



January Brings Membership Renewal Time

With the approach of the New Year, membership renewal letters and invoices went out to all AAGIWA members in mid-December. The dues level for the coming year is unchanged from 2008.

In his cover letter to AAGIWA members, President Larry Kitchen touched on some of the highlights for the association in 2008:

- The 2008 AAGIWA Annual Meeting held April 27-29, 2008 in Kansas City, KS was a resounding success with over 100 in attendance. Excellent outside speakers, the insight gained from the panel discussion on issues facing official agencies, updates from key FGIS personnel, central location, and the chance to see friends and colleagues were just some of the reasons cited by the excellent turn-out of AAGIWA members for the Association's 60th annual meeting.
- Distribution of the *Chaff*, AAGIWA's monthly newsletter, has been pivotal in helping AAGIWA better communicate with Association members. Through the *Chaff*, members have been kept current on industry issues, updates and changes within FGIS, policy changes and issues, crop/harvest reports and member news.
- AAGIWA continues to build its reputation and profile within the industry. Our relationship with FGIS has strengthened over the

SAVE THE DATE!

AAGIWA  memphis 2009	AAGIWA's 61st Annual Meeting May 3 - May 5, 2009 <ul style="list-style-type: none"> ◆ Latest updates from FGIS senior management team. ◆ Official agency round table discussing current issues. ◆ Network with your colleagues. ◆ Industry speakers provide an outlook for grain movements. 	 The Peabody Memphis 149 Union Avenue Memphis, TN 38108 www.peabodymemphis.com (901) 529-4000 Located in the heart of the Bank Street neighborhood district — the center of the Memphis jazz scene. For more information: erica.yeaman@aaigiwa.org
Please mark your calendar for AAGIWA's 2009 Annual Meeting at the Peabody Memphis. Details and registration information will be available soon. We look forward to another strong year for AAGIWA in 2009 and hope that you will be a part of it. — Larry Kitchen, AAGIWA President		

past year and they have asked for input from AAGIWA on a number of important issues, including most recently a request for input on the areas and methods of training that would be most beneficial. In addition, FGIS has heard concerns from AAGIWA, and made steps to address them – most notably regarding the QMP and FGISonline Applications.

Kitchen said AAGIWA looks forward to another strong year ahead and thanked members for their past support and continued participation.

Christian Named GIPSA Acting Administrator

USDA has announced that Alan Christian, deputy administrator for the Packers and Stockyards Administration, will serve as Acting Administrator for GIPSA as Terry Van Doren departs for a new position. Van Doren, a political appointee, was named GIPSA Administrator on October 31, 2008, succeeding James Link. With the term of the Republican Administration drawing to a close, Van Doren has accepted a position as legislative director for Nebraska Senator Mike Johanns effective January 5.

Christian will serve as Acting Administrator until a new Administrator is appointed by the incoming Obama Administration.

USDA Grain Inspection Advisory Committee Highlights

Sorghum odor and using private contractors for export inspections were two key topics on the agenda of USDA's Grain Inspection Advisory Committee at its December 16-17 meeting in Kansas City.

The discussion over sorghum odor determinations was the most contentious issue, with industry and producer group spokesmen expressing their view that FGIS' Board of Appeals and Review (BAR) has taken a hard line in determining what constitutes odor in grain sorghum. Officials from ADM, DeBruce Grain, Bunge, and the National Sorghum Producers Association expressed concern with the sorghum odor line set by the BAR.

