



June 18, 2008

Issue Report: GIPSA Advisory Committee Reviews Current Issues

The Advisory Committee for USDA's Grain Inspection, Packers and Stockyards Administration met June 12 – 13, 2007 in Kansas City. Topics included: current FGIS initiatives, service delivery and operations, soybean standards, ethanol, contracting status, and financial report.

GIPSA Administrator James Link opened the meeting and focused much of his remarks on the outsourcing of services through contracting or third party contracting at selected export locations. He said the Administration favored the idea of outsourcing in philosophical terms. He said the current pilot program is still in the information gathering stage. He said it may take one full season, or more than one, before they are comfortable making a decision on the basis of the pilot program's result.

FGIS Initiatives: GIPSA Deputy Administrator David Shipman, too, commented on the contracting pilot program, noting that FGIS has very detailed rules and procedures that must be followed under the pilot program and said the Agency needs to determine whether there are efficiencies to be gained in contracting out for services. He said the export contractor is responsible for more than simply grading grain, that they must also be able to monitor the quality control systems that are in place. Shipman also provided an update on a variety of other issues:

- FGIS Online – FGIS is implementing a group of new online business applications that will bring inspection and weighing to a person's desktop. As the new system is implemented in phases, FGIS will be moving away from a variety of stand-alone data systems to one, integrated data system.
- Restructuring of oversight activities – FGIS will be centralizing its equipment performance testing and its monitoring of grading performance in Kansas City at new or renovated space.
- Quality Management Systems – official agencies will be required to develop and maintain quality management systems in accordance with GIPSA "Quality Standards." The quality standards center on eight basic elements: legal responsibility, quality standard requirements, documentation requirements, management commitment and responsibility, customer focus, resource management, service delivery process, and monitoring, measuring, analysis and improvement. He said conformance to the Quality Standard will result in Official Service Providers demonstrating:
 - consistent quality products and services produced through the use of documented procedures;

- establishment of management and assessment procedures;
- implementation of corrective and preventive actions;
- retention of records and data describing the quality of the product or service, and
- continuous improvements embraced throughout the organization

Service and Delivery Operations: John Giler, director of GIPSA's Field Management Division, commented on issues surrounding export container services, phytosanitary certification, and in-transit vessel fumigation.

- With export container volume increasing and expanding, the official system is challenged in several areas: monitoring – 15,000 metric ton rule; registration – for export shipping companies; weighing – 85 additional scales; and locations – 82 active container loading sites.
- Phytosanitary certification services challenges -- official agencies involved in sampling and inspection; local issuance of phytosanitary certification; logistic and timing issues; access to locations; and products for phytosanitary certification.
- In-transit fumigation – GIPSA is taking several steps to address inconsistent efficacy of in-transit fumigation, including implementing short voyage fumigation procedures, employee training sessions, review and improve local procedures, and evaluating application methods and minimum dosage rates.

Standards' Review: Marianne Plaus, chief, Market and Program Analysis Staff, GIPSA, reported on ongoing reviews of the soybean and sorghum standards.

- Soybean standards – comments are due by July 2, 2007, on GIPSA's *Federal Register* notice asking for comments on possible changes to the soybean standards. GIPSA is seeking comments on 17 specific questions covering a number of grading factors and inspection procedures, such as foreign material, damage, and visual reference images. If this review results in changes to the standards, those changes would probably not become effective before the 2010 crop.
- Sorghum Standards – GIPSA expects to issue a final rule any day with the implementation of changes in 2008. While not saying what the final rule would specify, GIPSA had proposed these changes:
 - delete references to tannin from the definitions of the sorghum classes;
 - revise the definition of nongrain sorghum,
 - reduce the grade limits for broken kernels and foreign material (BNFM) and foreign material (FM);
 - insert a total count limit of 10 for other material used to determine sample grade factors; and
 - report test weight in tenths of a pound.

Ethanol Co-Products Standards: Ms. Plaus also reported that GIPSA would soon be issuing an "advance notice of public rulemaking" to seek comments on whether there should be a role for GIPSA in standardizing the testing of inputs and outputs of ethanol co-product processing. She noted that quality characteristics of ethanol co-products (ddgs and related products) can vary widely due to the variety of processes used to produce ethanol. Likely questions would include whether GIPSA should develop reference methods, rapid methods or offer testing within the official system.

Contracting Status and Results: Mr. Giler reported on the experience to-date with third party contacting at export locations. This pilot program is operating in the following locations: California, Milwaukee, Toledo, Chicago/Portage, Milwaukee/Chicago, and Corpus Christi. As for activity at these locations -- California had no export activity, Milwaukee had 25 vessels during the 2006/07 season, and Toledo has had 10 export vessels. In looking at relative costs at Toledo, Giler offered these comparisons:

| | Scenario 1 Contractor | Scenario 2 FGIS Toledo | Scenario 3 FGIS Local |
|---------------|--------------------------|---------------------------|--------------------------|
| Service Labor | 0.55 | 0.67 | 0.57 |
| Oversight | 0.14 | 0 | 0 |
| Travel | 0.04 | 0.29 | 0 |
| Tonnage | 0.184 | 0.184 | 0.184 |
| Totals | \$ 0.92 | \$ 1.14 | \$ 0.75 |

Financial Report: Pat Donohue-Galvin, director of the Budget and Planning Staff, provided the following overview of agency finances. (in millions of dollars)

| | Orig. Insp. & Weigh. | | Supv. Of Official Agencies | | Rice | | Commodity Insp. | |
|---------------------|-------------------------------------|--------|---------------------------------------|--------|-------------|----------|----------------------------|--------|
| | May-06 | May-07 | May-06 | May-07 | May-06 | May-07 | May-06 | May-07 |
| Beginning reserve | \$ 0.6 | \$ 2.3 | \$ 0.8 | \$ 1.4 | \$ 0.4 | \$ (0.1) | \$ 2.0 | \$ 1.9 |
| Revenue | 20.4 | 20.4 | 1.3 | 1.3 | 2.8 | 2.1 | 1.4 | 1.2 |
| Expenses | 19.6 | 20.2 | 1.3 | 1.0 | 3.1 | 2.6 | 1.5 | 1.5 |
| Margin | 0.8 | 0.2 | 0.0 | 0.3 | - 0.3 | - 0.5 | - 0.1 | - 0.3 |
| Prior Year Activity | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.3 |
| Reserve-YTD | 1.4 | 2.8 | 0.8 | 1.7 | 0.2 | - 0.5 | 1.9 | 1.9 |

The next Advisory Committee meeting is being planned for the first or second week of November at a location to-be-determined.

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