

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

*Hilton Kansas City Airport in Kansas City, MO
May 8-9, 2001*

Mr. David Shipman, Acting Administrator of the Grain Inspection, Packers and Stockyards Administration (GIPSA), opened the meeting with a few remarks about the Agency. He commented that the USDA transition team has done a remarkable job. While appointments have proceeded, the process is expected to take some time. Program operations, however, have not suffered.

The nominee for Under Secretary of Marketing and Regulatory Programs, Mr. William Hawks, is scheduled to go before the Senate Agriculture Committee for a confirmation hearing on May 16, 2001. No one has been nominated to fill the position of GIPSA's administrator.

While USDA faces on-going changes, American agriculture is being challenged by accelerated change. Change is being driven by 3 key factors: (1) Greater competition in the global market. For example, corn sales are off 4.7 million metric tons compared to last year due to strong competition from South America and continued subsidies by China; (2) Changing or uncertain trade policies; and (3) Greater demand by consumers over the type, quality, and source of their food.

Today, the need for food processors to improve efficiency and better meet the demands of consumers has stimulated accelerated growth in the specialty grain markets and created a new niche market for non-biotech crops. As a result, the U.S. grain production and marketing system is being forced to examine how it will handle large specialty (non-commodity) products.

The magnitude of change will be driven by how segmented the market becomes. Will consumer demand continue to divide the grain market into organic, specialty crops (e.g., high oil corn, nutrient rich corn, high lysine corn, etc.), non-biotech, and standard commodities; and how large will each of these segments become? Or will we find in time that a generic commodity market will still meet the needs of most consumers by providing a quality and wholesome product at a reasonable price?

Technology and consumer demand will likely place greater pressure on the U.S. grain market to segregate and identity preserve crops from the farm to the processor. This transition will result in the market moving away from open markets toward contracting, alliances, vertical integration, and other coordinated mechanisms. Regardless of what infrastructure and marketing practices are utilized, the winners will be those that provide the desired quality (real or perceived) at the

most reasonable cost. Consequently, the quality assurance processes used will be examined and refined, and we may find a blend of both standard processes implemented through auditing and record-keeping systems and tolerances implemented through product testing.

How will the official inspection system respond and prepare for this changing marketplace?

First, the official system will continue to maintain the high quality traditional services expected by our domestic and international customers. Exporters and domestic grain handlers understand the importance of building and maintaining consumer confidence in the U.S. food supply. They see the difficulties created in Japan, the European Union (EU), and countless other countries where public confidence in the government and food sector is lacking. The integrity of the official grain inspection system plays an important role, along with other government agencies, toward ensuring the U.S. public and our trading partners around the world have confidence in the U.S. food supply.

Secondly, the official system will continue to help our customers capitalize on available market efficiencies. The need to produce and market grain in a more segregated manner will increase costs by hampering certain inherent economies of scale and efficiencies provided in the current commodity market. Some, but not all, of these added costs will be passed forward to the consumer. Consequently, companies will strive to realize greater internal efficiency gains through such processes as e-commerce. They will also seek to further cut variable or controllable costs, such as inspection costs. The providers of official grain inspection, whether Federal, State, or private, must understand their customer needs and develop new and innovative means to meet those needs. The status quo will not carry the day.

Third, the official system will deploy new end-use quality tests so the value of specialty crops can be assessed at the earliest stage of the marketing process. Such testing capabilities could reduce the market need for expensive process controls starting at the farm and would promote greater price transparency in the new market environment. GIPSA is placing greater emphasis on developing accurate and reliable methods to measure end-use quality attributes in grain.

Finally, GIPSA will facilitate the development of an industry quality system grounded in the principles of the International Standards Organization's (ISO) 9000 series, that ensures quality while retaining, as much as possible, the inherent efficiencies of the remarkable U.S. grain marketing system. Many companies have already begun to develop such systems to meet their customers' needs. These systems are targeted at the value-added products and will expand as such markets expand. The demand for non-biotech crops or at least crops that meet the labeling tolerances of our major trading partners for non-biotech crops has and will continue to expand the value-added niche market. Combine this with future crops that will bring new higher value quality traits to market, and one can easily envision even greater expansion of the specialty crop market.

