



GIPSA Advisory Committee Meets

The GIPSA Advisory Committee met on November 17 -18, 2010, in New Orleans to provide FGIS senior management with recommendations on numerous issues affecting AAGIWA members. Tom Dahl, AAGIWA Past President currently represents official agencies on the committee. The following is a summary of the meeting. Click [here](#) to view the official meeting report from GIPSA.

Market Overview

Export inspections by FGIS and Official Agencies in Fiscal Year (FY) 2010 exceeded the 5-year average and this year's inspections show an increase from last year. The increase in exports was driven by a significant increase in soybean exports while other grain exports decreased slightly.

Domestic inspections by Official Agencies continue to increase. FY 2010 domestic inspections increased over FY 2009 inspections, and both FY 2009 and FY 2010 increased over the 5-year average.

Financials

FGIS's Inspection and Weighing Program finished FY 2010 with \$1.4 million profit (36.9 million revenue and \$35.5 million obligations). A contributing factor was the 9 percent increase in tonnage exported.

The official Agency Supervision Program realized a \$0.5 million profit (\$2.5 million revenue and \$2.0 million obligations). Tonnage under this program increased by 12 percent over FY 2009 levels.

FGIS also realized \$1.6 million profit in their Rice Inspection Program and a \$0.4 million profit in their Commodity Program.

GIPSA's retained earnings increased in all accounts. The Official agency supervision account has increased for three consecutive years to \$3.4 million.

FGIS Retained Earnings (in Millions)	FY 2008	FY 2009	FY 2010
Grain Inspection	\$ 6.3	\$ 4.7	\$ 6.5
Official Agencies	2.6	2.8	3.4
Rice Inspection	0.5	1.0	2.7
Commodities	1.7	1.5	2.0
Total	\$11.1	\$10.0	\$14.6



Accuracy. Integrity. Consistency.
Representing Official Grain Inspection Agencies for Over 40 Years.

Export Tonnage Fee Review

The previous Advisory Committee recommended that a subcommittee review the current export tonnage fees with emphasis on the component portions and unassessed tonnage fees. FGIS initiated the tonnage fee on October 1996 to cover indirect costs associated with official export inspection at field offices and headquarters. On June 14, 2004, FGIS implemented regional fees based on tonnage history from the major export regions. The projected tonnage used in formulating the fees was not realized and the current fees have missed covering costs by an average of \$2.8 million over the last five years. Projections for FY 2011 predict another \$2.1 million loss.

The committee concluded that approximately \$1.8 million could be annually realized by applying the export tonnage fees to FGIS's Canadian program, Delegated State exports, and export containers inspected by official agencies. The Committee subsequently resolved that FGIS review its allocation of export oversight fees, and that user fees derived from export loadings by Delegated States and Designated Agencies be applied to the export Inspection and weighing account rather than the Official Agency Supervision account.

Domestic Corn Grading Review

Bob Lijewski, Director, Field Management Division, reported that FGIS initiated a review of export and domestic corn grading results in July based on North American Export Grain Association (NAEGA) and National Grain and Feed Association (NGFA) concerns related to alleged inconsistencies in FGIS's grading of corn moving through the New Orleans Field Office Circuit, and its impact on commerce.

The review required FGIS inspectors in New Orleans to keep corn damage separations. The separations were reviewed by the New Orleans Quality Control Team (NOQCT) and approximately half of those separations were also reviewed by the Board of Appeals and Review (BAR) in Kansas City. The average NOQCT results were within 0.1 percent of the FGIS inspectors results and the average BAR difference was only 0.01 percent different on samples that averaged 7.0 percent damage. Random file samples representing barge lots, submitted samples, and export ship lots were also reviewed by the BAR and averaged only 0.4 percent difference on samples averaging 9.6 percent damage.

Official Agency inspectors performing barge inspections also kept damage separations that were reviewed by the grading services laboratory in Kansas City and the Cedar Rapids Field Office. Review results indicated only an average 0.1 percent difference on samples averaging 4.6 percent damage.



Save the Date!

