United States
Department of
Agriculture

Grain Inspection,
Packers and Stockyards
Administration

Meeting Minutes
Grain Inspection Advisory Committee

November 17-18, 2010
New Orleans, Louisiana

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

Chateau Bourbon
November 17-18, 2010

WELCOME

Tom Bressner, Chairperson, Grain Inspection Advisory Committee (Advisory Committee), opened the meeting with a welcome and introductions.

ACCEPTANCE OF NOVEMBER 17-18, 2009, MEETING MINUTES

The Advisory Committee approved the minutes of the June 16-17, 2010, meeting as presented.

REVIEW AND ACCEPTANCE OF NOVEMBER 17-18, 2010, AGENDA

The Advisory Committee approved the agenda after voting on and approving two changes. The first change was to add the FGIS Financial Overview and Outlook to the agenda. The second change was to move the time slots for two of the presentations, having the 1500 mt Waiver Program Requirements presentation preceded the before the Corn Grading Review-Domestic and Export presentation.

MEETING ATTENDEES

Committee Members

Tom Bressner, General Manager, Assumption Cooperative Grain Company
Theresa Cogswell, Consultant/President, BakerCogs, Inc.
Jerry Cope, Commodity Manager, South Dakota Wheat Growers
Tom Dahl, Vice-President, Sioux City Inspection and Weighing Service Company
Warren Duffy, Vice-President/Export Operations, ADM Grain
Mark Hodges, Executive Director, Oklahoma Wheat Commission
Bennie Lackey Jr., Management Director of Commodity Operations, Riceland Foods, Inc.
Marvin Paulsen, Professor Emeritus, University of Illinois
Jon Stoner, President, Stoner and Sons, Inc.

Alternate Members

Randall R. Deike, Grain Inspection Program Manager, Washington State Department of Agriculture, Grain Inspection Program
Paul Coppin, General Manager, Reynolds United Inc.
Cassie Eigenmann, Marketing Product Manager, DICKEY-john Corporation
Paul Lautenschlager, General Manager, Beach Coop. Grain Company

GIPSA

Wade Berteau, Shift Supervisor, New Orleans Field Office, Federal Grain Inspection Service (FGIS), Grain Inspection, Packers and Stockyards Administration (GIPSA)
J. Dudley Butler, Administrator, GIPSA
Tammy Chang, Financial Economist, Management and Budget Services (MBS), GIPSA
John Flemm, Federal State Manager, Washington Federal State Office, FGIS, GIPSA
Terri Henry, Management Analyst, MBS, GIPSA
Randall Jones, Deputy Administrator, FGIS, GIPSA
Donald Kendall, Acting Director, Technical Services Division (TSD), FGIS, GIPSA
George Lewis, Union Representative
Bob Lijewski, Director, Field Management Division (FMD), FGIS, GIPSA
Robert Medley, New Orleans Field Office, FGIS, GIPSA
Tom O'Connor, Director, Compliance Division, FGIS, GIPSA
Kerry Petit, Manager, New Orleans Field Office, FGIS, GIPSA
John Pitchford, Director, Departmental Initiatives and International Affairs, FGIS, GIPSA
Vincent Volpe, New Orleans Field Office, FGIS, GIPSA

Other Attendees

David Ayers, Champaign Danville Grain
Todd Camatella, Zen-Noh
Nick Friant, Cargill
Mark Fulmer, Lincoln Inspection Service
Jess McCluer, National Grain and Feed Association
Tim Paurus, CHS, Inc.
Tyrone Robichaux, GGGIS Inc.
Kevin Schnieder, Lincoln Inspection
Mike Tate, Bunge

JUNE 2010
RESOLUTIONS RECAP

Randall Jones, Deputy Administrator, FGIS, GIPSA, provided an update on the status of the resolutions from the June 2010 meeting held in Kansas City.

1. The Advisory Committee recommends that GIPSA/FGIS move forward with expediency to determine the feasibility and selection of a new federal standard moisture measurement technology and/or instrument(s) for use in the official system.

   GIPSA is pursuing new moisture measurement technology to be implemented into the Official Inspection System. Additional information will be provided in the New Official Moisture Measurement Technology presentation.

2. To follow up on the President's National Export Initiative of doubling U.S. exports in 5 years, the Advisory Committee recommends GIPSA identify opportunities to work with appropriate governmental agencies to determine and help reduce trade barriers that are

limiting exports of U.S. grains and grain products. The Advisory Committee recognizes the value of existing market programs. The Advisory Committee recommends GIPSA identify opportunities to secure adequate funding to fully utilize existing market promotion programs for this initiative.

GIPSA will provide a briefing on the many initiatives in this area in the International Trade and Outreach presentation.

3. The Advisory Committee recommends that GIPSA work closely with the vendors and industry to improve the timely acceptance and approval of mycotoxin test kits to help facilitate the movement of grain.

   GIPSA will provide information on its implementation of the revised Rapid Test Evaluation Program in the Rapid Test Evaluation Program presentation.

4. The Advisory Committee recommends that the Board of Appeals and Review adopt the guidelines of the GIPSA Quality Management Program, procedure 4.8 Local Quality Plan, to assist the Board of Appeals and Review in tracking and documenting Grading Services Lab performance.

   A Quality Management Program for the Board of Appeals and Review and the Grading Services Laboratory has been approved. Additional information will be provided in the Quality Management Program Board of Appeals and Review Grading Services Laboratory presentation.

5. The Advisory Committee recognizes that GIPSA's Yamamoto sheller evaluation substantially addressed the need identified at the November 2009 Grain Inspection Advisory Committee meeting. The Advisory Committee recommends that GIPSA continue to work with all stakeholders to reach a decision regarding rice sheller technology for California short and medium grain rice in time for the 2010 rice harvest.

   GIPSA completed the Yamamoto Sheller Study in July 2010 and provided the data from this study to the California Rice Commission for discussion among their stakeholders. Additional information will be provided in the Yamamoto Sheller Study presentation.

6. The Advisory Committee recommends that a subcommittee be formed and charged with the task of reviewing allocation of the tonnage fee. This would include a review of component portions of current 520 allocations and a review of current unassessed export tonnage. The Advisory Committee gives the subcommittee authority to make a recommendation to GIPSA regarding tonnage fees.

   A subcommittee was formed consisting of the following members: Warren Duffy, Cassie Eigenmann, Randy Deike, and Mark Hodges. Several teleconference meetings were held with two recommendations to be presented to the full Advisory Committee for discussion and consideration. Additional information for discussion will be provided in the Export Tonnage Fee Sub-Committee presentation.

7. The Advisory Committee is very concerned about food safety. Therefore, we recommend the testing, retesting and appeals process for sample evaluation for processed commodities be reviewed and communicated in further detail to the Advisory Committee.

   GIPSA will provide a briefing in the Processed Commodities Testing presentation.

8. The Advisory Committee recommends that GIPSA review the 15,000 metric ton exemption for possible regulatory compliance issues pertaining to container shipments.

   GIPSA will provide an overview of the 15,000 mt waiver program in the 15,000 MT Waiver (Exemption) Program presentation.

9. Encourage GIPSA to explore, in conjunction with the U.S.A. Dry Pea and Lentil Association, the feasibility of establishing a pulse crop grading lab in Eastern Montana or Western North Dakota.

   GIPSA will provide a briefing in the Corn Grading Review-Domestic and Export presentation.

For additional details, please see the attached presentation, ***June 2010 Resolutions***.

FGIS OPERATIONS

Randall Jones, Deputy Administrator, FGIS, GIPSA, gave a general overview of FGIS operations for the last few months focusing on services in Canada, corn-soy blend testing, and a market overview.

The Grain Standards Act (Act) allows FGIS inspections on U.S. grains moving along the St. Lawrence Seaway, provided the grain is not comingled with non-U.S. grain. This service is voluntary, FGIS only provides weighing, inspection, and shiphold inspections upon request. In 1978 FGIS entered into a Memorandum of Understanding with the Canadian Grain Commission (CGC) that established the terms and conditions for FGIS to enter Canada to provide services. At this time, FGIS stationed staff in Canada. In 2006, FGIS closed its Canadian office and the CGC provided service for us. However, in 2009 the CGC determined it was no longer able to provide services for FGIS. Beginning January 1, 2010, FGIS began providing services from our Toledo Field Office. As there is little traffic on the St. Lawrence Seaway at that time, it allowed FGIS time to position operations to accomplish the services. FGIS officials met with various Canadian stakeholders and industry to explain the changes. Cost-wise, FGIS does not expect much difference for customers as the travel expenses are offset by FGIS' lower than CGC hourly rate. However, the space at the export facilities that were used by CGC do not meet FGIS policy and must be addressed. Most services are provided October through December.

Next, recent work on sampling and inspecting corn-soy blend for the Farm Service Agency (FSA) of USAID shipments was explained. FSA, with USAID, buys a large number of commodities to donate to countries around the world. Until the late 1990s, FGIS provided extensive testing on these products. In the late 1990s, FSA decided it no longer required

governmental sampling and testing. However, in the last 2 to 3 years some poor quality products were received by other countries so FSA and USAID have brought FGIS back into testing and sampling for corn-soy blend products. The corn-soy blend products are produced by three companies, official agencies provide the sampling service, and plans and samples are analyzed for various tests according to the FSA contact in Kansas City. A critical issue for FSA was the turnaround time on test results; FSA and GIPSA agreed to 5 business days as an acceptable turnaround time. In terms of test results, one issue observed has been bacteria testing, where several lots were rejected because they exceeded the threshold allowed. There is a lot of discussion within USDA on whether or not to continue government testing at this time. FGIS' expectation is that there will be more testing in the future.

Last, market overview data was presented that showed all export services are up from last year. During October, total grain inspections were 66 percent ahead of last year, and 30 percent ahead of the 5 year average. The increase at FGIS is primarily driven by an increase in soybean shipments, mostly through FGIS' League City field office. China has been the primary driver of export demand and main destination so far, accounting for 20 percent of total inspection volume. Nearly 93 percent of this has been soybeans, and as a result, soybean exports are 104 percent ahead of last year. Other major grains are also outpacing last year: corn is up 30 percent, wheat is up 40 percent, and sorghum is up 46 percent. Graphs depicting the various aspects of export grain inspections and historical overview of export inspections were presented.

For additional details, please see the attached presentation, ***FGIS 2010 Operations***.

INTERNATIONAL PROGRAMS

John Pitchford, Director, Departmental Initiatives and International Affairs, FGIS, GIPSA, provided an update on discrepancies (complaints), the Korean Corn Sampling Project, the China Soybean Memorandum of Understanding (MOU), an update on China's corn imports, Egypt's wheat import standards change, Egypt's corn complaints, and the preliminary results of the Wheat Weed Survey.

FGIS continues to receive a larger-than-normal number of complaints from importers of U.S. grain. About 0.5 percent of all grain exported in FY 2010 was involved in grain quality discrepancies, compared to 0.6 percent in FY 2009. In FY 2010, FGIS received 17 complaints from importers in 11 countries. About half of the complaints involved China's allegations of finding treated soybeans in their shipments; another quarter involved damaged and heat-damaged soybeans.

China complained about corn quality in one shipment, and a Taiwanese corn importer complained about a large containerized shipment. Korea, Taiwan, and others have been dissatisfied with corn quality for the past 2 years.

The North American Export Grain Association (NAEGA) developed a program in conjunction with the Korean Feed Association (KFA) to monitor the quality of three U.S. corn shipments between origin and destination, in response to these complaints. NAEGA asked FGIS to assist in the project by helping sample the cargoes at origin and destination and analyzing the samples.

To address several Chinese concerns, the Foreign Agricultural Service (FAS), the Animal and Plant Health Inspection Service (APHIS), and the Food and Drug Administration traveled with FGIS to Beijing, China and negotiated draft language for a non-binding Memorandum of Understanding (MOU) to address China's concerns over soybean quality, plant health, and food safety. The MOU has not yet been signed.

Early in 2010, Egypt made changes to their wheat import standards which U.S. exporters could not meet; wheat exports to Egypt were essentially stopped. FGIS worked with FAS and U.S. Wheat Associates (USWA) to bring a high level team of Egyptian officials to visit the United States in June so they would have a better understanding of our grain inspection system. Wheat exports to Egypt normalized.

This fall, Egypt detained several corn shipments upon arrival, alleging poor quality and aflatoxin. An FGIS representative spent nearly a month in Egypt working side-by-side with their officials in an effort to have some of the corn released.

In response to the Advisory Committee's resolution for "GIPSA to identify opportunities to work with appropriate governmental agencies to determine and help reduce trade barriers that are limiting exports of U.S. grains and grain products" and the President's National Export Initiative of doubling U.S. exports in 5 years, FGIS worked on the China soybean MOU, and with FAS and U.S. Wheat Associates on the Egypt wheat issue.

The second resolution made by the Advisory Committee was to identify opportunities to secure adequate funding to fully utilize existing market promotion programs for this initiative. In response to this resolution U.S. Grains Council plans to fund travel to Egypt to conduct training on corn and sorghum grading. Also, FAS funded our travel to Korea to address their concerns over corn quality.

For additional details, please see the attached presentations, ***International Programs***.

15,000 mt WAIVER PROGRAM REQUIREMENTS

Tom O'Connor, Director, Compliance Division, FGIS, GIPSA, provided a briefing on the 15,000 metric ton Waiver Program in response to a resolution adopted at the June 16-17, 2010, meeting of the Advisory Committee that asked GIPSA to review the program "for possible regulatory compliance issues with respect to container shipments."

Mr. O'Connor noted that, under the 15,000 metric ton waiver program, exporters on an individual facility basis can request a waiver from GIPSA of the requirement that export grain be officially inspected and weighed if the facility has exported less than 15,000 metric tons in the previous calendar year or will export less than 15,000 metric tons in the current calendar year.

He also discussed other waivers of official inspection and weighing requirements that GIPSA has initiated, including overland grain shipments to Mexico and Canada as well as grain sold in bond and high quality specialty grain.

Mr. O'Connor briefed the Advisory Committee on the background for the program, explaining that the Advisory Committee had recommended and supported the tonnage limit to provide regulatory relief to small shippers and the policy decision to base the waiver on an individual facility basis.

Mr. O'Connor also provided a review of GIPSA's policies implementing the 15,000 metric ton waiver that requires a written request from the facility, the need to maintain accurate records that are to be available to GIPSA for review, and yearly termination of the waiver. He reported on the number of waivers that have been granted and violations over the past 5 years. He concluded his remarks by noting that a review of the program suggested that it is working as designed and there is general compliance with program policies and regulations.