MEETING ATTENDEES

Committee Members	<p><i>Tim Adams</i> <i>Gillan Alexander</i> <i>Rod Bradshaw</i> <i>Randy Cartmill</i> <i>Warren Duffy, Jr.</i> <i>Curtis Engel</i> <i>(sitting in for Dianne Hanekamp)</i> <i>Bonnie Fernandez</i> <i>Arvid Hawk</i> <i>Lowell Hill</i> <i>Bennie Lackey, Jr.</i> <i>Paul Lautenschlager</i> <i>Tom Miller, Chairperson</i> <i>Tim Paurus</i> <i>Mark Scholl</i> <i>Dennis Strayer</i> <i>David Funk</i> <i>Jan Hart</i> <i>Don Kendall</i> <i>Robert Krouse</i> <i>Larry McDonald</i> <i>Jay Mitchell</i> <i>Dave Orr</i> <i>Diane Palecek</i> <i>Kerry Petit</i> <i>Marianne Plaus</i> <i>Dave Shipman</i> <i>Bob Soderstrom</i> <i>Steve Tanner</i> <i>Eurvin Williams</i></p>	<p><i>Memphis Grain Inspection Service</i> <i>Producer in Bogue, Kansas</i> <i>Producer in Jetmore, KS</i> <i>Columbia Grain, Inc.</i> <i>ADM/Growmark</i> <i>The Scoular Company</i> <i>California Wheat Commission</i> <i>Cargill, Inc.</i> <i>University of Illinois</i> <i>Riceland Foods, Inc.</i> <i>Hi-Line Grain Co. LLC</i> <i>Farmers Cooperative Company</i> <i>Cenex Harvest States</i> <i>ExSeed Genetics, LLC</i> <i>Private Consultant</i> <i>Technical Services Division</i> <i>Compliance Division</i> <i>Technical Services Division</i> <i>Compliance Division</i> <i>Technical Services Division</i> <i>Field Management Division</i> <i>Field Management Division</i> <i>Kansas City Field Office</i> <i>New Orleans Field Office</i> <i>Office of the Deputy Administrator</i> <i>Office of the Deputy Administrator</i> <i>Executive Resources Staff</i> <i>Technical Services Division</i> <i>Technical Services Division</i></p>
GIPSA		
Other Attendees (represents those attendees who signed the sign-in sheet)	<p><i>David Ayers</i> <i>Bob Bennett</i> <i>Kevin Bredthauer</i> <i>Tom Dahl</i> <i>Rich Flaugh</i> <i>Patricia Jackson</i> <i>Tim Lawrence</i> <i>Tom Meyer</i> <i>Bruce Probst</i> <i>Bill Schieber</i> <i>Clifford Watson</i></p>	<p><i>Champaign Danville Grain Insp.</i> <i>Farmland</i> <i>Lincoln Inspection Service</i> <i>Sioux City Inspection</i> <i>GSF/Dickey-john</i> <i>Vicam</i> <i>Missouri Department of Agriculture</i> <i>Kansas Grain Inspection Service</i> <i>Omaha Grain Inspection Service</i> <i>Bartlett & Co.</i> <i>Retired</i></p>

ACCEPTANCE OF MEETING MINUTES FROM NOVEMBER 28-29, 2000

The Committee approved the meeting minutes from November 28-29, 2001, as written.

REVIEW AND ACCEPTANCE OF AGENDA

The Committee approved the agenda (agenda attached).

GIPSA FINANCIAL REVIEW

Mr. David Shipman also provided an overview of GIPSA's fiscal year 2002 budget request as well as the status of fee-supported programs.

GIPSA's fiscal year 2002 budget includes requests for \$3,758,000 in standardization funding (as compared to \$3,670,000 last year), \$5,371,000 in compliance funding (as compared to \$5,060,000 last year), and \$6,017,000 in methods development funding (as compared to \$5,496,000 last year) for a total request of \$15,146,000. In both the standardization and compliance accounts, increases are intended to cover the mandated January 2001 Federal pay increase. The budget also calls for a conversion of the standardization funding to user fees. Although a routine part of past budget requests, the standardization shift has never been acted upon by Congress and has never occurred. In the methods development account, increases include \$500,000 for biotech detection, that is funding to run the biotech program now that the laboratory has been completed, as well as \$700,000 to look into the area of quality insurance programs.

As of March 31, 2001, GIPSA's trust fund accounts, in total, show a loss of \$444,123. This is largely due to a \$444,641 loss in the largest of the trust fund accounts, the Inspection and Weighing account (majority of which is export-related). The official agency supervision account is also losing money with a loss of \$200,963 at the end of March. Several of the other trust fund accounts are showing gains. The Canadian, rice, commodity, and export registration accounts are showing positive margins of \$22,073; \$128,539; \$41,989; and \$8,882; respectively. GIPSA is in the process of thoroughly reviewing each account and adjusting projections for the second half of the fiscal year. In closing, Mr. Shipman asked the Committee members to get in touch with him and let him know whether the financial information that he presented was helpful.