Be sure to mark your calendar to attend AAGIWA's annual meeting which will be held May 1 - 3, 2011, at Bally's Las Vegas.

Further information about the program and registration information for the meeting and the hotel will be available in the near future. Hotel reservations will be available at both Bally's and Paris Las Vegas.

The nominating committee, David Ayers, Tom Dahl, and Tom Meyer, will soon begin its work for the 2011 Board of Directors nominations. Those Board Members with terms expiring include:

- Larry Kitchen, president, Missouri Department of Agriculture
- Mark Fulmer, vice president, Lincoln Inspection Service
- David Reeder, secretary/treasurer, Fremont Grain Inspection Department
- David Ayers, Champaign-Danville Grain Inspection Departments
- Gregory Hoelck, Hastings Grain Inspection



In August FGIS extended the sample retention time for barges to have more samples available for comparison with official inspections in New Orleans. A review of 69 barges found the average origin results to be 2.6 percent while the destination results averaged 4.8 percent. While the destination results were significantly higher, hot and humid weather at this time of year and length of time in the barge appear to be contributing factors.

Most inbound barges are not officially inspected in New Orleans. To better respond and oversee barge results, FGIS offered to provide official inbound inspection service on all inbound barges. FGIS additionally offered to provide inspection results within 25 minutes, or 15 to 20 minutes after unloading for damage only inspections, or perform official commercial inspections on 125 gram portions, or perform submitted sample inspections at 50 percent barge unloading and again at completion to provide information prior to final unloading. The industry continues to evaluate these options.

15,000 Metric Ton Export Waiver

The Advisory Committee had previously recommended that FGIS review the 15,000 metric ton exemption for possible regulatory compliance issues pertaining to container shipments. Tom O'Connor, Director, Compliance Division, provided an overview of the regulations and FGIS Directive 9020-1 that outline the requirements for obtaining the waiver. The Compliance Division administers the program and posts all waivers on the GIPSA website under the publications link.



The Compliance Division provides field offices with the names of elevators operating under waivers and the Compliance Division and the field office perform record reviews as necessary to ensure compliance. There are currently 125 waivers in place. The Compliance Division has investigated six reported violations of the waiver terms in the last five years. The record review and investigation data indicates that the program is operating with a high level of compliance. However, exporting grain without the waiver or violating the terms of the waiver is a violation of the United States Grain Standards Act and perceived violations should be reported to the field office or the Compliance Division at 1-800-998-3447.

Exception Program

The exception program provides criteria which allow Official Agencies to perform services outside their assigned territory. To date there have been 30 Timely Service, 356 Nonuse of Service and 352 barge probe exceptions granted. Twenty-six requests for No use of Service have been rejected.

A review of the exception program suggested that the program could be enhanced by creation of a directive. The program is currently explained in FGIS regulations 800.117 and by a series of questions and answers on FGIS's website. AAGIWA was asked and provided input to clarify the directive in October. The directive and AAGIWA comments are currently under internal review by FGIS prior to publication.

International Activities

John Pitchford, Director, Departmental Initiatives and International Affairs, reported that FGIS continued 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.

New Moisture Meter Technology

Don Kendall, Acting Director, Technical Services Division, reported that FGIS is evaluating a new moisture meter technology to improve accuracy, maintain better stability over time and crop conditions, provide easier calibration development, reduce support cost, and provide competition for instrument purchasers. In addition to FGIS's current criteria for evaluating new moisture technologies, FGIS is planning to now incorporate the following additional 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

Based on the Advisory Committee's June 2010 resolution supporting adoption of a new moisture technology FGIS has created a team to handle the technology assessment. The current time line anticipates:

- 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 Kit Evaluation and Monitoring Program

Based on the Advisory Committee resolution that FGIS 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, FGIS revised its test kit evaluation and mycotoxin monitoring program. Don Kendall reported that much work was done to revise the program and meet an October 1, 2010 implementation date. The revisions included:

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

The revised monitoring program has been drafted and the Field Management Division is finalizing the document. The program will involve:

- Testing the ground file sample retained by the service provider,
- Selection of a "reference " rapid test to be used for monitoring by TSD,
- Development of a QAC module to target samples in Inspection Data Warehouse (IDW) that meet established monitoring criteria,
- Identifying rapid tests used at all locations to monitor quality of rapid tests produced by different manufacturers.