For additional details, please see the attached presentation, ***15000 mt Waiver Program Requirements.***

REVIEW OF CORN GRADING-DOMESTIC AND EXPORT

Bob Lijewski, Director, FMD, FGIS, GIPSA, providing information on Corn Grading Review-Domestic and Export.

The poor quality of the 2009 corn crop caused significant problems for exporters in the New Orleans area in the summer months of 2010. Exporters faced problems with the storability of the corn in barge shipments from the interior markets and were challenged to meet contracts for U.S. No. 2 and No. 3 Yellow Corn due to excessive amounts of damaged kernels.

On August 20, 2010, the North American Export Grain Association (NAEGA) and the National Grain and Feed Association (NGFA) submitted a letter to Secretary Vilsack expressing concerns related to alleged inconsistencies in GIPSA's grading of corn moving through New Orleans for export and the impact these alleged inconsistencies were having on the volume of corn moving through the New Orleans port.

Recognizing the potential for problems GIPSA took actions to specifically address concerns by NAEGA and NGFA. Specifically, GIPSA posted several "Early Alert" warnings to advise official personnel of the corn crop quality and the high levels of damaged kernels, and conducted numerous grain grading seminars with GIPSA and official agency personnel to fine tune their grading line for corn damage. In addition to these measures GIPSA increased supervision on the GIPSA graders at the export facilities in the New Orleans Field Office and the official agencies that performed official inspections on corn that was loaded on barges and destined for the New Orleans export market.

Over 500 sample inspection reviews were conducted by the GIPSA New Orleans and GIPSA Kansas City offices (Board of Appeals and Review) in late July and through the month of August. On average, the GIPSA inspector's results were within 0.1 percent of the supervision results of the GIPSA Quality Assurance Specialists review. The sample inspection review data clearly demonstrates that FGIS' Official Inspection System is providing accurate and consistent inspection results. A review of the grade results (damaged kernels) between origin and

destination also substantiated the claim by exporters that the percentage of damaged kernels increased while the corn was in transit from interior loading points.

For additional details, please see the attached presentation, ***Corn Grading Review-Domestic and Export***.

NATIONAL GRAIN CENTER UPDATE

Don Kendall, Acting Director, TSD, FGIS, GIPSA, provided the Advisory Committee an update on the construction of the National Grain Center in Kansas City, Missouri. After concluding negotiations with the building owner over costs associated with delays, construction on the new facility re-commenced in September 2010.

The expanded space will include the following:

- An increase in space from 34,842 square feet to 47,050 square feet.
- A significant increase in training and meeting space.
- An increase in personnel from 70 to 110.
- The co-location of staff from FGIS' Technical Services Division, Field Management Division, Compliance Division, and the Information Technology staff.

Phase 1, which is the new building, is scheduled to be completed in March 2011. At that time, all FGIS staff located in the Kansas City, Missouri, area will be relocated to the National Grain Center.

Phase 2, renovation of the 2nd floor of the existing facility, will be completed in October 2011. After completing the renovation, select operations that had been temporarily moved to the new facility would be relocated to the renovated space

Phase 3, renovation of the 1rd floor of the existing facility to accommodate GIPSA staff, will be completed in February 2012. After completing the renovation of the lower floor, select operations that had been temporarily moved to the new facility would be relocated to the renovated space.

FGIS and GSA are negotiating to rent additional space that is needed to support the increased workload in the commodity testing laboratory. FGIS expects negotiations on the additional space to have minimal impact on the current construction schedule.

For additional details, please see the attached presentation, ***GIPSA's National Grain Center***.

NEW MOISTURE MEASUREMENT TECHNOLOGY

Don Kendall, Acting Director, TSD, FGIS, GIPSA, provided the Advisory Committee information on FGIS' plans with regards to pursuing new moisture measurement technology to be implemented into the Official Inspection System. The moisture measurement updates are in

response to two resolutions passed by the Advisory Committee with the first resolution from the November 2009 meeting and the second from the June 2010 meeting.

FGIS is creating a team with broad representation to develop the selection and acquisition process to include identifying performance criteria and standards, establishing procurement procedures, and implementing the new technology.

The current official moisture meter, the GAC 2100, has served the official system very well in most respects, however, it suffers from some limitations that are not correctable without changing basic measurement technology. During the last 14 years since the Agency last selected new official moisture measurement technology, there have been significant advancements that offer improved accuracy, better stability over time and crop conditions, easier calibration maintenance, and reduced support cost that would promote competition among multiple suppliers of official moisture meters. The intent is to identify an open technology that could be utilized by multiple manufacturers to develop equivalent instruments, which would foster competition.

For additional details, please see the attached presentation, ***New Official Moisture Measurement Technology***.

RAPID TEST EVALUATION PROGRAM

Don Kendall, Acting Director, TSD, FGIS, GIPSA, provided the Advisory Committee information on FGIS' implementation of the revised Rapid Test Evaluation Program.

Mr. Kendall reported that performance specifications have been revised based on the historical performance of certified tests, and reference materials have been obtained and are in the process of being evaluated for homogeneity by scientists at the Technical Services Division. The backlog of approximately 20 qualitative and quantitative rapid tests is expected to be cleared by March 31, 2011.

For additional details, please see the attached presentation, ***Rapid Test Evaluation Program***.

QUALITY MANAGEMENT PROGRAM FOR THE BOARD OF APPEALS AND REVIEW, AND THE GRADING SERVICES LABORATORY

Don Kendall, Acting Director, TSD, FGIS, GIPSA, reported to the Advisory Committee that a Quality Management Program for the Board of Appeals and Review and the Grading Services Laboratory has been approved by FGIS' Compliance Division.

The review and subsequent approval was in response to a resolution from the June 2010 Advisory Committee meeting which stated, "The Advisory Committee recommends that the BAR adopt the guidelines of the GIPSA Quality Management Program, Procedure 4.8 Local Quality Plan to assist the Board of Appeals and Review in tracking and document Grading Service lab performance."

For additional details, please see the attached presentation, ***Quality Management Program-Board of Appeals and Review-Grading Services Laboratory***.

YAMAMOTO SHELLER STUDY

Don Kendall, Acting Director, TSD, FGIS, GIPSA, reported to the Advisory Committee that FGIS completed the Yamamoto Sheller Study in July 2010.

The data from this study was provided to the California Rice Commission for discussion among their stakeholders. The California Rice Commission had requested that FGIS allow the Yamamoto rice sheller to be used in California as a replacement for the GrainMan rice sheller. The study showed that there were statistically significant differences with regards to rice brokens and head rice yield between the Yamamoto Sheller and the GrainMan for both medium grain and short grain rice. Given these differences, the California Rice Commission proposed continuing to keep both shellers in the system with the Yamamoto rice sheller used for medium grain rice and the GrainMan rice sheller used for short grain rice. Given these differences, the California Rice Commission and GIPSA will continue to work together to determine if the equipment should be used in the official system. A decision will be made prior to the 2011 rice harvest.

For additional details, please see the attached presentation, ***Yamamoto Sheller Study***.

PROCESSED COMMODITIES TESTING

Don Kendall, Acting Director, TSD, FGIS, GIPSA, reported to the Advisory Committee on FGIS' processed commodities testing program, including the Retest and Appeal process.

In the past, the customer was allowed to request a Retest for any factor based on the original analysis. If the customer was not satisfied with the Retest result, an Appeal could then be requested, but the sample was re-analyzed for all factors. The one exception to requesting an Appeal was when salmonella was found in the sample. In 2010 FGIS changed this policy and issued a Directive that stated Appeals would no longer be allowed when *Staphylococcus Aureus* and/or *e.coli*. were found in the sample.

Mr. Kendall also reported that the Farm Service Agency has provided FGIS $2.5 million for sampling and testing in FY 2011.

For additional details, please see the attached presentation, ***Processed Commodities Testing***.

FGIS FINANCIAL OVERVIEW AND OUTLOOK

Tammy Chang, Financial Economist, Management and Budget Services, GIPSA, provided an overview to the Advisory Committee on the Agency's appropriated and user fee funding. FY 2010 year end data was highlighted and a brief outlook for FY 2011 was provided as well. The status of each user fee fund was discussed in terms of business volume, revenue, and obligations.

For additional details, please see the attached presentation, ***FGIS Financial Overview and Outlook***.

EXPORT FEE SUBCOMMITTEE RECOMMENDATIONS

Randall Jones, Deputy Administrator, FGIS, GIPSA, explained the current structure of export tonnage fees. In order to cover costs associated with inspecting and overseeing the inspection of grain in the official system as directed in the United States Grain Standards Act, GIPSA assesses fees on grain officially inspected and/or weighed based on various components:

- Contract and hourly rates
- Unit fees
- Administrative tonnage fees are
- A supervision fee, or delegated state ship fee

For 1996 to 2004, the tonnage fee was tiered based on how much was exported. In 2004, FGIS changed to a tonnage fee based on cost for a particular area or region. In establishing a tonnage fee, FGIS has to make some presumptions on expected export tonnage. If FGIS over-predicts future tonnage, costs are not covered, if FGIS under-predicts future tonnage, more funds than required are collected.

The current system is based on costs, so areas that are under contract have lower costs in that region as served at contract rate, as opposed to areas that provide all services at the non-contract rate. There are some differences in how fees are collected from States, such as Washington, which provide export services but are charged the normal official agency oversight rate. FGIS wants to ensure that the system used is fair, not favoring exports from one site over another due to the FGIS tonnage fee.

A resolution was passed at the June 2010 meeting, "The Advisory Committee recommends that a subcommittee be formed and charged with the task of reviewing allocation of the tonnage fee. This would include a review of component portions of current 520 allocations and a review of current unassessed export tonnage. The Advisory Committee gives the subcommittee authority to make a recommendation to GIPSA regarding tonnage fees." As a result of this resolution, a subcommittee was formed and held several teleconference meetings.

The subcommittee on export fees presented two resolutions to the full Advisory Committee. Discussions followed which resulted in the passage (see Resolutions Numbers 5 and 6).

EXCEPTIONS PROGRAM

Tom O'Connor, Director, Compliance Division, FGIS, GIPSA, briefed the Advisory Committee on GIPSA's plans to issue a directive setting forth the Agency's policies implementing its Exception Program. He explained that, under the exception program, users can request to use an official agency other than the one assigned to provide official services in their area if official service cannot be provided within 6 hours of a request (known as Timely Service), or if they have not obtained official service in the past 90 calendar days (called Nonuse of Service).

Mr. O'Connor discussed the historical background that prompted GIPSA to create the Exception Program as well as initial polices implementing the programs since they were created in 2003,

including utilization of a number of questions and answers that addressed how the Agency planned to manage the program. After a careful internal review of program operations, GIPSA determined that the program would benefit in terms of clarity, transparency, and consistency from a more formal structure.

Mr. O'Connor reviewed the major policies specified in the directive, including major changes in policy that are being initiated as a result of the Agency's internal review. In particular, he said that the directive will require exception requests to originate from the user and new facilities or lack of utilization will no longer automatically qualify for a nonuse of service exception. He also noted that the directive will specify the criteria the Agency will use in granting a nonuse of service exception.

Mr. O'Connor concluded his remarks with data on utilization of time service and nonuse of service exceptions as well as the barge program exception program and the current status on final publication of the directive.

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

SORGHUM ODOR STUDY UPDATE

Don Kendall, Acting Director, TSD, FGIS, GIPSA, reported to the Advisory Committee on the Sorghum Odor Study.

In FY 2010, FGIS established an agreement with Dr. Edgar Chambers of Kansas State University to develop a more objective approach to odor determination, specifically focusing on Storage Musty odor in sorghum. The objectives of this study were to identify chemicals associated with the Storage Musty odor, evaluate various mixtures of chemical to mimic the Storage Musty odor, conduct shelf-life studies, and develop a program to train FGIS graders and improve the consistency of odor determinations in the Official Inspection System. Dr. Chambers has identified a number of chemicals that appear to be associated with the Storage Musty odor and has conducted limited studies of sorghum samples containing various mixtures of select chemicals. Shelf-life studies were also conducted and demonstrated that fortified samples were relatively stable for at least three months even when stored a room temperature.

Mr. Kendall presented several options to the Advisory Committee for discussion.

1. Complete current Project (sorghum storage musty), but do no further directed research.
2. Use the sorghum storage musty odor project as a model and apply to the other grain odors (triage approach).
3. Do no further work, but maintain and awareness of advances in odor detection technologies that may have application to grain inspection.
4. Have Dr. Chambers work with other entities along with FGIS to come up with option (odor).

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

CERTIFICATES TO OUTGOING MEMBERS

Dudley Butler, Administrator, GIPSA, presented certificates to and thanked the following outgoing members for their 3 years of service to the Committee: Thomas E. Bressner, Bennie B. Lackey, Jr., Marvin R. Paulsen, Jon G. Stoner, Randall R. Deike, Cassie L. Eigenmann, and Paul J. Lautenschlager.

ELECTION OF VICE-CHAIRPERSON

Jerry D. Cope was elected as vice chair and will become the Chairperson at the spring 2011 meeting.

RESOLUTIONS

1. The Advisory Committee recommends that GIPSA continue the current sorghum odor project with Dr. Chambers and KSU through September 2011. It is also recommended that GIPSA work with Dr. Chambers to identify potential companies that could have an interest in biosensor development for identifying chemical compounds that are believed to produce odors in sorghum or other grains.

   The goal is to determine if chemical biosensor technology has advanced far enough to provide any assistance to odor inspection capabilities.

   Moving forward, it is recommended that GIPSA determine if sorghum industry partners want to continue the sorghum odor project.

2. The Advisory Committee recommends the continuation/completion of the evaluation of rice shellers, in conjunction with the industry stakeholders.

3. The Advisory Committee requests that when reviewing and selecting new moisture testing technology that GIPSA include in its analysis parameters for "Green" rough rice during the harvest season, Aug-Sept.

4. The Advisory Committee recommends that the Advisory Committee agenda (books) be transmitted electronically to members before the Advisory Committee in lieu of mailing unless otherwise notified that a hard copy is needed. Each Advisory Committee member would be responsible for printing and bringing the material to the meeting. This would cut down on the cost of shipping.

5. The Advisory Committee proposes that GIPSA review its allocation of Export oversight fees. GIPSA currently is assigning revenue derived from supervision of export loadings by Delegated States and Designated Agencies to the Domestic Service Official Agency account #530. The Advisory Committee resolves that oversight fees charged for export supervision be applied to the export Inspection and Weighing account #520.
   The Advisory Committee requests that the GIPSA staff do a formal review of the current GIPSA headquarters tonnage assessment. This review would establish an equitable headquarters tonnage oversight fee for all Export tonnage loaded utilizing the official system.