AAGIWA 2008 Accomplishments

- AAGIWA participated in the Quality Management Program (QMP) Review Team throughout 2008 through AAGIWA President Larry Kitchen and Secretary/Treasurer Dave Reeder. The team was assembled by FGIS to re-evaluate the original QMP template for quality manuals and to make recommendations on how to improve the implementation process.
- AAGIWA representatives participated in the FGIS Joint Application Development (JAD) teams that are developing and testing the QAC, Licensing, Equipment, Inspection, Testing, and Weighing (ITW) FGISonline functions.
- AAGIWA Vice President, Mark Fulmer served on USDA's Grain Inspection Advisory Committee. Randy Deike, AAGIWA Board Member, was named as an alternate on the advisory committee in June.
- AAGIWA Board delegation attended the farewell reception for outgoing FGIS Deputy Administrator David Shipman in April, 2008.
- AAGIWA 2008 Annual Meeting, April 27-29, 2008 in Kansas City, Kansas was declared a resounding success. Excellent outside speakers, the insight gained from the panel discussion on issues facing official agencies, updates from key FGIS personnel, central location, and the chance to see friends and colleagues were just some of the reasons cited by the excellent turn-out of AAGIWA members for the Association's 60th annual meeting.
- AAGIWA honored several long-time supporters and a volunteer during its annual banquet on April 29, 2008. Those honored were: Ted Hoelck, Hastings Grain Inspection; Robert Fronabarger, Cairo Grain Inspection; Edy Matchy, Lewiston Grain Inspection; and Lori Schimming, North Dakota Grain Inspection.

Pat McCluskey with FGIS' market and program analysis staff said the Agency had surveyed market users and interpreted those results as saying the odor line is neither too restrictive nor too permissive. Industry executives sharply disagreed with that interpretation and said they believe BAR's odor line has led to uncertainty in the inspection system and created a risk factor where companies will pay less for sorghum at export because of the likelihood of inconsistent application of odor. The Advisory Committee voted to approve a resolution on the matter stating:

"The Advisory Committee recommends GIPSA embark on a review of how the sour/musty odor is determined for official grades of grain sorghum. Input from all stakeholders in the form of an industry group that has as its members a cross-section of users, producers and handlers."

The expectation is there will be a task force formed to look into the issue further.

John Giler, director, Field Management Division, reported on the Agency's experience with the pilot program on the use of contractors for export services. The pilot program included the export locations of Corpus Christi, Toledo, California, and Milwaukee. The pilot program yielded mixed results, including these findings:

- Qualified and experienced staff not readily available
- Prescriptive procedures limit efficiency improvements
- Federal onsite oversight adds additional staff to crew
- Direct service costs reflect pay, equipment, profit
- No new service established by contractors
- Service integrity, impartiality, and confidence
- Strength of national support program
- GIPSA attrition process is unpredictable

GIPSA will continue to study the matter and the Advisory Committee approved this resolution:

The Advisory Committee recommends that GIPSA continue the private party inspection program with the goal of implementing the program across the country.

However, given that the program has shown little gain in cost savings many observers believe the impetus behind the idea will likely fade.

On another issue of interest, GIPSA reported that the financial reserve for the "supervision of official agencies program" continues to grow and now stands at \$2.6 million, far greater than the goal of a 3 to 4 month operating reserve.

- AAGIWA elected Joseph Cupples, Midsouth Grain Inspection and Barry Hibbits, Enid Grain Inspection, to its Board of Directors to fill the openings left by Cash Burris and David Ayers, whose terms had expired.
- AAGIWA reported membership up 15 percent at the April Annual Meeting. At that time, AAGIWA was composed of 47 members, including 27 private agencies, 9 state agencies, and 11 associate members.
- AAGIWA Board of Directors met September 7-9 in Kansas City. In addition to the routine administrative items, the Board met with the FGIS senior management team on September 9 for a constructive discussion of many current issues facing the grain inspection system.
- AAGIWA presented a letter to GIPSA Administrator James Link outlining AAGIWA concerns with the FGIS *online* program.
- In a December letter to Agriculture Secretary Ed Schafer, AAGIWA endorsed the nomination of Tom Dahl to serve on USDA's Grain Inspection Advisory Committee.
- In response to a request from FGIS, AAGIWA provided its views on the type of training programs favored by official inspection agencies in a December 15 letter to Technical Services Director John Sharpe. The views in the AAGIWA letter were based on the responses from over 30 AAGIWA members to an AAGIWA survey.