Still to be accomplished is the development of fees to capture costs at all levels of the evaluation process.

Board of Appeals and Review (BAR) Quality Management Program

In response to the Advisory Committee's resolution that the BAR adopt the FGIS Quality Management

Program for tracking the Grading Services Laboratory, the BAR's Quality Manual was completed and approved in October 2010.

Yamamoto Rice Sheller Evaluation

FGIS has completed the evaluation of the Yamamoto rice sheller to be used only on California medium and short grain rice. The evaluation identified mechanical and electrical design improvements that will be made by the manufacturer and developed a standardized process for the sheller. The evaluation determined that the differences between the Yamamoto and GrainMan Shellers were highly statistically significant, but maybe not practically significant. After providing the results to the California rice industry it was decided to plan on implementing the use of the Yamamoto sheller for California medium and short grain rice for the 2011 harvest.

Processed Commodity Testing Appeal Process

Based on food safety concerns and on the advice of the Advisory Committee to further explain the testing, retesting, and appeal criteria for processed commodities, FGIS revised its policy for performing appeals and environmental sampling with regard to bacteriological tests. FGIS performs bacteriological tests on Corn Soy Blend and Wheat Soy Blend purchased by the Farm Services Agency (FSA) for overseas food assistance. These samples are analyzed for, salmonella, standard plate count, and coagulase positive staphylococci. Prior to the revision, 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. Now appeal analysis will no longer be performed on lots containing any 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.

Prior to January 29, 2010, as part of the plant sanitation inspection, environmental samples were drawn from locations in the facilities that might harbor organisms or where contact with the product 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



Editor

Bob Petersen, AAGIWA

Assistant Editor

Erica Venancio, AAGIWA

Officers

President

Larry Kitchen
Missouri Dept. of Agriculture
larry_kitchen@mda.mo.gov

Vice President

Mark Fulmer
Lincoln Inspection Service, Inc.
lincolninspectionmf@neb.rr.com

Secretary-Treasurer

Dave J. Reeder
Fremont Grain Inspection Dept, Inc.
fgid@neb.rr.com

Board of Directors

(in addition to the president and vice president)

Dave Ayers
Champaign-Danville Grain Inspection
cdgid@aol.com

Joseph Cupples
Midsouth Grain Inspection Service
mphsgrain@aol.com

Tom Dahl
Sioux City Insp. and Weighing Service
scinspw@aol.com

Rich Flaugh
GSF, Inc.
richf@gsfinc.com

Greg Hoelck
Hastings Grain Inspection, Inc.
hqihast@charterinternet.com

Tom Meyer
Kansas Grain Inspection Service
tom@kansasgrain.com

Comments, suggestions, submissions:
Bob Petersen
bob.petersen@aagiwa.org
(816) 628-1287

organisms that could possibly contaminate the product being produced by the plant. Now FGIS will test all environmental samples collected for the same deleterious substances required to be tested in the product.

Sorghum Odor Survey Update

One of the major objectives of the odor survey being conducted by Dr. Edgar Chambers at Kansas State University was to develop a chemical cocktail to mimic the current storage musty sorghum odor that could be added to sorghum as a reference for inspectors at all levels. Dr. Chambers has developed such a cocktail and evaluated the stability of samples spiked with the cocktail. Sample stability was tested under frozen, refrigerated, and room temperatures. While freezing best maintained the samples, room temperature samples maintained their potency for over three months. Working with the BAR and the Kansas Grain Inspection Service it was determined that the cocktail worked best on properly stored sorghum for several months rather than freshly harvested sorghum. Once various ratios of the spiked samples are produced by Dr. Chambers and a decision by the BAR on which ratio best represents the sorghum storage musty line, GIPSA will re-engage the stakeholders to determine the appropriate line for storage musty sorghum. FGIS sees three possible options moving forward.