NEXT MEETING

The Advisory Committee recommended the next meeting be held late May or early June 2011 in Kansas City.

#

JUNE 2010 RESOLUTIONS

Randall Jones
Deputy Administrator
Grain Inspection Advisory Committee Meeting
November 2010

Resolution #1

- That GIPSA/FGIS move forward with expediency to determine the feasibility and selection of a new federal standard moisture measurement technology and/or instrument(s), for use in the official system.

- **Action Taken:**

  Don Kendall will discuss during his presentations.

Resolution #2

- That GIPSA:
  1. Identify opportunities to work with appropriate governmental agencies to determine and help reduce trade barriers that are limiting exports of U.S. grains and grain products.
  2. Identify opportunities to secure adequate funding to fully utilize existing market promotion programs for the President's National Export Initiative.

- **Action Taken:**
  John Pitchford will discuss during the "International Programs" presentation.

Resolution #3

- That GIPSA work closely with the vendors and industry to improve the timely acceptance and approval of mycotoxin test kits to help facilitate the movement of grain.

- **Action Taken:**

  Don Kendall will discuss during his presentations.

Resolution #4

- That the Board of Appeals and Review adopt the guidelines of the GIPSA Quality Management Program, procedure 4.8 Local Quality Plan, to assist the Board of Appeals and Review in tracking and documenting Grading Services Lab performance.

- **Action Taken:**

  Don Kendall will discuss during his presentations.

Resolution #5

- That GIPSA continue to work with all stakeholders to reach a decision regarding rice sheller technology for California short and medium grain rice in time for the 2010 rice harvest.

- **Action Taken:**

  Don Kendall will discuss during his presentations.

Resolution #6

- That a subcommittee be formed and charged with the task of reviewing allocations of the tonnage fee. This would include a review of component portions of current 520 allocations and a review of current unassessed export tonnage.

- **Action Taken:**

  Warren Duffy will discuss during his presentations.

Resolution #7

- The AC recommends the testing, retesting, and appeals process for sample evaluation for processed commodities be reviewed and communicated in further detail to the Advisory Committee.

- **Action Taken:**

  Don Kendall will discuss during his presentations.

Resolution #8

- That GIPSA review the 15,000 metric ton exemption for possible regulatory compliance issues pertaining to container shipments.

- **Action Taken:**

  Tom O'Connor will discuss during his presentation.

Resolution #9

- The AC encourages GIPSA to explore, in conjunction with the U.S.A. Dry Pea and Lentil Association, the feasibility of establishing a pulse crop grading lab in Eastern Montana or Western North Dakota.

- **Action Taken:**

  Bob Lijewski will discuss during his presentation.

Questions?

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

FGIS Financial Overview and Outlook

Tammy Chang
Financial Economist
Management & Budget Services
FGIS Advisory Committee Meeting
November 17, 2010

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

Overview of Accounts

Appropriated Account

- Funds provided by Congress through annual appropriation bills

User Fee Account

- Funds generated through fees collected for services provided
- Four user fee programs:
  - **520**: Grain Inspection and Weighing Program
  - **530**: Supervision of Official Agencies
  - **570**: Rice Inspection and Weighing Program
  - **580**: Commodities Inspection and Weighing Program

Financial Status: Appropriations

FGIS Appropriated Account

- Provided by Congress through annual appropriations
- Compliance, Methods Development, Standardization

Annual Appropriations, FY 2008 – FY 2010 *(In Thousands)*

FY 2008	FY 2009	FY 2010
$17,613	$17,930	$18,272

Financial Status: User Fees

520 Program: Grain Inspection & Weighing Services

- FY 2010 FGIS export tonnage, 78.0 MMT
- Increase in tonnage of 9%

520 Program	FY 2010 *(In Thousands)*
Revenue	$36,888
Obligations	$35,474
Margin	$1,413

Financial Status: User Fees

530 Program: Supervision of Official Agencies

- FY 2010 supervised tonnage, 228.4 MMT
- Increase in tonnage of 12%

530 Program	FY 2010 *(In Thousands)*
Revenue	$2,449
Obligations	$1,948
Margin	$501

Financial Status: User Fees

570 Program: Rice Inspection & Weighing

- FY 2010 FGIS rice tonnage, 70.6 MCWT
- Increase in tonnage of 21%

570 Program	FY 2010 *(In Thousands)*
Revenue	$5,836
Obligations	$4,275
Margin	$1,560

Financial Status: User Fees

580 Program: Commodities Inspection & Weighing

580 Program	FY 2010 *(In Thousands)*
Revenue	$3,922
Obligations	$3,555
Margin	$368

Historical Retained Earnings

All programs contributed to retained earnings in FY 2010

FGIS Retained Earnings, FY 2008 – FY 2010 *(In Thousands)*

	FY 2008	FY 2009	FY 2010
520 : Grain Inspection & Weighing	$6,329	$4,674	$6,528
530: Official Agencies	2,583	2,791	3,427
570: Rice Inspection & Weighing	504	1,008	2,654
580: Commodities Inspection & Weighing	1,714	1,475	1,974
Total	**$11,130**	**$9,948**	**$14,583**

FY 2011 Preliminary Projections

- Wheat exports a large contributing factor in 520 increase
- Trade restrictions and production expansions in rice

Inspection & Weighing Volume, FY 2009 – FY 2011

	FY 2009	FY 2010	FY 2011 Est.
520 : Grain Inspection & Weighing	71.4	78.0	83.1
530: Official Agencies	204.0	228.4	220.4
570: Rice Inspection & Weighing	58.1	70.6	75.9
580: Commodities Inspection & Weighing	12,636	16,487	14,322

Note: Quantity reported in Million Metric Tons (520/530), Million Hundredweight (570), and FGIS certificates (580)

Thank You

Tammy Chang
Management & Budget Services
Tammy.J.Chang@usda.gov

Overview of Accounts

FGIS User Fee Accounts, FY 2010 *(In Thousands)*

U.S. Grain Standards Act	Revenue	Obligations	Profit/Loss	Retained Earnings
520 : Grain Inspection & Weighing	$36,888	$35,474	$1,413	6,528
530: Official Agencies	2,449	1,948	501	3,427
Agricultural Marketing Act				
570: Rice Inspection & Weighing	5,836	4,275	1,560	2,654
580: Commodities Inspection & Weighing	3,922	3,555	368	1,974
Total	**$49,095**	**$45,252**	**$3,842**	**$14,583**

Annual Appropriations, FY 2008 – FY 2010 *(In Thousands)*

FY 2008	FY 2009	FY 2010
$17,613	$17,930	$18,272

Export Tonnage Fee Sub-Committee

Grain Inspection Advisory Committee Meeting

Resolution

- The Advisory Committee recommends that a subcommittee be formed and charged with the task of reviewing allocations of the tonnage fee. This would include a review of component portions of current 520 allocations and a review of current unassessed export tonnage. The Advisory Committee gives the subcommittee authority to make a recommendation to GIPSA regarding tonnage fees.

USDA

History of Tonnage Fee

- Implemented October 1, 1996 with three components
  - Hourly rate to recover direct labor costs
  - Unit test or service rate
  - Metric ton administrative charge to recover indirect costs in the field offices and headquarters
- Administrative tonnage fee based on tiered tonnage rate
  - October 1, 1996 to June 13, 2004
- Administrative regional tonnage fee based on region incorporating tonnage history
  - June 14, 2004 to Current

USDA

Administrative Tonnage Fee
October 1, 1996 - June 13, 2004

All Field Offices							
($/MT)	10/96-9/97	10/97-1/99	2/99-4/00	5/00-7/01	8/01-3/02	4/02-6/03	7/03-5/04
< 1.0 MMT	$0.0900	$0.1013	$0.1014	$0.1038	$0.1101	$0.1152	$0.1199
1.0-1.5 MMT	$0.0820	$0.0923	$0.0925	$0.0947	$0.1005	$0.1051	$0.1094
1.5-2.0 MMT	$0.0420	$0.0473	$0.0500	$0.0512	$0.0543	$0.0568	$0.0591
2.0-5.0 MMT	$0.0320	$0.0360	$0.0370	$0.0379	$0.0402	$0.0420	$0.0437
5.0-7.0 MMT	$0.0170	$0.0192	$0.0200	$0.0205	$0.0220	$0.0230	$0.0239
7.0 MMT +	$0.0020	$0.0023	$0.0090	$0.0092	$0.0100	$0.0105	$0.0109

USDA

Administrative Regional Tonnage Fee
June13, 2004 - Current

($/MT)	League City	New Orleans	Portland	Toledo
Field Office	$0.115	$0.015	$0.084	$0.132
Headquarters	$0.052	$0.052	$0.052	$0.052
Total	$0.167	$0.067	$0.136	$0.184

USDA

Tonnage Projections/Actual

MT	FY 1997-04	FY 2005-09
Baseline	85,000,000	80,000,000
Projection	78,987,445	76,128,244
Difference	(6,012,555)	(3,871,756)

USDA

Tonnage Revenue & Cost

Tonnage Revenue & Cost					
	League City	New Orleans	Portland	Toledo	Total
Tonnage/Fee (FY 2005-10)					
Metric Tons	12,452,536	55,563,253	6,205,562	2,225,037	76,446,388
Total Fee/MT	$0.167	$0.067	$0.136	$0.184	
Average Total Revenue (FY 2005-10)[1]					
$7,136,359					
Average Total Cost (FY 2005-10)[1]					
$9,900,246					
Total Margin (FY 2005-10)[1]					
($2,763,887)					

[1]FY 2010 Estimated

USDA

Tonnage Revenue & Cost
FY 2011 Projections

FY 2011 Tonnage Revenue & Cost					
	League City	New Orleans	Portland	Toledo	Total
Tonnage (FY 2005-09 Average)					
Metric Tons	11,919,104	55,751,519	6,078,908	2,378,713	76,128,244
Current/Proposed Fee					
Current Fee/MT	$0.167	$0.067	$0.136	$0.184	
Proposed Field Office/MT	$0.114	$0.032	$0.123	$0.229	
Proposed HQ/MT	$0.060	$0.060	$0.060	$0.060	
Proposed Fee/MT	$0.174	$0.092	$0.183	$0.289	
Revenue[1]					
$9,203,053					
Cost					
$11,314,982					
Margin					
($2,111,929)					

[1]Includes tonnage fee applied to export inspections in Canada.

USDA

Unassessed Export Tonnage

	Inspections in Canada[1]	State of Washington[2]	Other Delegated States[3]	Containers[4]	Total
Tonnage					
Metric Tons	1,221,421	23,005,167	4,104,014	2,600,982	30,931,584

[1]Based on average all export tonnage for FY 2005-09 inspected in Canada.

[2]Based on average all export tonnage for FY 2005-09 inspected by the State of Washington.

[3]Based on average all export tonnage for FY 2005-09 inspected by Alabama, California, Georgia, Idaho, Maryland, Minnesota, Missouri, North Carolina, South Carolina, Virginia, and Wisconsin.

[4]Based on average container export tonnage for FY 2005-09 inspected by official agencies.

Note: All exclude land-based shipments to Canada and Mexico

USDA

Unassessed Export Revenue

	Inspections in Canada[1]	State of Washington[2]	Other Delegated States[3]	Containers[4]	Total
Revenue					
Metric Tons	1,221,421	23,005,167	4,104,014	2,600,982	30,931,584
Headquarters Fee	$0.052	$0.052	$0.052	$0.052	
Tonnage Fee	$0.132	-	-	-	
Total Revenue	$224,742	$1,196,269	$213,409	$135,251	$1,769,670

[1]Based on average all export tonnage for FY 2005-09 inspected in Canada.

[2]Based on average all export tonnage for FY 2005-09 inspected by the State of Washington.

[3]Based on average all export tonnage for FY 2005-09 inspected by Alabama, California, Georgia, Idaho, Maryland, Minnesota, Missouri, North Carolina, South Carolina, Virginia, and Wisconsin.

[4]Based on average container export tonnage for FY 2005-09 inspected by official agencies.

Note: All exclude land-based shipments to Canada and Mexico

USDA

GIPSA's National Grain Center

Donald C. Kendall
Acting Director, TSD

Grain Inspection Advisory Committee
New Orleans, LA
November 17, 2010

National Grain Center

- Space increase from 34,832 to 47,050 SF
- Increased training and meeting space
- Personnel increase from 70 to 110
- Will include staff from:
  - Technical Services Division
  - Compliance Division
  - Field Management Division
  - Information Technology Staff

National Grain Center

- Fiscal Year 2003
  - GIPSA began planning consolidation of activities to Kansas City
  - Additional space would be needed
- Fiscal Year 2006
  - GIPSA opted to contract with the General Services Administration (GSA) to find a new facility
- Fiscal Year 2007
  - GSA released a Solicitation For Offers (SFO) for a new facility
  - Selected current facility with renovations and new addition

National Grain Center

- Fiscal Year 2008
  - Building shell was constructed

- Fiscal Year 2009
  - Telephones and associated hardware were purchased in July 2009
  - APHIS awarded contract for installation of the telephone system in September 2009
  - Contract for office furniture was awarded by GSA in August 2009
  - APHIS awarded contract for Audio/Visual systems in September 2009

National Grain Center

- Fiscal Year 2010
  - Construction Drawings (CD's) were completed in February 2010
  - Notice to Proceed (NTP) with the construction of interior was delayed while GSA and building owner resolved dispute over lease terms.
  - GSA issued NTP April 6, 2010
  - Building owner refused to accept NTP and resume construction until Government agreed to pay damages allegedly incurred due to project delays.
  - After extensive review of all project documentation, GSA agreed in July 2010 to award the building owner monetary damages.
  - GSA issued a Supplementary Lease Agreement, including the agreed to damages, to the building owner in August 2010.

National Grain Center

- Fiscal Year 2010
  - Construction resumed on September 9, 2010.
  - Most of the interior walls have been erected, and electrical and plumbing rough-in work has been completed in the majority of those walls.
  - A final bill of materials for ordering office furniture for the new addition is currently being finalized.
  - Shop drawings for laboratory furniture and equipment are being reviewed for accuracy in preparation of ordering.
  - The most recent construction schedule provided by the building owner indicates the following occupancy dates:

New Addition	March 17, 2011
Upper Level Existing Bldg	October 28, 2011
Lower Level Existing Bldg	March 20, 2012

National Grain Center

- Timeline

Mar 2011	Oct 2011	Feb 2012	Unknown
New Addition	Existing Building Upstairs Renovation	Existing Building Downstairs Renovation	Modify Plans to include the commodity testing laboratory

New Official Moisture Measurement Technology

Grain Inspection, Packers and Stockyards Administration

November 2009 Grain Inspection Advisory Committee Resolution

"The Advisory Committee recommends that GIPSA evaluate the current moisture calibration for high moisture rough rice for accuracy when compared to the air oven reference."