FY 2001 BUDGET OVERVIEW AND DISCUSSION ON OVERHEAD DISTRIBUTION

Mr. Dave Orr, Director of GIPSA's Field Management Division, provided an overview of the fiscal year 2001 budget with a special emphasis on overhead distribution. The Committee passed the following resolution at its last meeting:

- Financial Management: The Grain Inspection Advisory Committee recommends GIPSA provide further information to the Committee on how GIPSA distributes overhead charges to individual program accounts. Furthermore, the Committee requests that GIPSA provide additional information to the Committee on budgetary and actual financial records by program account.

With regard to overhead distribution, Mr. Orr indicated that the following conditions currently exist:

- All field costs are charged directly to a program account.
- Few headquarters' costs are charged directly to a program account.
- Headquarters' costs are distributed based on obligations.
 - Agency overhead is not always charged back to field offices.
- Headquarters costs are distributed via 10 processes.
- Most headquarters' costs are distributed via a 901 distributor.

GIPSA has reviewed the current process for distributing overhead and has determined that actual costs should be captured at the lowest organizational level, and actual costs for each program should reflect actual work performed. GIPSA has also identified actions that will improve the overhead distribution process. GIPSA will:

- Increase direct charges.
- Ensure costs are captured at the lowest level.
- Ensure that mid-level organizational distributors are based on work activities whenever possible.
- Only use obligations as the last resort.
 - Distribute program costs under the United States Grain Standards Act based on volume of grain inspected.

These actions will distribute costs to programs based on work activity instead of costs; shift costs from appropriated funding to trust; and increase costs in the official agency account.

For copies of or questions pertaining to Mr. Orr's presentations, which included detailed, colored charts and tables, please contact him at tel: (202) 720-0228 or e-mail: dorr@gipsadc.usda.gov.

USGSA FEES

Mr. Dave Orr also provided an update on fees under the United States Grain Standards Act. The Committee passed the following resolution at its last meeting:

- Fees: The Grain Inspection Advisory Committee recommends GIPSA consider setting fees based on full cost recovery based on differences across the country. This includes overhead as well as hourly fees.

The comment period on GIPSA's proposed 6.1 percent fee increase ended on May 4, 2001. The increase is intended to recover costs associated with Federally-mandated cost-of-living increases of 2.4 percent for fiscal 2000 and 3.7 percent for fiscal year 2001. The Agency is presently reviewing comments and preparing final documentation.

GIPSA has also completed a 2-year review of the overall fee structure. The review identified contributing factors, other than cost-of-living increases, that have affected the Agency's ability to fully recover costs, as follows:

- Base pay for the work pool has increased due to longevity pay increases.
- Benefit costs have increased as more employees enter the new Federal retirement system.
- The calculation for leave usage fee is low.
- There has been a 12.7 percent increase in contract hours.
- There has been an additional 10.8 percent decrease in billed non-contract hours.
- There has been a shift to loading at higher capacity elevators, which has resulted in more tons being shipped with less labor.
- The 14 percent reduction in labor costs did not offset the revenue loss from the shift to contract and fewer billable hours.
- The 3- and 6-month contracts have not served their intended purpose and have increased costs.
- Unit fees have not been adjusted to cover increased costs of materials and supplies.
- The metric tons fees have not recovered sufficient revenue to cover the actual costs of many offices, much less contribute to Washington costs.

What is GIPSA doing right now to address the above?

- GIPSA is preparing a *Federal Register* docket that will propose the following changes:
 - Contract fees will be increased and will be based on projected fiscal year 2002 base salary, benefit, and current leave usage figures.
 - Non-contract fees will be increased to recover the full cost of the employee, along with associated downtime assuming 60 percent revenue-producing work.
 - 3- and 6-month contracts will be eliminated and contract language will be tightened.
 - Unit fees will be increased to collect the full cost of supplies, material, and labor.
 - Metric ton fees will be increased and the current 6 ranges will be reduced to 4.

- Metric ton fees will be set to collect sufficient funds to recover local field office costs, along with an equal share per ton for Washington costs at 80 million metric tons.

The anticipated impact of the proposed changes are as follows:

- Contract fees will increase slightly.
- There will be a substantial increase in non-contract fees.
- The impact on unit fees should be minimal.
- Depending on location, there will be a substantial impact from the tonnage fee.

For copies of or questions pertaining to Mr. Orr's presentations, which included several colored charts, please contact him at tel: (202) 720-0228 or e-mail: dorr@gipsadc.usda.gov.