GIPSA plans to use a portion of the reserve funds for training programs for official agencies at the new National Grain Center and has asked AAGIWA for its input on the type of programs that would be most useful. AAGIWA in recent days has surveyed its members to gather their input on training programs and shared that information with GIPSA.

Lastly, the Committee elected Nick Friant as its incoming chairperson. Friant is the grain handling coordinator for Cargill, Inc.

China to Check U.S. Soybean Imports for Pesticide Residues



BEIJING – Dec. 24, 2008 -- China's quality supervisor said on Tuesday that it would step up checks of soybeans from the United States after tons of soybeans were found tainted by pesticides.

The General Administration of Quality Supervision, Inspection and Quarantine (GAQSIQ) said the local quality watchdog in eastern Zhejiang Province found some 57,000 tons of U.S. soybeans were mixed with soybean seeds coated with three types of pesticides -- metalaxyl, fludioxonil and thiamethoxam. Such seeds are for planting and usually bear warning colors such as red, blue or green, said the GAQSIQ.

In response, the GAQSIQ said it had issued a notice to all local quality bureaus, ordering them to implement an early-warning system within 90 days and step up inspections of U.S. soybeans. The GAQSIQ also informed the United States about the issue and required the U.S. side to intensify quality checks on soybeans destined for China. The GAQSIQ said it had found soybean seeds mixed in many batches of soybeans imported from the United States, which it said indicated there were major problems in the U.S. soybean export system. *Taken from Xinhua News Agency via World Grain*

Ethanol Demand for Corn Expected to Drop for 2008

The Agriculture Department's World Agricultural Supply and Demand Estimates (WASDE) released December 11 places corn used for ethanol production at 3.7 billion bushels, down 300 million bushels from the November estimate.

"The most dramatic change in the December WASDE report was the big drop in corn used for ethanol production," said Terry Francl, senior crops economist with the American Farm Bureau Federation (AFBF). "I am surprised that corn use for ethanol dropped by that much. Demand for ethanol is down, just like demand for gasoline is down, but I just don't think the decline is that large. I believe 3.8 billion bushels to 3.9 billion bushels is closer to the mark."



Francl explained that a number of ethanol plants are idled due to weak demand, which explains the drop in corn used for ethanol. However, the Renewable Fuel Standards would seem to imply that at least 3.8 billion bushels of corn will be utilized for ethanol production in 2008/09.

The December WASDE report also showed a 100-million bushel drop in exports from November, to 1.8 billion bushels. "The drop in corn exports is more on target due to the weakening global economy," Francl said.

The AFBF economist expects a further weakening in corn exports in 2009 due to the economic slowdown. The drop in exports and ethanol usage in the December report puts U.S. corn carryover supplies at 1.474 billion bushels, up 350 million bushels from the November report.

"From a fundamental perspective this report will put a clear bearish tone on the corn market," Francl explained. However, other factors such as crude oil prices and the value of the dollar may be offsetting. USDA forecasts the average farm price for corn at \$3.65 to \$4.35 per bushel in the December report, down from \$4.00 to \$4.80 in the November report. Francl said there will likely be some recovery in prices next year when corn must compete against soybeans for acreage once again.

Corn prices track oil prices and there must first be a recovery in oil prices for corn prices to improve. "Most farmers, if they have access to storage, will wait for the market to come back before they sell, sometime in the spring or the summer," Francl explained. *Courtesy of American Farm Bureau Federation.*

Ethanol Plants Face Hard Times

The following reports are excerpted from the January 5 issue of the [Red River Farm Network Weekly News Highlights](#).