June 2010 Grain Inspection Advisory Committee Resolution

"The Advisory Committee recommends that GIPSA/FGIS move forward with expediency to determine the feasibility and selection of a new federal standard moisture measurement technology and/or instrument(s), for use in the official system."

Why New Moisture Technology?

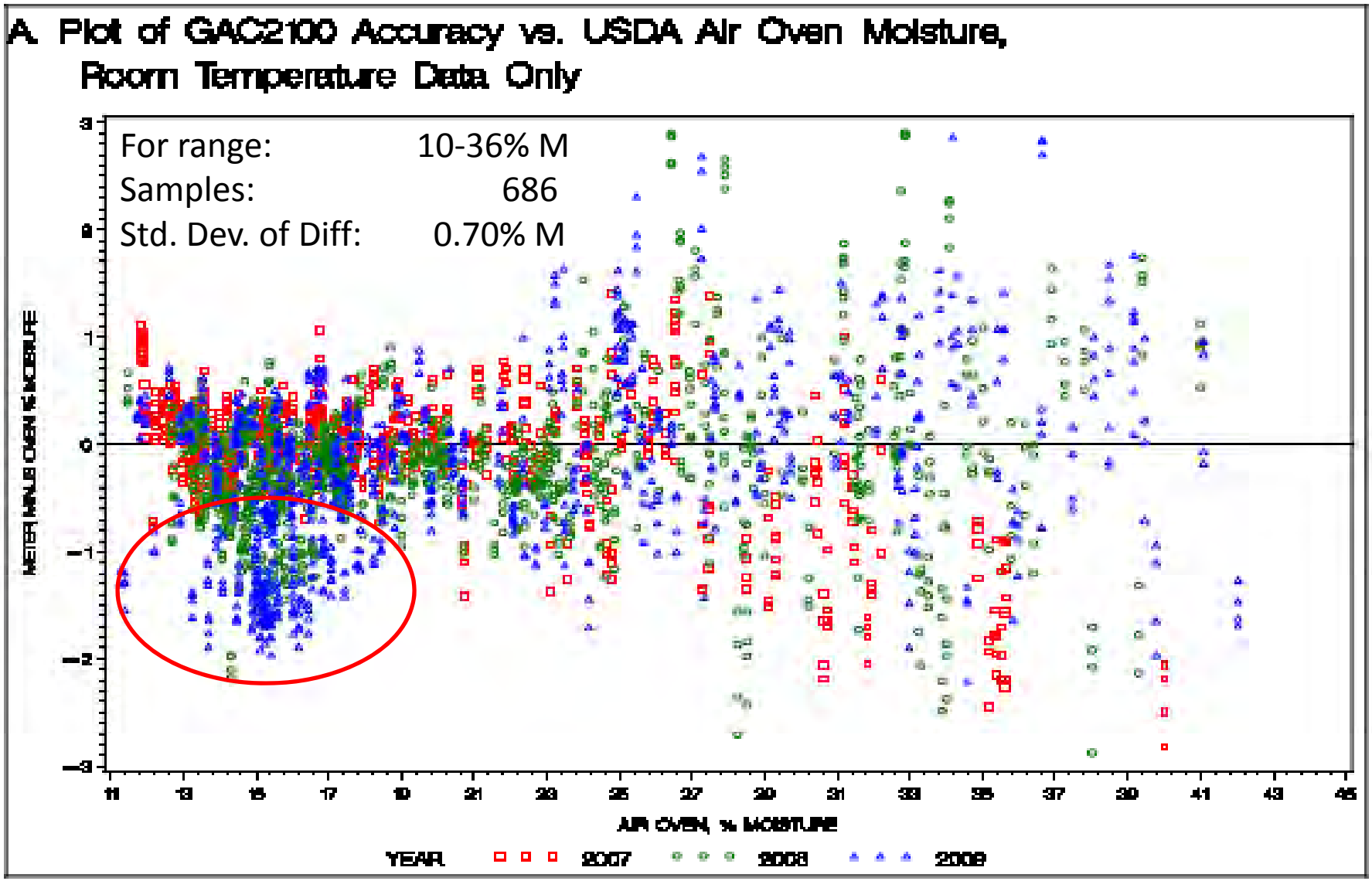
- Improved accuracy
- Better stability over time and crop conditions
- Easier calibration development
- Reduced support cost
- Provide competition

FGIS Annual Calibration Study

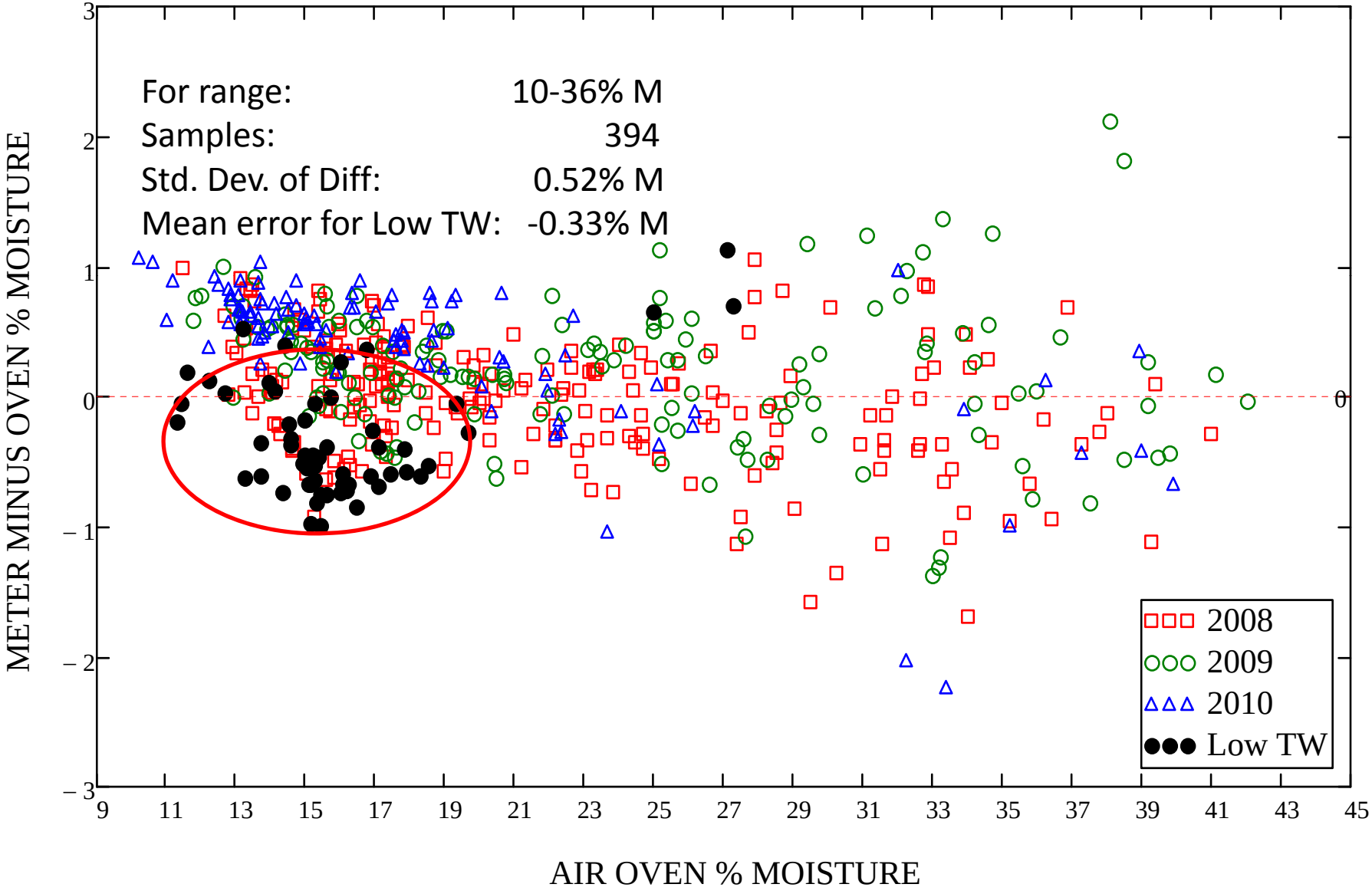
- Approx. 1100 samples collected from each crop year to evaluate and enhance official moisture meter accuracy.
- For 15 major grains, same samples are tested with all NTEP-certified models (for a fee).
- Calibrations are optimized for the most recent 3 crop years—with consideration of abnormal conditions.
- Calibrations are changed only if certain error thresholds are exceeded—to minimize “hunting”.

GAC 2100 Corn Results

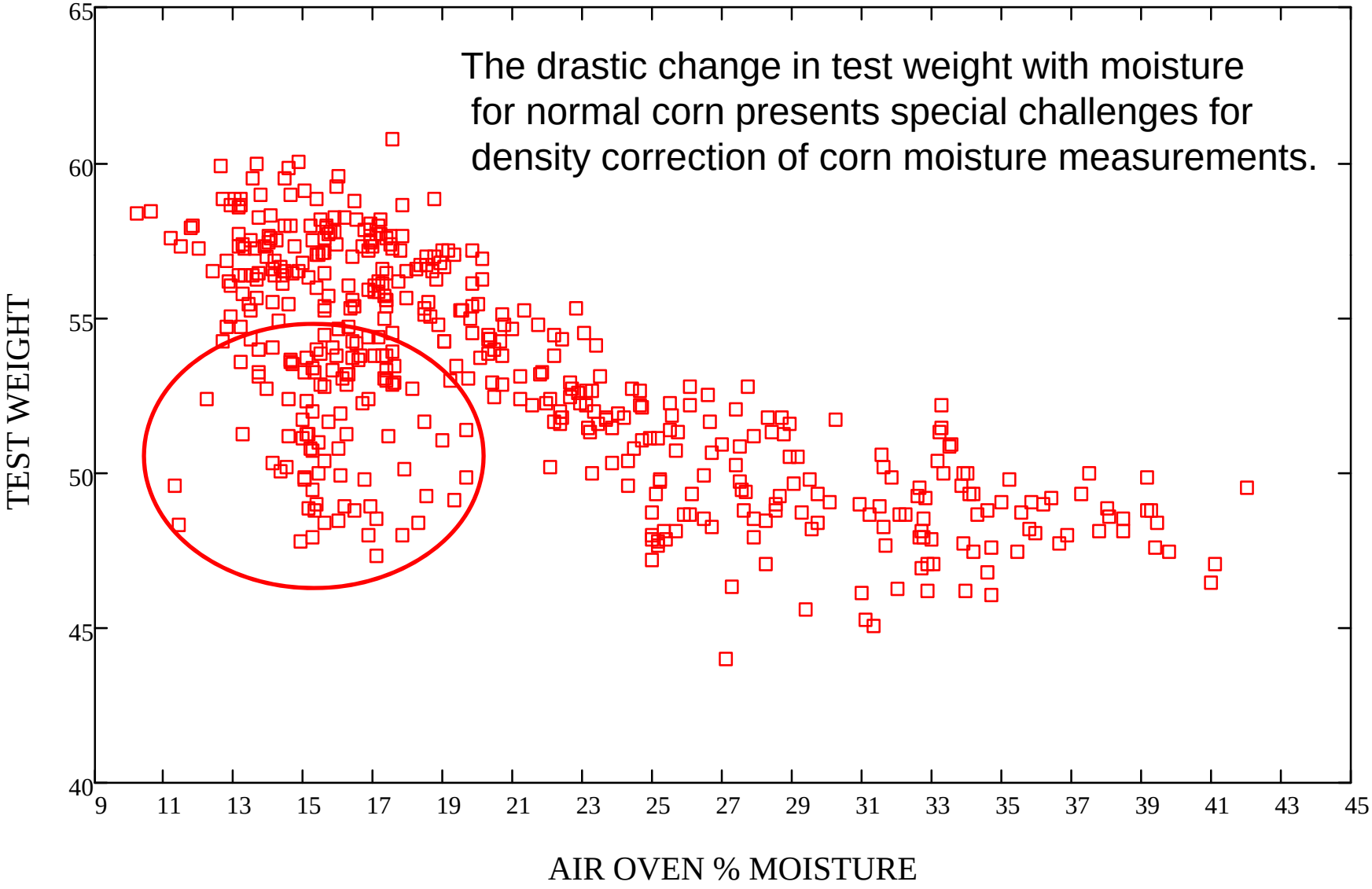
Accuracy for 2007-2009 Crops



Unified Grain Moisture Algorithm Corn Results
Accuracy for 2008 - (partial)2010 Crops



Corn: Official Test Weight vs. Air Oven Moisture (GAC 2100)



How to Select New Technology?

- Develop and prioritize criteria for the selection
- Develop procurement document
- Solicit proposals
- Evaluate proposals and submitted performance data
- Conduct further testing of proposed technologies
- Announce selection and establish contract(s)
- Develop and validate official standardization processes
- Procure new moisture measurement instruments
- Pilot test to validate system readiness for the transition
- Implement the switch to new instrumentation

Criteria used in 1997

- Best value to the government
  - Procurement costs
  - Support costs
- NTEP certification
- Speed of test
- Accuracy over moisture and temperature ranges
- Repeatability
- Suitability for all grain types officially tested
- Suitability for automation
- Consistency among units
  - Transferability of calibrations
  - Precision of standardization
  - Ease of standardization
  - Stability over time

Other Criteria

- Multiple-factor capability
- Accuracy of tests on abnormal samples such as “green soybeans”
- Availability of multiple sources for equivalent technology
- Feasibility of creating and supporting calibrations and standardizing instruments for all officially-inspected products.
- Availability of calibrations to speed transition
- Prior commercial acceptance of technology

Projected Timeline

- June 2010:
  GIAC passed resolution supporting adoption of new moisture measurement technology.
- August 2010:
  Agency has made decision to pursue new moisture technology.
- November 2010:
  Created a team to handle the technology assessment.
- June 2011:
  Develop criteria and procurement documents and issue solicitation for proposals.
- February 2012:
  Announce technology selection decision.
- May 2013:
  Procure and implement new technology for initial grains.
- September 2013 and later:
  Implement new technology for other grains

Rapid Test Evaluation Program

Grain Inspection, Packers and Stockyards Administration

Grain Inspection Advisory Committee Meeting Resolution June 2010

"The Advisory Committee recommends that GIPSA work closely with the vendors and industry to improve the timely acceptance and approval of mycotoxin test kits to help facilitate the movement of grain."