BIOTECHNOLOGY PROGRAM UPDATE

Mr. Steven Tanner, Director of GIPSA's Technical Services Division, provided an update on the Agency's biotechnology program. GIPSA's role concerning biotechnology has been limited to providing technical support on the issue.

- **Biotechnology Reference Laboratory.** GIPSA opened a biotechnology reference laboratory in the fall of 2000. The laboratory became fully operational and staffed in January 2001. The laboratory certifies the performance of rapid tests for the detection of biotech events, and will accredit independent laboratories that use DNA-based testing to determine the presence of modified DNA in grain. To date, the lab has validated eight rapid test kits that are used by the grain industry to detect Cry9C in corn. Through this laboratory, GIPSA is responding to the market's need for an independent source to verify the reliability and credibility of biotech analyses that differentiate non-biotech from biotech grains and oilseeds.
- **GIPSA Guidelines.** GIPSA provided guidelines on the sampling and testing of grains for the presence of biotech events. The grain industry, from producer to exporter and processor, rely on this information as they develop quality assurance processes to meet customer needs concerning the presence or absence of specific biotech events.
- **StarLink.** GIPSA is integral in the Department's efforts to ensure StarLink™ corn is used for only approved feed and non-food industrial uses. GIPSA worked with other USDA agencies to contain StarLink on the farm; verify the performance of test methods to detect StarLink; develop practical quality assurance processes to meet the regulatory requirements of our trading partners; and ensure hybrid corn seed sold for this year did not contain the Cry9C protein.

For more information about GIPSA's biotechnology program, Mr. Tanner directed the Committee members to the biotechnology area of Agency's web page at www.usda.gov/gipsa.

INTERNATIONAL BIOTECH ACTIVITIES

Ms. Marianne Plaus, Assistant to the Deputy Administrator of GIPSA/FGIS, provided an update on international biotechnology-related activities. In the international arena, USDA and other Federal agencies continue to work with U.S. trading partners and other international entities to keep the world's markets open. These Federal agencies are very active in working with the Codex Alimentarius Commission which is the global reference point for international food safety standards. With regard to biotechnology, the United States is active on Codex's ad hoc Biotech Task Force, the Codex Committee on Food Labeling, and the Codex Committee on General Principles. The issues that the U.S. is facing and addressing in Codex are, not surprisingly, the very same issues that the U.S. continues to discuss with the European Union (EU), as well as several other countries. These include traceability, process versus composition-based food labeling, and the precautionary principle.

The United Nation's Convention on Biological Diversity (CBD) entered into force in December 1993. Since the U.S. Congress did not ratify the Convention, the U.S. is not a party to the CBD. In 1996, negotiations began under the auspices of the Convention to develop a Biosafety Protocol. The negotiations were completed with the signing of the Cartagena Protocol in 2000. Thus far, only 2 of the 89 countries that signed the Protocol have also ratified it. At least 50 countries need to ratify the Protocol before it can go into effect. Since the U.S. is not a party to the CBD, it cannot sign the Biosafety Protocol. It is important to note, however, that even though the U.S. is not a party to the CBD, it will more-than-likely have to comply with the Biosafety Protocol's requirements, if the U.S.' trading partners require it.

The Biosafety Protocol is a legally binding agreement to protect the environment from risks posed by the transboundary transport of living modified organisms (LMOs) created by modern biotechnology. The Protocol requires that bulk shipments of LMOs, such as corn or soybeans that are intended to be used as food, feed or for processing, be accompanied by documentation stating that such shipments "may contain" living modified organisms and are "not intended for intentional introduction into the environment." Although the United States did not sign the Protocol, it does have an opportunity to influence its development as a member of the Intergovernmental Committee for the Cartagena Protocol (ICCP). The ICCP focuses on implementation of the Protocol and on capacity-building to assist developing countries in establishing the infrastructure necessary to put the Protocol into operation.

In addition to the activities of these international organizations, individual countries have and continue to develop and refine their own policies and regulations pertaining to biotech.

Japan: On April 1, 2001, Japan implemented new biotech labeling laws as well as pre-market approval for biotech events and monitoring for unapproved events. With regard to labeling, Japan's Ministry of Agriculture, Forestry and Fisheries has created a list of 24 corn and soybean products that will need to be labeled if they are one of the top 3 ingredients in a food product, or if they account for 5 percent or more of the product by weight. MAFF has provided a guidance

document for industry, and plans to rely on certification based on a paper trail with testing used as backup. With regard to monitoring, Japan is monitoring for unapproved biotech events of which StarLink is currently the only one. In summary, while many in the Japanese scientific community and industry are not opposed to biotech grains, consumer fear continues to drive the Japanese search for non-biotech grain on the international market. Some believe that once the higher cost of attaining non-biotech grains begins to trickle down to customers, consumer “concern” may wane.