Resolutions

Based on the presentations and discussions held during the meeting the Advisory Committee provided GIPSA with the following 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 Supervision account. The Advisory

Committee resolves that oversight fees charged for export supervision be applied to the export inspection and weighing account.

6. 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.

GIPSA Seeks Comments on Corn Standards

GIPSA is soliciting comments on the need for revisions to the U.S. Standards for Corn as part of the Agency's comprehensive review of the standards, which were last amended in 1996. All aspects of the corn standards are being reviewed, including definitions, grade and non-grade determining factors, grade limits, damages, as well as grading procedures and new services GIPSA might offer. The advance notice of proposed rulemaking seeking public comment on the corn standards was published in the September 17, 2010 *Federal Register*. Comments must be received on or before December 16, 2010. For further information, contact Ross Heiman at (816) 823-2580. *GIPSA Release #78-10*

BNSF and Gavilon to Build Shuttle-Loader Grain Elevators in Chester, Montana

Both the BNSF Railway and Gavilon Grain have announced plans this month to build shuttle-loader grain elevators in Chester, Montana. Gavilon Grain plans to have a high-speed shuttle loader in Chester ready for the 2011 harvest, and the BNSF Railway recently unveiled plans for a new high-speed grain elevator. The nearest shuttle loader now is located 65 miles away in Shelby. Farmers in the Chester area are excited by the news, one noting that "it's the best early Christmas present he's ever had."

Source: GreatFallsTribune.com, Jo Dee Black, November 23, 2010

Record U.S. Exports Reflect Midwest Boom with 3.7 % Unemployment

As businesses across the U.S. struggle to recover from the deepest recession since World War II and the national jobless rate remains stuck at 9.6 percent, the agricultural Midwest perseveres.

The agricultural Midwest – particularly North and South Dakota, Kansas and Nebraska – has been leading the U.S. economic recovery as its banks, businesses and households avoided the worst of the housing bubble's collapse and the financial crisis that followed. Now the region is getting a further boost from record exports of commodities, driven by demand in China and Russia and a declining dollar. U.S. farm shipments next year may surpass the 2008 record of \$115.3 billion, Joe Glauber, the U.S. Department of Agriculture's chief economist, said last month.

While agriculture accounts for 1 percent of the more than \$14 trillion U.S. economy, its impact may be 10 times greater when related businesses such as farm supplies, grain handling and food making are included, Jason Henderson, an economist at the Kansas City Fed, said in an October interview.

Agriculture fared better than other sectors of the U.S. economy during the recession, as an expanding world population and growth in emerging economies supported demand for crops. North Dakota and Nebraska are expected to help lead the nation in job creation next year. Speculation is that 2011 will be a good year for farmers.

Source: Bloomberg, Joshua Zumbrun & Steve Matthews, November 22, 2010

Bob Gore, Washington State Dept. of Agriculture, to Retire

Deputy Director Bob Gore recently announced his retirement from the Washington State Department of Agriculture after nearly 37 years. Bob began his career in the Commodity Inspection division as a grain inspector in 1974 and moved up the ranks in that division until March of 1996 when he was selected to serve as the Assistant Director to the Commodity Inspection Division. Due to his leadership and contributions to the agency, in June 2006, Bob was chosen to serve as Deputy Director. His contributions to the agency and agricultural industry have been tremendous, according to Dan Newhouse, Director, Washington State Department of Agriculture.

AAGIWA Welcomes Member News

AAGIWA welcomes member information about new products, business changes, personnel changes, and other items that may be of interest to AAGIWA members. Please let us know what is new in your business. Send your information to: bob.petersen@aagiwa.com.

Interested in Sponsorship Opportunities?

AAGIWA is now booking sponsors for future issues of **Chaff**. **Chaff** can present your company with a unique opportunity to hit a very targeted audience of key executives in a venue that has strong readership in the agriculture industry. It is an excellent marketing opportunity – contact Bob Petersen for further information at bob.petersen@aagiwa.org.