Implementation Date – October 1, 2010

The following issues were addressed to meet the October 1 implementation date:

- Review, update, and/or establish reference methods for Aflatoxin, Deoxynivalenol (DON), Fumonisin, Zearalenone, and Ochratoxin A
- Procure reference materials
- Verify reference materials using GIPSA validated reference methods (on-going)
- Review, update, and/or modify GIPSA criteria documents
- Post revised documents

Reference Method and Materials Status

- Aflatoxins and DON reference methods were the top priority followed by Fumonisins
- Aflatoxins and Fumonisins methods reviews were completed in mid-September
- All criteria documents were posted on the GIPSA website on September 29, 2010
- Validation was completed for analysis of DON in corn by LCMS/MS
- Vendor provided naturally contamined reference materials in corn and wheat to include aflatoxin, deoxynivalenol, and fumonisin toxins
- Naturally contaminated reference materials for zearalenone and ochratoxin A should will be received by November 15, 2010

Criteria Documents Review

- Criteria documents for quantitative Aflatoxins, DON, Fumonisins, Zearalenone, and Ochratoxin A rapid tests were reviewed and updated
- Historical performance data for DON and Aflatoxins were used to modify performance criteria
- The DON criteria document was modified to include corn as a major grain
- The Fumonisins criteria document was modified to require naturally contaminated samples
- Clear language was included with regards to using validated methods in generating submission data

Monitoring Program

A draft document, prepared by Field Management Division, is in review

Recommendations:

- Test the ground file sample retained by the service provider
- Select a “reference “ rapid test to be used for monitoring by TSD
- Develop QAC module to target samples in Inspection Data Warehouse (IDW) that meet established monitoring criteria
- Identify rapid tests used at all locations to monitor quality of rapid tests produced by different manufacturers
- Enlist Field Office support while TSD establishes monitoring program

Rapid Test Evaluation Program

Still to be accomplished:

- Develop fees to capture costs at all levels, including TSD, FMD, and headquarters

- Implement fee increases over several years

Quality Management Program
Board of Appeals and Review
Grading Services Laboratory

USDA Grain Inspection, Packers and Stockyards Administration

Grain Inspection Advisory Committee Resolution June 2010

"The Advisory Committee recommends that the BAR adopt the guidelines of the GIPSA Quality Management Program, Procedure 4.8 Local Quality Plan to assist the Board of Appeals and Review in tracking and documenting Grading Services lab performance."

QUALITY MANUAL

U.S. Department of Agriculture (USDA)
Grain Inspection, Packers, and Stockyard Administration (GIPSA)
Federal Grain Inspection Service (FGIS)
Technical Services Division (TSD)

Board of Appeals & Review (BAR) and Grading Services Lab (GSL)

Official Service Provider Overview

Location	10383 N Ambassador Drive Kansas City, Missouri 64153
Telephone number	(816) 891-0421
Fax number	(816) 891-8070
Email address	David.P.Lowe@usda.gov
Primary contact	David Lowe, Chairman Board of Appeals & Review (BAR)

Approved
October 2010

David Lowe

U.S. DEPARTMENT OF AGRICULTURE
GRAIN INSPECTION PACKERS AND STOCKYARDS ADMINISTRATION
FEDERAL GRAIN INSPECTION SERVICE
TECHNICAL SERVICES DIVISION

BOARD OF APPEALS AND REVIEW (BAR)
GRADING SERVICES LABORATORY (GSL)

QUALITY CONTROL HANDBOOK & STANDARD OPERATING PROCEDURES (SOP)

approved
OCTOBER 2010

DAVID LOWE

Yamamoto Sheller Study

Grain Inspection Advisory Committee Meeting Resolution June 2010

"The Advisory Committee recognizes that GIPSA's Yamamoto sheller evaluation substantially addressed the needs identified at the November 2009 Grain Advisory Committee meeting. The Advisory Committee recommends that GIPSA continue to work with all stakeholders to reach a decision regarding rice sheller technology for California short and medium grain rice in time for the 2010 rice harvest."

Current Approved Rice Equipment

- Sheller
  - GrainMan (or McGill)
- Miller
  - GrainMan
- Whole kernels
  - Visual inspection (Southern production)
  - GrainCheck 312 (California) (digital imaging)

California Rice Commission Proposal

- Sheller
  - Yamamoto (for California Medium Grain and Short Grain rice only)
  - GrainMan (or McGill) (for all Long Grain rice and Southern production Medium and Short Grain rice)
- Miller
  - GrainMan
- Whole kernels
  - GrainCheck 312 (digital imaging) (California only)
  - Visual inspection (Southern production)

A meeting with Rice Industry representatives just after the November 2009 GIAC meeting confirmed the acceptability of this regional bifurcation of rice inspection processes.

Yamamoto Sheller Evaluation

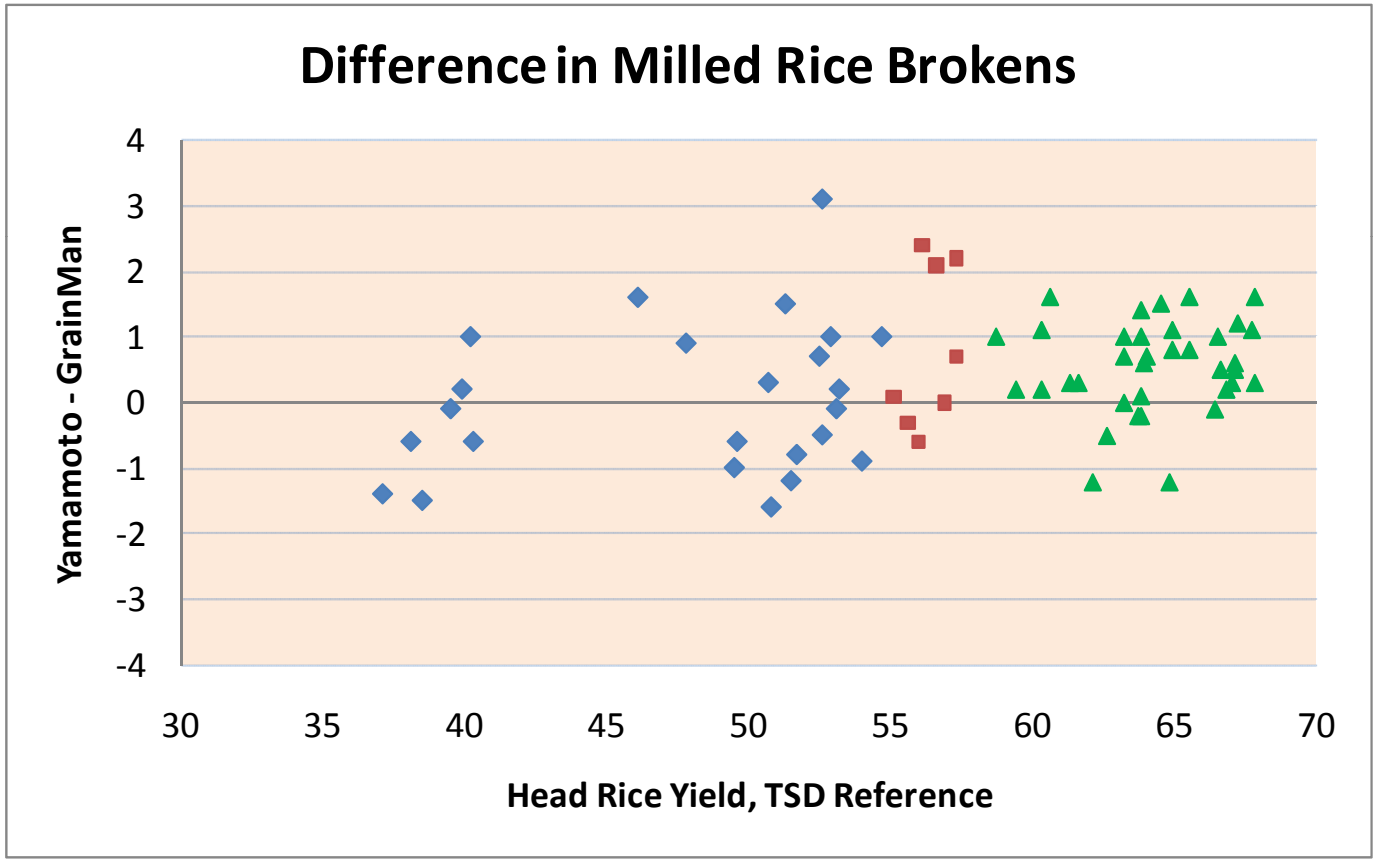
- FGIS developed a detailed plan to evaluate differences between the Yamamoto and GrainMan shellers.
- Phase I Testing
  - Review mechanical design and suggest improvements to remedy problems
  - Define standardization settings and procedures
  - Test adequacy of standardization procedures
- Phase II Testing
  - Assess differences in HRY for GrainMan and Yamamoto shellers
  - Test moisture sensitivity of GrainMan and Yamamoto shellers
  - Test reproducibility of Yamamoto sheller model
- Phase IIA Testing (result of June 2010 GIAC meeting)
  - Conduct additional tests on Short Grain Rice.

Samples received and tested

- Samples requested from California rice mills
- Received
  - Medium Grain
    - 105 samples
  - Short Grain
    - 45 samples
- Tested
  - Medium Grain
    - 68 samples tested at as-received moisture levels
    - 28 samples retested after drying to approx. 10.5% moisture
    - 10 samples retested on second Yamamoto sheller
  - Short Grain
    - 41 samples tested at as-received moisture levels
    - 10 samples tested on each of two Yamamoto shellers
- Testing of all samples was completed by July 23, 2010

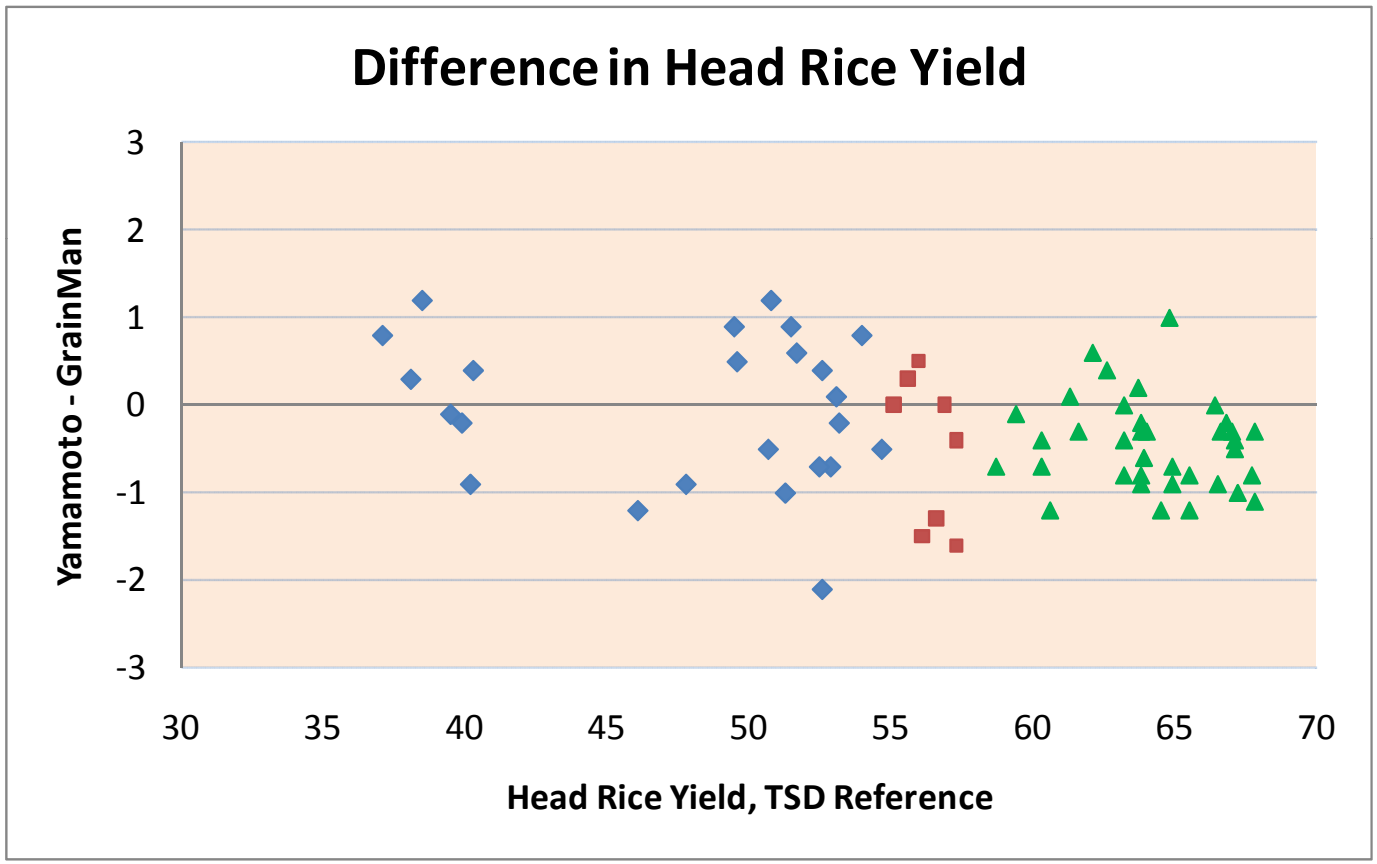
Comparison of Milling Results

(Medium Grain Rice)



