parts of the system that may have failure. Official agencies are on the team and are involved in the process. Two have volunteered for the pilot study.

End-Use Functionality: In response to Mr. Hawk's question on determining linolenic acid levels for soybeans that have been mixed, Mr. Tanner indicated the issue is included in the research plan but the answer is not yet known. While the research has not reached the stage of addressing the blending question at this time, most low-linolenic acid soybeans are presently contract-grown so there is time to address the issue. Mr. Tanner also indicated that current methods make it is possible to differentiate 3- from 7-percent linolenic acid content in soybeans with a relatively high degree of accuracy.

Mr. Vinjamoori commented that spectroscopy has difficulty distinguishing between 3 and 4 percent linolenic acids, but there are some chromatography methods that can tell the difference within about 10 minutes. He indicated GIPSA should consider some of the other options. Mr. Tanner responded that GIPSA is aware of major life science organizations that have such methods and are trying to build relationships with them to help validate something uniform for the industry, but are unsure about how well those methods can be applied in a typical grain grading lab.

Mr. Vinjamoori commended GIPSA on its significant progress in establishing a wet gluten test for field use. He also acknowledged GIPSA for taking the initiative to work with the United Soybean Board and National Corn Growers Association and asked if GIPSA could engage earlier with life science companies on new products and methods needed. Mr. Tanner indicated the only way GIPSA knows about future designer grains is when life science companies volunteer information. GIPSA has built good relationships with several life science companies and has legal agreements with them for sharing proprietary information. This helps GIPSA set and prioritize methods development projects.

Mr. Setterdahl wondered, considering the industry direction toward intrinsic traits, if it was necessary to allocate time and effort into looking at the traditional standard factors. Mr. Tanner indicated it was necessary to maintain the current system to meet current market needs while developing the methods/ terms for future needs.

Mr. Vinjamoori asked if GIPSA was considering making the current starch calibration more robust. Mr. Funk indicated it was not high on the priority list. He acknowledged the current

NIRT starch calibration could use improvement, but the primary focus at this time is total fermentable starch. GIPSA has been working with the University of Illinois on extractable starch, and that work is considered complete. The University of Illinois has a calibration that is available to interested parties.

Daniel Kidd indicated that Japan and Korea expect chemical residue testing for food grade products on numerous chemicals and asked if GIPSA was prepared to provide that service. Mr. Tanner indicated the proposed pesticide residue list from Japan and Korea has around 400 chemicals, many of which aren't registered in the United States. GIPSA could address that many if resources were available. Currently, GIPSA only tests for U.S. chemicals and does not have resources to address that large of a list. The current testing is optional and takes about 48 hours. Mr. Tanner suggested the best option for industry is to use private labs to obtain the service. Arvid Hawk indicated that Japan is very sensitive on food safety issues and does not care about the logical risks for non-U.S. pesticides they want all tested. Mr. Hawk agreed that private labs were the best method for obtaining the required testing.

Designation and Delegation Issues: Mr. Hawk asked if there was a possibility that the State of Minnesota could also provide services in Superior as a way to streamline service delivery. Mr. Sharpe indicated that Minnesota was reluctant to operate outside of their boundaries, but there were some contracting possibilities. The concern on this possibility is that the statute would be a barrier.

The Committee expressed concern about the number of States opting out of designation/delegation agreements with GIPSA and discussed whether there was a way for GIPSA to forecast when States were likely to opt out. The Committee also requested clarification on the notification of termination requirement and if it was sufficient time for GIPSA's process to replace service in the area. The Committee expressed interest in whether GIPSA reviewed financial statements from official service entities as part of their review process to determine the economic health of the provider as a means of forecasting potential for the provider to opt out of the official system. Finally, the Committee asked if the Minnesota project a few years ago had helped with the transition process in that State. Mr. Sharpe indicated that the larger States, such as Missouri and Washington, are in good financial standing, while the impact on GIPSA of smaller State programs opting out is low. He indicated the United States Grain Standards Act requires a 90-day notice for terminating service, while it takes about 6 months for the process of awarding a territory.

Mr. Sharpe also indicated that GIPSA does not normally review financial statements during reviews, but focuses instead on performance. GIPSA can get an indication of potential problems when official agencies/states request fee changes. Mr. Shipman indicated GIPSA is positioned to have private sector come into areas where the previous provider terminates the contract, but it does take time. He also indicated the Minnesota project had helped private companies be in a better position to apply for the new territory and may have contributed to the increased number of applicants for the territory.

Mr. Vinjamoori requested information on how the official system addresses differences from one group to another, for instance from origin to destination. Mr. Shipman indicated that the Technical Services Division monitors and standardizes all official inspection providers and the appeal process is established to address specific difficulties. He also indicated that GIPSA does some tracking of origin and destination results within our QC program and passes the information to both service providers to provide feedback. Mr. Shipman indicated only if both origin and destination service were from the official system would GIPSA address disagreements. Warren Duffy indicated the official system continues to improve and that GIPSA's ability to identify and adjust out-of-calibration inspectors has improved in the last 3 to 5 years.

Basis of Determination: The Committee discussed at length the issue of standardizing the basis of determination for several factors both between and across grains to position the Agency for potential use of multifunctional equipment.

Mr. Shipman noted that as GIPSA looks at standards over time, changes should encourage the market to change to improve quality. This will help improve post harvest quality. How can GIPSA deter practices that degrade quality? For instance, damage in sorghum. The current standard, which counts damaged other grains as damaged, provides a deterrent to mixing poor quality other grains into sorghum.