- **Advanced BioEnergy LLC May Consider a Sale or Merger** -- In a filing with the Securities and Exchange Commission, Advanced BioEnergy reports it defaulted on a \$10 million loan with Piper Jaffray & Company. The Minneapolis-based firm owns two ethanol plants in South Dakota and one in Nebraska. In the SEC filing, the company said it was considering "all available strategic alternatives."
- **AgStar Financial Services Files Complaint in VeraSun Energy Bankruptcy Case** -- AgStar Financial Services alleges VeraSun received ethanol from US BioEnergy plants after the bankruptcy filing and did not pay for the fuel. AgStar provided operating credit for seven US BioEnergy plants, including the facility in Hankinson, North Dakota, and is owed \$465 million in the bankruptcy case. The US BioEnergy plants were acquired by VeraSun in the spring. By receiving ethanol without making a payment, the complaint says VeraSun benefited unjustly at the expense of AgStar. AgStar wants a first priority lien for the value of the ethanol transferred from US BioEnergy to VeraSun Marketing.



The Credit Crisis and Agricultural Export Credit



The worldwide credit crisis is having a direct impact on the availability of credit to finance the annual \$14 trillion of international trade. Traders are turning to government programs to fill the gap. When the USDA Foreign Agricultural Service announced in early October the availability of \$3.5 billion in Commodity Credit Corporation (CCC) export credit guarantees, within 48 hours it

received over \$8 billion of applications. Pressures for more government programs will likely continue to increase in the months ahead.

In recent years CCC export credit guarantees have had a declining influence on U.S. exports. For fiscal years (FY) 2000-2004 allocations for the GSM-102 program were about \$4.5 billion per year and applications were about \$3.0 billion per year. By FY2007 allocations had declined to \$3.7 billion while approved applications declined to \$1.4 billion. For FY2008 credit allocations were \$3.3 billion and applications approved were \$3.1 billion. Over those eight years U.S. agricultural exports more than doubled from \$50.8 billion in FY2000 to \$115.5 billion in FY2008. The current USDA forecast for FY2009 made in November shows export value declining to \$98.5 billion.

For FY2009 USDA has a maximum of \$5.5 billion of credit guarantees to allocate as mandated in the 2008 farm bill and chose to front load the allocations at the start of the new fiscal year. -- Ross Korves, economic analyst, *Truth about Trade & Technology*, January 2, 2008; <http://www.truthabouttrade.org/content/view/13066>

Shipping Bust Succeeds a Big Boom

The Baltic Dry Index, which tracks ocean freighter charter costs, is at a 22-year low. Rates in the global shipping market have fallen precipitately from a record high to levels last seen after the 1970 oil price shocks.

Shipping is an industry of peaks and troughs, usually in three-year cycles. Rising commodity prices, disrupted trading patterns and rapid gross domestic product growth raise charter rates. This prompts orders of new-builds. Older ships continue trading to take advantage of good rates. As the new-builds are delivered over the next 12 to 18 months, rates collapse. Older ships are sent for breaking and the cycle starts again. -- *Forbes.com*, December 29, 2008

IRS Lowers Mileage Rate to 55 Cents



The Internal Revenue Service announced that effective January 1, 2009, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 55 cents per mile for business miles driven
- 24 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

Further information is available at:

<http://www.irs.gov/newsroom/article/0,,id=200505,00.html?portlet=7>

FGIS Lowers Test Score Requirement

In a Program Notice issued on December 23, FGIS announced it had changed the passing scoring requirement from 80 percent to 70 percent on all practical type examinations (e.g., odor determination, analysis of interpretive factors) for licensing official personnel. The passing requirement on all written examinations will remain at 80 percent. Please refer to FGIS-PN-09-01 for further details.

FGIS Revises Fumonisin Testing Directive

In a notice issued on December 29, FGIS announced it was revising its directive establishing official procedures for determining Fumonisin in grain and processed grain products and certifying the results. FGIS said the directive is revised to include instructions for the Romer AgraQuant® Total Fumonisin Assay test method. Further information is available in Directive 9180.71.

Grain Inspection People

- Craig Essebagger has left as Bureau Chief of the Grain Inspection Program for the Montana Department of Agriculture based in Great Falls, Montana.
- FGIS names new Field Office Managers for League City and Portland. AAGIWA congratulates Dave Grady upon his appointment as the Field Office Manager for League City and Ed Durgin upon his appointment as the Field Office Manager for Portland.



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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.

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