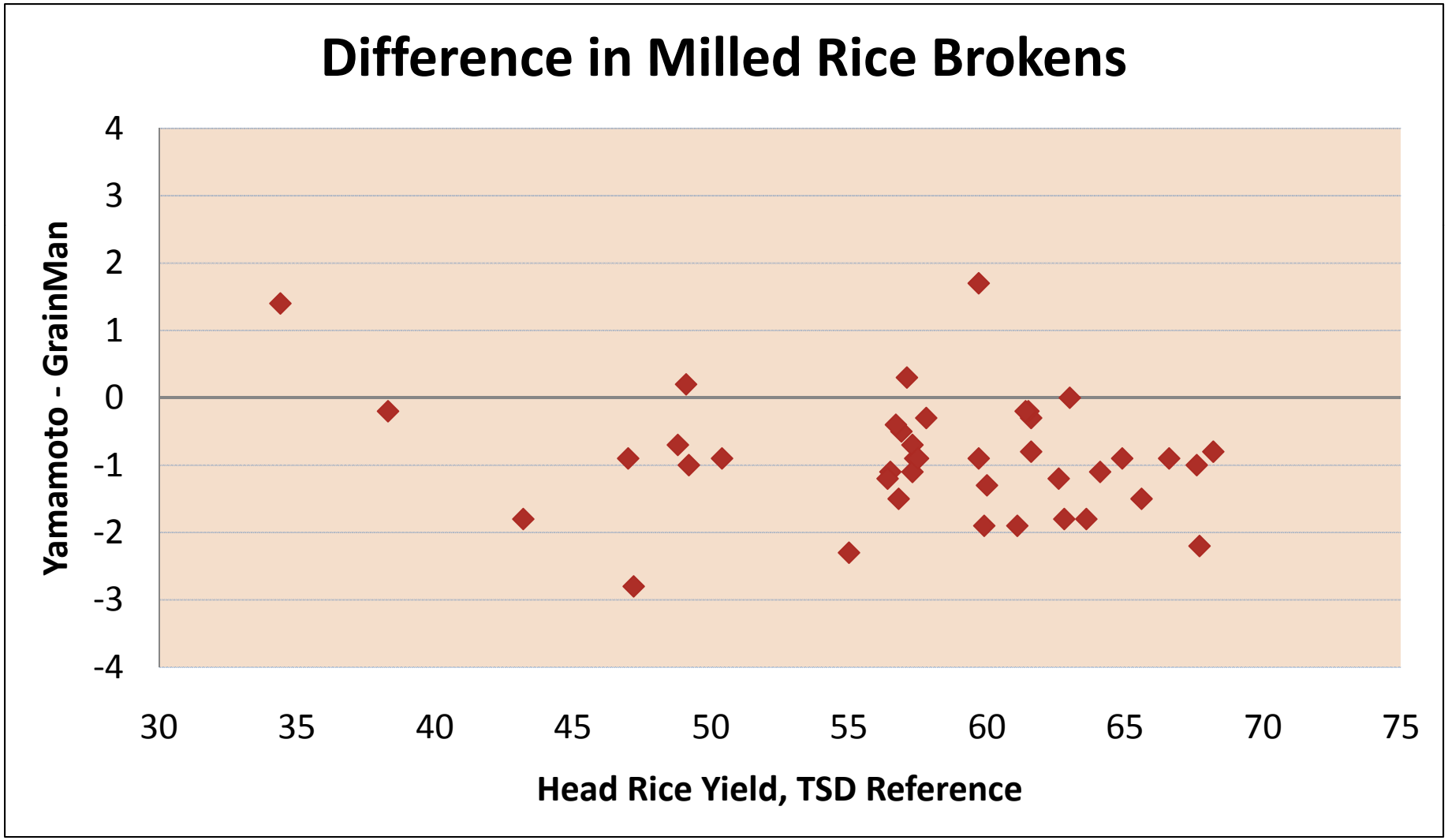
Comparison of Milling Results

(Medium Grain Rice)



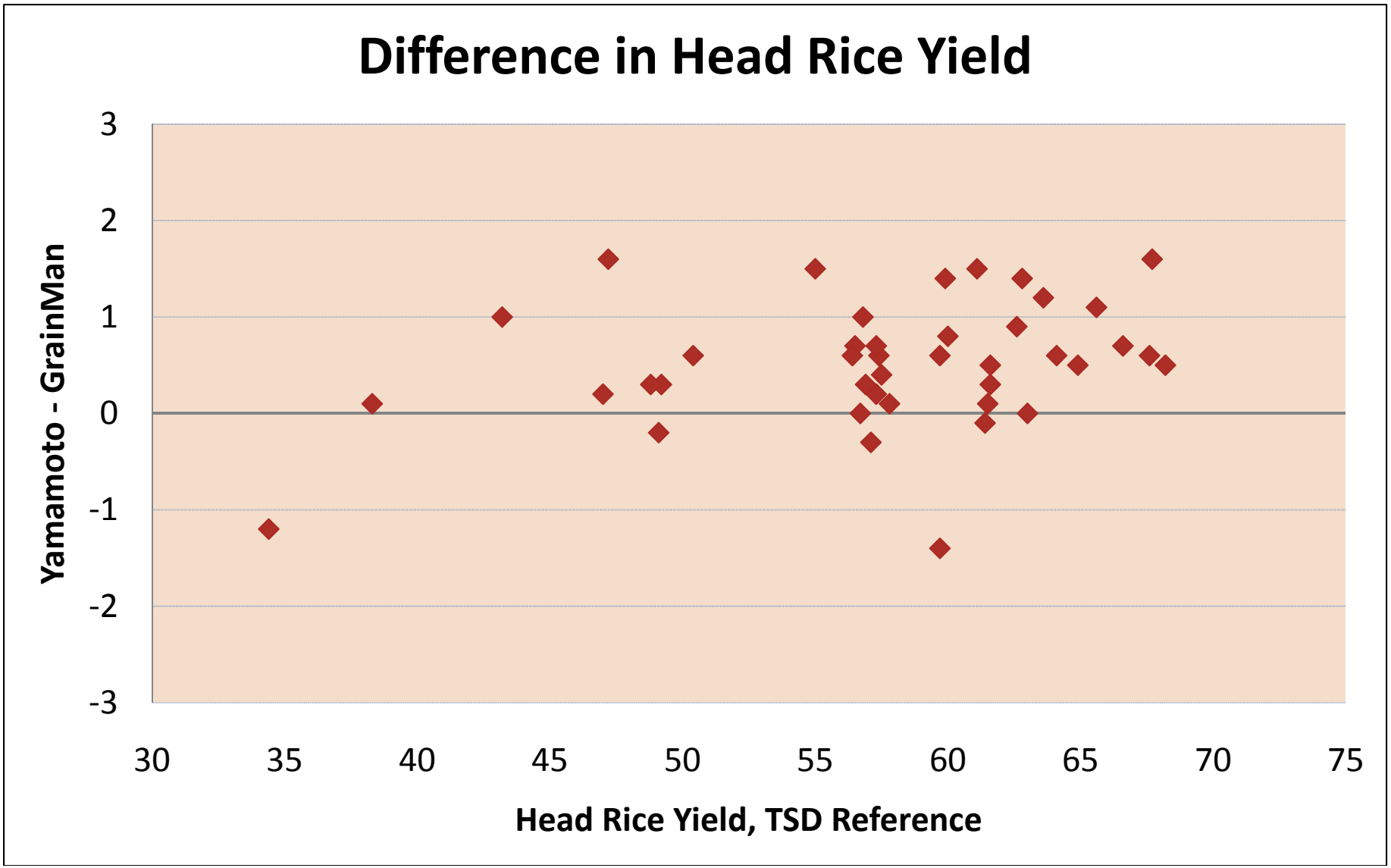
Comparison of Milling Results

(Short Grain Rice)



Comparison of Milling Results

(Short Grain Rice)



Summary (1)

- Phase I testing
  - Identified improvements in mechanical and electrical design (to be implemented by manufacturer)
  - Developed and validated standardization processes for Yamamoto shellers
- Phase II testing
  - Quantified differences between Yamamoto and GrainMan shellers
  - Sheller (brown rice) results were significantly different
  - HRY agreed much more closely than sheller results
    - Medium Grain Rice
      - Yamamoto lower than GrainMan by approx. 0.5% HRY for medium and high HRY samples
    - Short Grain Rice
      - Yamamoto higher than GrainMan by approx. 0.5% HRY

Summary (2)

- Drying significantly increased HRY for both Yamamoto and GrainMan shellers.
- The two standardized Yamamoto shellers gave equivalent results.
- The differences between Yamamoto and GrainMan Shellers were highly statistically significant, but maybe not practically significant.
- FGIS requested stakeholder input on decision whether to change from GrainMan to Yamamoto sheller for California Short and Medium Grain Rice.

Conclusions

- FGIS concluded the planned studies and presented the results to stakeholders for input.
- FGIS tests indicated that the two shellers were NOT equivalent and should NOT be used simultaneously in the Official system.
- A decision was made to not use the Yamamoto sheller for the 2010 harvest and discuss implementation before the 2011 harvest.

Processed Commodities Testing

Grain Inspection Advisory Committee Resolution June 2010

”The Advisory Committee is very concerned about food safety. Therefore, the Advisory Committee recommends the testing, retesting, and appeals process for sample evaluation for processed commodities be reviewed and communicated in further detail to the Advisory Committee.”

Levels of Service

- Original – All tests performed
- Retest – Applicant requests reanalysis of any factor that fails to meet the contract specifications (factor only or factor + moisture if the result is moisture corrected)
- Appeal – All factors are re-analyzed at applicants' request*
- FSA pays for original testing through a reimbursable agreement
- Applicant pays for all testing performed for retests and appeals

* Exception – Lots containing deleterious substances

FGIS Policy Bulletin #228

- http://ingipsa/getattachment/Program-Essentials/FGIS/Policy-Memos/2001---present/228.pdf.aspx

- Prior to January 29, 2010, if a sample exceeded the bacteriological limits specified in FSA documents, the applicant could request an appeal inspection, provided the original inspection result was negative for salmonella. If the sample was salmonella positive, the review inspection was limited to a retest of the file sample. No appeal inspection could be obtained.

- As provided in Policy Bulletin #228, appeal analysis will no longer be performed on lots containing a deleterious substance. FGIS now considers Salmonella, E. Coli, Coagulase Positive Staphylococci, Staphylococcus aureas, and bacteria count in excess of 50,000 cfu/g as deleterious substances.

Plant Sanitation Inspections

- Prior to January 29, 2010, as part of the plant sanitation inspection, environmental samples were drawn from locations in the facilities that may harbor organisms or where contact with the product is or could be made by human or other sources of contamination. These environmental samples were tested for the presence of salmonella, although the facility may have harbored other harmful organisms that could possibly contaminate the product being produced by the plant.

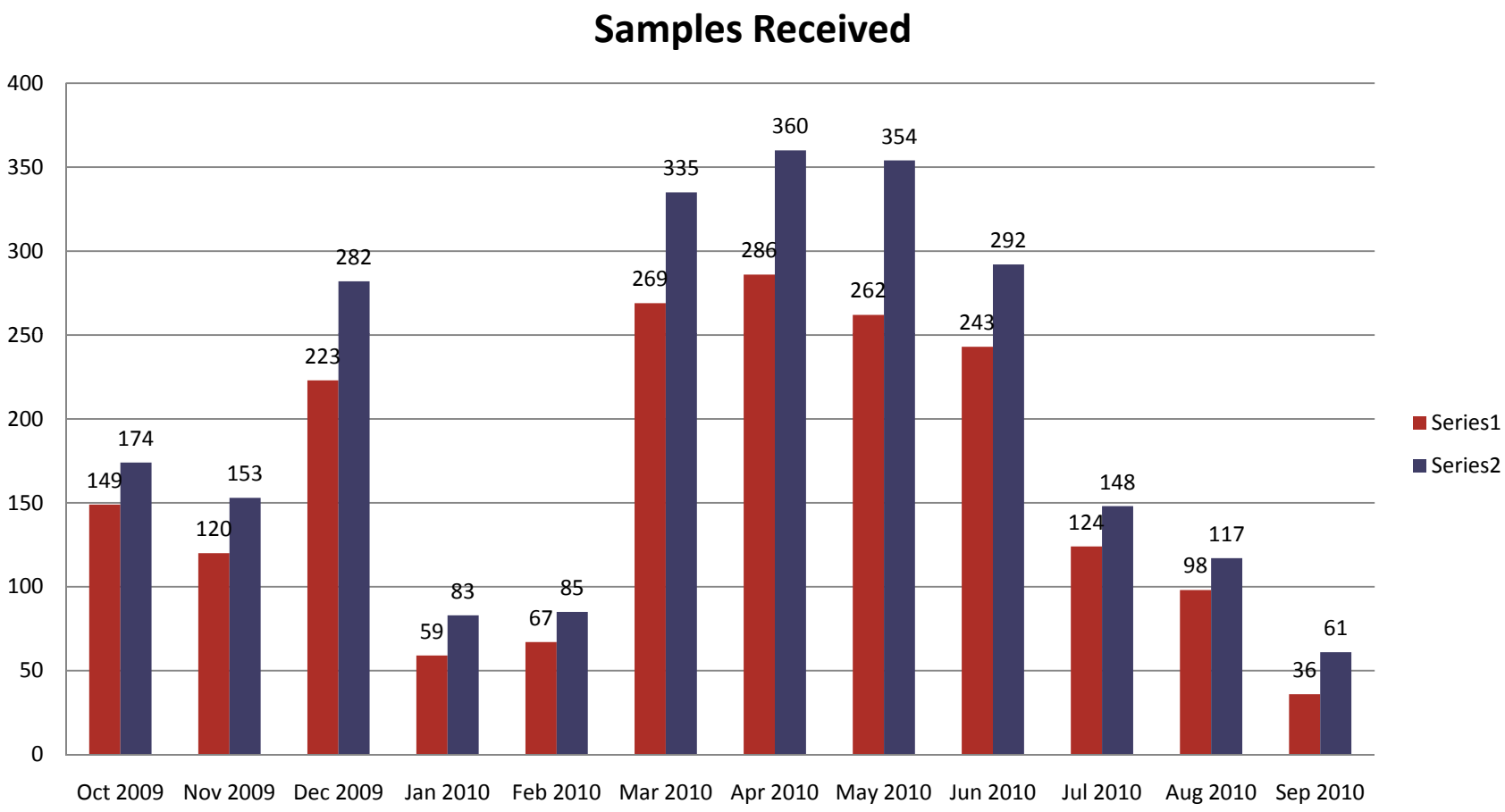
- As provided in Policy Bulletin #228, all environmental samples collected during plant sanitation inspection will be analyzed for the same deleterious substances required to be tested in the product.