The Committee discussed the different needs and effects of moisture tests before and after cleaning the sample. For instance, from a measurement point of view, determining moisture on a cleaned sample makes sense. Calibrations are developed on the grain, not other materials, so including other materials affects the moisture result obtained in unpredictable ways. The other side discussed was that moisture in the other material impacts the quality of stored grain and must still be addressed by the grain company. Also, the actual grain in the container does contain the other materials, so it would reflect the total product delivered to measure without cleaning the sample. Committee members indicated the study proposed in the Overview of Standards and Future Plans presentation made sense in light of this discussion.

Additional Committee discussions focused on the need to standardize the basis of determination for both factors and grains to be positioned for the use of multifunctional equipment.

Mr. Hawk indicated that for mechanization, standardization across grains would be useful. The proposed study on the effect of changes to basis of determination is the subject of **Resolution #5**.

Additional discussions centered on the need for an update at the next Committee meeting on multifunctional equipment. This is the subject of **Resolution #8**.

Test Weight: Mr. Hawk commended GIPSA for the thought given to the options available and for presenting data not previously seen by the Committee. He indicated that it would be useful if GIPSA can design out the difficulties with the automated test weight apparatus based on the official system method. He also suggested giving thought to reducing the frequency of taring the

kettle in the automated system to every tenth time to save time and increase longevity. Mr. Hawk then suggested GIPSA consider having both moisture and test weight determined on the same basis of determination to facilitate further automation.

In response to Mr. Duffy's question on the potential for adjusting the size of the kettle used, Mr. Funk indicated that it would affect results. The effect is due to the ratio of surface area to volume as it relates to close packing. For larger volume kettles, almost all of the volume has the same close packing, while with smaller volume, the proportion of kernels experiencing lower packing is larger and would give a lower apparent density. Variation in density would depend on kernel size, shape, and how packs. Size of the vessel makes a difference, as does the shape of it.

Mr. Duffy suggested GIPSA consider standardizing the status of test weight across grains to be consistent. Specifically, he also suggested considering removing test weight as a grading factor, leaving it as a mandatory factor reported on the certificate not contributing to grade (i.e., similar to moisture). Test weight is the subject of **Resolution #7**.

Rice Program: In response to Mr. Potter's request for clarification of the relationship between when to conduct the A-76 study and cost-containment efforts, Mr. Shipman indicated that GIPSA can adjust staffing to address workload without conducting an A-76 study. A-76 is a direct competition between Federal employees and private entities. Mr. Giler indicated GIPSA's biggest expense is personnel costs, so the loss of business reduces staffing needs. GIPSA has to determine what to do with staffing if it is no longer needed to provide service. Mr. Giler also indicated it will be January 2006 before GIPSA has a good handle on market adjustments in response to the Anheuser-Busch policy change. In the meantime, GIPSA is tracking workload and services in the area. Mr. Shipman indicated that GIPSA has responded to the immediate impact on the workforce by detailing staff to other areas of the Agency that are in need of assistance. He also indicated it would take about 90 days for GIPSA to respond to reduced staffing needs.

RESOLUTIONS

1. In relationship to the discussion on railcar and truck stowage examinations, the Committee feels that it should be extended to barge stowage examinations, as well. Further, the Committee feels stowage examinations should be an optional service available upon request. We recommend that the presentation by John Giler on domestic stowage exams be presented to the appropriate committees of NGFA and NAEGA for their recommendations to be fed back to the Committee.
2. The Committee commends GIPSA on their progress in redesigning the domestic inspection operations and using sound science in the process. This process should be continued. We further commend GIPSA for involving the designated agencies in the decision making process.

3. The Committee recommends that when financial statements are presented showing fund balances (reserves), that beginning balances be shown along with activity for the year and ending fund balances (reserves).
4. The Committee requests that all presentations that use visual aids (overheads, power points, etc.) have copies of printed materials available to Committee members at the time of the presentation, before if possible, and that when colored charts and/or graphs are used that colored handouts be presented to Committee members.
5. In efforts to further standardize the grain grading process, the Committee hereby recommends that GIPSA proceed with the study of standardization of the basis of determination.
6. GIPSA should provide the Committee with an analysis of recent program cost transfers between the inspection and weighing account and the official agency account.
7. GIPSA should review if it is appropriate to continue to use test weight as a grade factor in its numerical grading system.
8. In the next meeting, updates should be provided on the concept of multifunctional equipment.
9. GIPSA should provide an update on the ideas to gather and analyze statistically sound farm-gate grain quality data.

OUTGOING MEMBERS

Mr. Shipman presented Certificates of Appreciation to the outgoing members and alternate members present, and thanked them for their participation and advice during their terms. The outgoing members present were Jon Setterdahl, Cassie Eigenmann, Angela Dee, Tom Bressner, and Curtis Engel. Outgoing members and alternate members not present were John Oades, Arvid Lyons, Charles Hurburgh, David Sevenich, and Joseph Kapraun.

Mr. Shipman reminded those present that applications for Committee membership are now being accepted and encouraged them to relay that information to interested parties.

NEXT MEETING

The next meeting of the Grain Inspection Advisory Committee will be scheduled during late April or early May. The Committee recommended considering Mobile, Alabama, as the meeting site.

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