Commodities Currently Tested

- Corn Soy Blend (CSB)
- Wheat Soy Blend (WSB)

99.3% of samples received are CSB

Samples Received / Month in FY2010



Series 1 – Original Samples Received
Series 2 – Total Samples (Originals, Retests, & Appeals)

Constituents: Corn Soy Blend (CSB)

- Aflatoxin ($87)
- Appearance & Odor ($7)
- Cooked Bostwick ($25)
- Dispersibility ($13)
- E. Coli ($40)
- Fat ($20)
- Fiber ($27)
- Iron ($30)
- Moisture ($13)
- Protein ($16)
- Salmonella ($80)
- Sieve #6, #30, #60 ($11)
- Standard Plate Count ($20)
- Coagulase Positive Staphylococci ($50)
- Uncooked Bostwick ($12)
- Vitamin A ($50)

Total: $501/sample

Constituents: Wheat Soy Blend (WSB)

- Appearance & Odor ($7)
- Ash ($17)
- E. Coli ($40)
- Fat ($20)
- Fiber ($27)
- Iron ($30)
- Moisture ($13)
- Protein ($16)
- Salmonella ($80)
- Sieve #70 ($11)
- Standard Plate Count ($20)
- Coagulase Positive Staphylococci ($50)
- Vitamin A ($50)
- Vomitoxin ($61)

Total: $442/sample

Sample Receiving/Sample Preparation

Samples are shipped to the laboratory via FedEx. A portion of the sample is placed in whirlpak bags for distribution to the individual laboratories for testing. The file sample is maintained for one month. Retest and Appeal samples are taken from the TSD file sample.

FY2010 Testing and Sampling Costs Reimbursements

- Farm Service Agency (Title II funds) paid for all testing and sampling costs prior to March 2010.
- In March 2010, vendors began paying for testing and sampling.
- Contracts awarded July through the end of the fiscal year were split between Farm Service Agency (Title II) and Foreign Agriculture Service (FAS).
- FSA paid for Title II services through a reimbursable agreement.
- Vendors were billed for all work done on FAS contracts.
- Historically, 85% of all testing services are performed for FSA (Title II).
- 1,954 official lots were sampled and tested through September 30, 2010.
- Laboratory revenue for analysis of original samples was ~$980,0000

FY2011 Testing and Sampling Costs Reimbursements

- FSA has appropriated $2.5 million for sampling and testing in FY2011.
- 54% ($1.35 million) of the total will be used for testing services at TSD.
- USAID has suggested that further testing and services may be required on other commodities to insure quality of products.
- These products include: corn meal, soy-fortified corn meal, flour, bulgur, soy-fortified bulgur, soy-fortified sorghum grits, soybean oil, and vegetable oil.
- Staffing and laboratory space requirements are being assessed for expanded testing services on additional commodities.
- TSD is currently working with GSA to acquire additional space, either in the renovated building, or at another location.

Conclusions

FY2010

- Sampling and testing services were continued on CSB/WSB.
- Services for Title II contracts were covered under a reimbursable agreement with FSA.
- Vendors paid for services for all FAS contract sampling and testing.

FY2011

- Continue CSB/WSB testing.
- Work with GSA to obtain and build out laboratory space in the renovated facility or at another location.

Thank You

Sorghum Odor Study

Grain Inspection Advisory Committee

November 17, 2010

Donald C. Kendall

Acting Director, TSD

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

Sorghum Odor Project Awarded July 7, 2009

- The project was awarded to Edgar Chambers IV, PhD., Director, Sensory Analysis Center, Kansas State University, Manhattan, Kansas.

- Project funding period is September 1, 2009 thru October 2011.

Sorghum
Odor Project
“Storage Musty”

Overall Project Objective

Develop consistent “standard reference samples” to be used for comparison during training and evaluation of “storage musty” odors in grain sorghum.

Sorghum Odor Project "Storage Musty"

Project objectives:

- Determine odor compounds that can be used to mimic "storage musty" in grain sorghum.
- Develop individual compounds or blends of compounds that can be used to fortify grain sorghum samples to mimic "storage musty" in grain sorghum.
- Determine concentrations of odor compounds that will achieve various types and intensities of "storage musty" odor in fortified grain sorghum samples.
- Develop procedures for fortifying samples that can be used to provide consistent fortified reference samples.

Sorghum Odor Project "Storage Musty"

Project objectives:

- Determine storage procedures and storage limits for maintaining consistent fortified reference samples.

- Provide specifications for reference materials (compounds, concentrations, fortification procedures, storage conditions) for use in day-to-day operations for GIPSA and official agencies.

- Develop an introductory PowerPoint presentation for use in training that highlights odor evaluation techniques that can enhance the evaluation process, especially in relation to consistent evaluation using the new reference samples. Aspects such as smelling technique (stirring or shaking grain, clearing the nose between samples), environmental issues such as ambient air quality, temperature, etc, will be addressed.

Sorghum
Odor Project
“Storage Musty”

• Dr. Chambers utilized trained sensory specialists at the Sensory Analysis Center, Kansas Study University, Manhattan, Kansas

• Each sensory specialist had over 1000 hours of sensory testing experience

• The sensory specialists applied a 15-point scale with 0.5 increments for testing

• An intensity of 1 was considered to be musty by the sensory specialist

Sorghum
Odor Project
"Storage Musty"

- The BAR provided 27 different samples from September 1, 2009 to May 1, 2010 to Dr. Chambers
- The 27 samples had been previously inspected by the BAR for odor
- Fourteen samples were determined to be musty and thirteen samples were determined to have no odor by the BAR.
- The 27 samples were subjected to descriptive sensory analysis (odor), carried out by sensory specialist
- The sensory panel agreed with the BAR inspection, and the samples that had an odor had intensities ranging from 2.5 to 5.0

Sorghum Odor Project "Storage Musty"

- The panel identified the compounds that were present in the sorghum samples characterized as "storage musty"

- A shelf life study was conducted on the chemical compounds

- Results showed that fortified samples were stable for 2-3 months

Compounds present in "Storage musty" Sorghum

Hexanal

1-Octen-3-ol

3-Octanone

3-Octanol

Methoxybenzene

1,2-Dimethoxybenzene

1-Ethyl-4-methoxybenzene

1-Ethenyl-4-methoxybenzene

1,2,4-Trimethoxybenzene

2-Ethyl-6-methylpyrazine

2,5,-Dimethylpyrazine

Trimethylpyrazine

Geosmine

Compounds Tested at Three Temperatures

- Frozen
- Refrigerated
- Room temperature

The samples were most stable when frozen, but the decline in odor intensity was not appreciable even after three months of storage at room temperature for some compounds

Sorghum Odor Project (Step 2)

- Of the compounds found in “storage musty” sorghum the Sensory Analysis Center (SAC) selected the compounds which they felt would best mimic “storage musty” odor in grain sorghum for further testing.
- The BAR supplied the SAC with “okay” new crop sorghum to use in the odor study.
- The SAC added the chemical compound or combination of compounds to the clean grain for the BAR to evaluate to determine if any of the “cocktails” mimicked the current “storage musty” odor in grain sorghum.
- On October 14, 2010 David Lowe (FGIS), Jim Whalen (FGIS, Dave Funk (FGIS), and Allen Trower (Kansas Grain Inspection) traveled to Manhattan, Kansas to evaluate the sorghum that the SAC had blended.

Evaluation of Chemicals and Chemical Mixtures

Compound	Concentration	Musty Score (0 – 15)
1,2-Dimethoxybenzene	100 %	5.5
1,2,4-Trimethoxybenzene	100%	4.0
3-Octanone	100%	4.5
Geosmine	0.1%	4.5
1,2-Dimethoxybenzene Geosmine	25% + 0.025%	8.5
1,2-Dimethoxybenzene Geosmine	50% + 0.05%	9.5
1,2-Dimethoxybenzene 1,2,4-Trimethoxybenzene	25% + 25%	3.0
1,2-Dimethoxybenzene 1,2,4-Trimethoxybenzene	50% + 50%	4.0

Evaluation of Chemical Compounds

- None of the chemical compounds or combination of chemical compounds on fresh sorghum closely matched the “storage musty” odor found in grain sorghum.
- It was determined that recently harvested sorghum with an “okay” odor was the wrong type of “okay” odor to use for making spiked samples because the intense odor of new crop sorghum would not be present with “storage musty”.
- Instead of new crop sorghum, the base material for creating fortified samples should be sorghum that has been stored for several months under proper conditions.
- The BAR recommended a mixture of Geosmine and 1,2,4-Trimethoxybenzene be blended with stored sorghum that was determined to not have an odor.

Ongoing Work

- The mixture of Geosmine and 1,2,4-Trimethoxybenzene with stored sorghum most closely matched the “storage musty” odor found in grain sorghum, but further adjustments of ratios are needed.
- Kansas Grain Inspection will obtain old “okay” sorghum and forward the samples to the BAR for cleaning and processing and transfer to SAC.
- SAC will blend different ratios of the chemical compounds to the clean grain and forward the samples to the BAR to evaluate.
- The BAR will determine which blend of the “cocktail” most closely provides the character of “storage musty” odor in grain sorghum.
- FGIS will re-engage stakeholders to help define the appropriate “line” for storage musty odor using spiked samples.

Considerations

Odor determination in grain is challenging

Odors that are applied to grains:

Sour	Musty	Commercially Objectionable Foreign Odor (COFO)
Boot	Ground	Animal hides
Fermenting	Insect	Decaying animal/ vegetable matter
Insect (acrid)	Moldy	
Pigpen	Basement	Fertilizer
	Storage	Fumigant
		Insecticide
		Oil products
		Skunk
		Smoke
		Strong weed

Sorghum Odor Inspections

Other types of odors in sorghum are more prevalent than storage musty in the official inspection system.

March 22-25, 2010	78 hopper cars: sour
April 5-7, 2010	74 hopper cars: sour
April 28-29, 2010	28 hopper cars: sour
May 3-6, 2010	50 hopper cars: sour
May 18-21, 2010	35 hopper cars: sour
May 24-27, 2010	51 hopper cars: sour
June 1-3, 2010	27 hopper cars: sour
September 29-30,2010	18 trucks: musty (wet, moldy, basement)

Sorghum Inspection Facts for 2010

- There were approximately 28,762 official inspections for grade performed on Sorghum samples
- Kansas Grain Inspection inspected approximately 60% of the sorghum inspected in the domestic market
- Approximately 20% of the inspections were performed by official agencies in Oklahoma and Texas
- There were approximately 972 export sorghum lots inspected
- Of the export lots approximately 66% were inspected by the League City Field Office
- QAQC monitoring was performed on approximately 2.8% of the 28,762 sorghum samples inspected nationally
- Approximately 94% were OK on odor, 2.5% musty, 2.5% sour, and 1% were cofo
- For sorghum odors there was 96.4% agreement between the original result and the supervision result

Future of Odor Project(s)

Project conclusions:

- Identifying chemical constituents of odor is possible
- Fortified samples can likely be prepared using a chemical cocktail to mimic specific odors
- Training and procedures can be implemented to improve consistency of inspections

Official Inspection:

- Odor “issues” arise sporadically, e.g. storage musty
- Odor is often a “regional” issue
- Data demonstrate the Official Inspection System applies odors in a reasonably consistent manner

Future of Odor Project(s) Options

Option 1. Complete current project (sorghum storage musty), but do no further directed research

Option 2. Use the sorghum storage musty odor project as a model and apply to other grain odors (triage approach)

Option 3. Do no further work, but maintain an awareness of advances in odor detection technologies that may have application to grain inspection

2010 GRAIN INSPECTION ADVISORY COMMITTEE MEETING NOVEMBER 17–18 NEW ORLEANS, LA

Corn Grading Review-Domestic and Export

Bob Lijewski
Field Management Division
Washington, DC
Kansas City, MO

USDA

August 2010

- The North American Export Grain Association (NAEGA) and National Grain and Feed Association (NGFA) submitted a letter to Secretary Vilsack; expressing concerns related to alleged inconsistencies in GIPSA's grading of corn moving through the New Orleans Field Office Circuit, and its impact on commerce.

- In response to these alleged inconsistencies, GIPSA shift supervisors were tasked with increased on-site monitoring of local inspections.

- Graders were required to keep a minimum of two separations per shift to be sent into the New Orleans Quality Assurance and Control (QAQC) Team for review.

- This number was increased to all corn damage separations, along with a requirement that licensed inspectors at interior points save all corn damage separations for barge shipments to New Orleans.

- Approximately one-half of the damage separations that were sent into the New Orleans QAQC Team were forwarded to our experts at the Board of Appeals and Review (BAR) in Kansas City.

GIPSA Grading–New Orleans

- After comparing 172 grading separations, original inspectors' results were consistent with those of the New Orleans QAQC Team, with a small margin of error, proving that the New Orleans QAQC was in good alignment with GIPSA experts in Kansas City.

Review of New Orleans Graders for Corn Damage Separations (7/1-8/31)

No. of Samples	Grader Average	Quality Assurance Review
279	7.0%	7.1%

GIPSA Grading- GIPSA New Orleans (7/1-9/5)

No. of Samples	New Orleans Damage %	Kansas City Review Damage %
127	6.24%	6.25%

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Federal Grain Inspection Service

GIPSA Origin Barge Grading

•To address the interior-market aspect of NAEGA and NGFA's concerns, the GIPSA QAQC Staff immediately developed a plan to initiate a supplemental monitoring plan to select file samples from official service providers in the Midwest that routinely inspect grain bound for the New Orleans area.

•The samples were graded by our technical experts in Kansas City. This was in addition to ongoing monitoring and oversight performed primarily by GIPSA's Cedar Rapids Field Office.

Origin Barge Grading (7/1-10/1)

No. of Samples	GIPSA Origin Result Damage %	Kansas City Review Damage %
76	4.6%	4.7%

New Orleans File Sample Review

- File samples from the New Orleans Field Office were also selected for review by Kansas City to evaluate accuracy and consistency of the results on a mix of official barge lot inspections, export sublots, and submitted samples. As the table below illustrates, comparisons between New Orleans and Kansas City did not reveal any significant differences for corn damages. **(7/1-9/5)**

No. of Samples	GIPSA New Orleans Result Damage %	Kansas City Result Damage %
30	9.6%	9.2%

Same Barge: Origin vs. Destination

- In August, GIPSA extended the file sample retention period of the agencies involved from 25 days on outbound barges to 55 days. This provided GIPSA the opportunity to investigate any difference in official results found between origin and destination. **(7/1-8/31)**

No. of Samples	GIPSA New Orleans Result Damage %	GIPSA Origin Result Damage %
69	4.8%	2.6%

Options

On August 25, 2010, GIPSA communicated to NAEGA and NGFA the following options to address their concerns:

1. GIPSA offered to conduct official sampling and inspection service on all barges unloaded at New Orleans facilities with oversight by Kansas City's and New Orleans's QAQC team. Oversight would be conducted by review of damage separations and onsite visits.

2. GIPSA offered to obtain official samples and provide results on factors within 25 minutes after the barge was unloaded. As an option GIPSA offered analysis on damage only to reduce the analysis time to 15-20 minutes after the barge had been unloaded, acknowledging high damage corn may take additional time.

3. GIPSA offered Official Commercial Inspection Services on barges , using a reduced sample portion of 125 grams. Grading time would be reduced at the cost of increased variability. If the elevator needed a grade before the barge was unloaded, they were told they could also submit a sample to analyze for damage at certain intervals (sample at the 50% mark and another one at the 100% mark).

Origin Separation Review

Recently, GIPSA's QAQC team put together an origin separation review comparing percentage damaged inspected at origin by official service providers and the BAR/NOFO QAQC staff.

9/21-10/26

No. of Samples	Average Damage % at Origin	Average Damage % NOFO/BAR
72	2.7%	3.1%

Yellow Corn with 5% Damage prior to separation

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7% Damage

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10% Damage

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20% Damage

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Federal Grain Inspection Service

Common Types of Corn Damage

Blue-Eye Mold

Germ Damage

Heat Damage

Cob Rot Damage

Summary

- Over 500 sample inspection reviews (original file, destination file, and separations) conducted by GIPSA's New Orleans & Kansas City Offices. The review clearly demonstrates that FGIS' Official Inspection System is providing accurate and consistent results.

- The volume of corn inspected is at normal parameters for the time of year.

- GIPSA offered the industry multiple options with respect to the official sampling and inspection of corn. However, the industry has expressed little or no interest in taking advantage of the options GIPSA has offered.

Questions?

Grain Inspection, Packers and Stockyards Administration
Federal Grain Inspection Service

Thomas C. O'Connor
Director
Compliance Division

Grain Inspection Advisory Committee Exception Program

November 17/18, 2010
New Orleans, LA

Exceptions Program

- By regulation (800.117), official inspection and weighing must be performed by the official agency or field office assigned to an area with the following exceptions:
  - Timely Service – OA cannot provide service within six hours
  - Nonuse of Service – OA has not provided official services to an applicant for 90 consecutive days
  - Barge Probe Service – any OA can provide probe sampling and inspection service without restriction

Background

- 1993 GAO Study raised questions on the exclusivity of boundaries within the context of declining utilization of the official system
- Congress amended USGSA to allow GIPSA (FGIS) to conduct pilot programs to determine benefits of allowing more than one OA to provide service
- GIPSA initiated pilots in 1995; recommended that Congress provide authority to allow more than one OA to provide service in a specific area
- 2003 Congress amended USGSA

Program Operation

- Regulations amended in 2003
- Utilization to date
  - Timely Service – 30; none since 2006
  - Nonuse of Service – 382 requests; 356 approved, 26 not approved
  - Barge Probe – 352
- Agency managed the program through a series of Q&As posted to the website
- A formal review of program operations suggested it could benefit from a formal Directive

Directive

- Policy: Excepti0n program should promote the marketing of grain and provide benefits to users and the official system
- Qualifications
  - Timely Service (6 hours)
    - To CP or FO prior to providing service; verbal is OK
    - Outside of Bus Hrs, OA can provide service, notify CP within 2 business days
  - Barge Probe
    - Participating OAs provide monthly updates
    - No prior approval needed

Directive

- Qualifications (cont'd)
  - Nonuse of Service (90 days)
    - From facility requesting service (clarification)
    - Written request or email must include:
      - Date of request
      - Owner or manager name
      - Facility address, telephone number
      - Type of service
      - Date last obtained official service and name of OA
      - Name of requested OA
      - Reasons for requesting OA
    - Approval only after complete request received

Directive

- Nonuse of Service (continued)
  - Case-by-case approval; some considerations
    - Location
    - Services offered
    - Potential impact of lost revenue
    - Number of approved exceptions in OA territory
    - Ability to staff on-site lab
    - New facilities or lack of utilization not automatic qualification (change)
  - Automatic cancellation if inactive for 18 months

Responsibilities

- Compliance Division is responsible for:
  - Oversight of each exception program
  - Approval of requests
  - Monitoring volume information
  - Periodically reviewing each program
- Field Office Manager is responsible for:
  - Assisting CP in determining the validity of the request
  - Provide continued oversight of assigned OA
- Facility Management is responsible for:
  - Requesting service
  - Provide required information and justification

Responsibilities

- Incumbent OA is responsible for:
  - Provide service
  - Customer service information
  - Monthly volume information for nonuse of service facility
- Requested OA is responsible for:
  - Ensuring service is provided under the exception
  - Monthly volume information for nonuse of service facility and barge probe service

Status

- AAGIWA review
- GIPSA Review
- Publication

Thomas C. O'Connor
Director
Compliance Program

Grain Advisory Committee
November 17, 2010
New Orleans, LA

15,000 MT Waiver (Exemption) Program

Resolution ---

"The Advisory Committee recommends that GIPSA review the 15,000 metric ton exemption for possible regulatory compliance issues pertaining to container shipments"

What is it?

- Section 800.18 waives mandatory official inspection and weighing for export grain for exporters and individual elevator operators who:
  - Exported less than 15,000 mt of grain during the previous calendar year; or
  - Have exported less than 15,000 mt of grain during the current calendar year
- Notify GIPSA in writing of intent
- Keep records/disclosure
- Contract language and official representation

Other waivers

- Other waivers:
  - Grain exported for seeding purposes
  - Grain exported by rail or truck to Mexico and Canada
  - Grain sold in bond
  - High quality specialty grain
  - Grain not sold by grade (inspection only) – application and copy of contract
  - Service not available (upon request)
  - Emergency waiver (upon request)

Some background information

- 1979 – FGIS adopted GIAC recommendation to define export elevator to be an elevator that exports a minimum of 15,000 mt in a calendar year or exported such amount the previous calendar year
  - Interim while Agency studied the matter
  - Request waiver
- 1980 – in consultation with GIAC, waiver made permanent – apply on a facility-by-facility basis (Registration by company)
  - Economic relief to small exporters without impairing the objectives of the Act (USGSA Section 5(a)(1))

Implementation

- FGIS Directive 9020.1 exempts exporters and individual elevator operators from official inspection and weighing requirements if:
  - Exported less than 15,000 mt in the previous calendar year on an individual elevator basis; and
  - Such facilities plan to export less than 15,000 mt in the current calendar year
  - Grain firms with multiple locations are eligible
  - Bagging – facility that bags or mobile equipment itself
  - Floating rigs – applies regardless of location

Implementation

- Conditions:
  - Notify the Compliance Division in writing each year of intent to operate under the waiver – include previous year's volume and expected current year volume
  - Keep accurate records
  - Obtain official inspection and weighing when required
  - Once conditions met, automatically apply
  - Terminates yearly or when volume exceeds 15,000 mt
  - Confirming letter – regulatory requirements; termination date; aflatoxin testing; registration

Implementation

- Compliance Division
  - Maintains exemption list (GIPSA Home page under publications)/periodically request records
  - Inform FO of name and address of exporter or elevator operator intending to export under the exemption
  - Inform exporter or elevator operator of receipt of waiver request
- Field Office
  - Periodically review records for Compliance
  - Maintain awareness
  - Report suspected violations to Compliance

Reporting Violations

- FGIS Directive 9070.6 [Reporting Violations of the USGSA and AMA]
  - Field Offices report violations to Regulatory Branch
  - Official Agencies notify the appropriate FO
  - Call Compliance Division Hotline [1-800-998-3447] or Division [202-720-8262]

Compliance

- During 2006-2010, we received 622 requests to operate under the waiver
  - 2006: 74 total (34 facilities; 40 floating rigs)
  - 2007: 157 total (116 facilities; 41 floating rigs)
  - 2008: 146 total (104 facilities; 42 floating rigs)
  - 2009: 120 total (77 facilities; 43 floating rigs)
  - 2010: 125 total (81 facilities; 44 floating rigs)
- During this period, six violations were reported and investigated

Comments

- Program operating in conformance with regulations and directive
- Regulatory Branch investigates allegations of non-compliance; takes corrective action
- Exporting w/o official service and a waiver is in violation of the USGSA
- Exporting 15,000 mt or more of grain w/o official services is in violation of USGSA
- Data suggests high level of compliance

Grain Inspection, Packers & Stockyards Administration

International Trade and Outreach

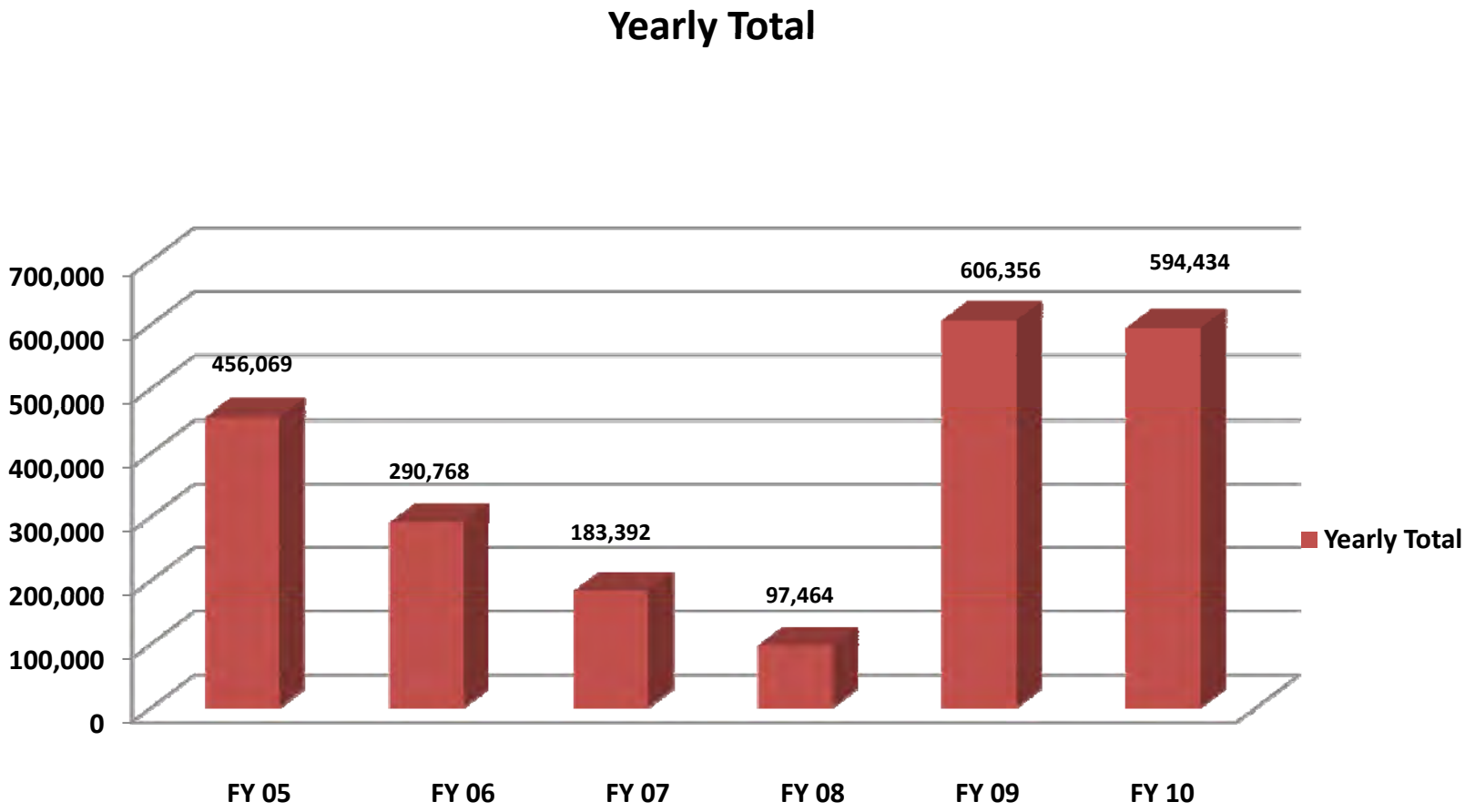
Grain Inspection Advisory Committee
New Orleans, Louisiana
November 17, 2010

John B. Pitchford, Director
Departmental Initiatives and
International Affairs

Current International Trade and Outreach Issues

- Quality Complaints
- Korea Corn Monitoring Project
- China – Soybeans
- China - Corn
- Egypt – Wheat
- Egypt – Corn

Importer Complaints
Metric Tons



FY 2010 Complaints

17 Complaints from 11 countries

- China – treated soybeans 50%
- 5 Countries – soybean damage 24%
- 4 Countries – corn BCFM, damage 22%
- Other issues 4%

Korea Corn Monitoring Project

- Korean Feed Association (KFA) monitoring U.S. corn quality on arrival
- NAEGA/KFA joint project to monitor 3 corn cargoes
  - ✓FGIS will assist – sampling at loading and destination, sample analysis
  - ✓Monitoring moisture, test weight, BCFM
  - ✓Compare methods and analyze differences

China-Soybeans

- China Soybean MOU
  - ✓ July 2010 negotiations (FGIS, FAS, APHIS, FDA) in China
  - ✓ Agreed on draft text
- Key Provisions
  - ✓ Bilateral technical working group
  - ✓ Rapid response team

China-Corn

- First corn imports in 5 years
  - ✓ June 2010- 60,000 MT
- Complaints about quality
  - ✓ Damage, weed seeds
- 1.5 MMT in CY 2010 to date

Egypt- Wheat

- Egypt changes wheat import standards
  - ✓Essentially stopped trade
- USDA response
  - ✓Egyptian officials brought for U.S. site visits
  - ✓Formal request for training samplers/inspectors
  - ✓Egyptian inspectors to be trained at TSD
  - ✓FGIS to visit Egyptian labs

Egypt-Corn

- Egypt rejected 5 recent corn shipments
  - ✓Damage and aflatoxin
- Ministerial decree limits allowable damage
- Agreed to joint inspection with FGIS
- Future shipments can be based on sealed origin composite sample

Wheat Weed Seed Survey

- Began in March, with 50 sample trial
- TSD separated weed seeds
- AMS identifying seeds – 20% complete
- Will inform discussions/negotiations with trading partners regarding new weed seed requirements

Grain Advisory Committee Resolution

- "…identify opportunities to work with appropriate governmental agencies to determine and help reduce trade barriers that are limiting exports of U.S. grains and grain products."
  - ✓China soybean MOU
  - ✓Egypt wheat tender terms

Grain Advisory Committee Resolution

- "… identify opportunities to secure adequate funding to fully utilize existing market promotion programs for this initiative."
  - ✓Egypt – training funded by USGC/FAS
  - ✓Korea - corn - funded by FAS
  - ✓China soybean MOU – funded by FAS
  - ✓Turkey biotech regulation – funded by FAS

Thank you!

Questions?