Korea: The Korean Food and Drug Administration (KFDA) will implement a labeling plan for processed foods if the product contains 3 percent or more biotech material. At the 3 percent or more level products may be labeled as “does or may contain”. Then, in September, the Korean Ministry of Agriculture and Forestry (MAF) expects to implement labeling requirements for raw corn, soybeans, and soy sprouts. Both MAF and KFDA have been vague about how the raw and processed labeling plans will be implemented and how they interrelate.

EU: The U.S. and EU have been discussing a variety of biotech issues for some time, with traceability, food labeling, and the precautionary principle being key. EU biotech policies are unstable as they continue to push for more stringent labeling requirements and new traceability regulations. While the EU is the U.S.’ largest soybean customer, it does not buy any U.S. corn as shipments could contain unapproved corn varieties. Current labeling requirements call for labeling any food with 1 percent or more adventitious biotech presence. The EU is also proposing feed labeling. The current state of uncertainty is caused by the European Commission’s (EC) efforts to revise current regulations to include traceability and more stringent labeling requirements. The use of traceability would support the EU’s process-based labeling regime, which is at odds with the U.S. preference for composition-based labeling. The new labeling requirements would call for documentation of each biotech event in a shipment of grain, and imports of products that were derived from biotech grains would have to be labeled as such. The United States has made several efforts to explain to the EU that the proposal threatens trade with the United States. Discussions have focused on the U.S. bulk handling system, and the difficulties exporters would encounter in identifying each type of biotech event in a shipment.

The EU has also been vocal in supporting the precautionary principle. The EU believes that the precautionary principle should somehow be tied to the risk assessment of biotech foods. The U.S. asserts that precaution is inherent in its current risk assessment process. The U.S. also believes that since the precautionary principle lacks clear definition, it could impede a science-based approach to regulation. In summary, discussions between the U.S. and EU will undoubtedly continue for some time.

Taiwan: Earlier this year, Taiwan announced plans to implement regulations on biotech registration and food labeling. Between January 1, 2003, and January 1, 2005, Taiwan will phase-in labeling requirements. As of January 1, 2005, labeling will be mandatory for all biotech corn and soybean products as well as other biotech foods. Taiwan will use a 5 percent

tolerance level for biotech food labeling, although there has been some discussion of a 1 percent tolerance level.

Mexico: To date Mexico has been very supportive of biotechnology. However, their Senate has passed a mandatory labeling law which is now pending in their Lower House. Mexican and U.S. industry oppose passage of the law, which would require labeling all biotech food products and disclosing the type of gene inserted. This law would be difficult to enforce and is not based on widely accepted scientific information. USDA's Foreign Agricultural Service is trying to organize a visit for Mexican legislators to Washington this month to discuss biotech issues and meet with various government and private sector experts.

As international organizations and individual countries establish their own biotech policies, rules, and regulations, much of the attention has been on corn. Of the eight biotech corn events that are currently approved and commercialized in the U.S., all have been approved by the Japanese authorities, but only half have been approved by the EU. The particular events that have not been approved by the EU are the two single events, GA21 and NK 603, and the two stacked events, Mon 810 +T25 and Mon 810 + GA21. It's important to note that the European Commission recently took action toward jumpstarting agricultural biotech approvals, but many EU member states are reluctant to lift the moratorium on new approvals, thereby restricting U.S. corn and seed trade.

With regard to StarLink corn, the U.S. export corn market has been in a state of uncertainty since the detection of StarLink in the U.S. food supply in September 2000. The most challenging markets to address have been Japan and South Korea. Japan's Ministry of Health, Labor, and Welfare regulates corn for food uses, while the Ministry of Agriculture, Forestry and Fisheries regulates feed corn. StarLink is not approved for food or feed use in Japan; therefore, its entry is prohibited. USDA worked with these ministries to establish practical quality assurance or identity preservation processes that could be applied prior to export and meet Japan's regulatory requirements. These protocols can provide the framework from which the grain industry meets the requirements for corn exports to other countries.

In South Korea, the Korean Food and Drug Administration has been testing corn shipments entering Korea for the presence of StarLink. Shipments testing positive have been diverted to non-food uses. A Korean technical team visited the United States in March to observe the implementation of GIPSA's testing and IP systems. The Korean Food and Drug Administration has not accepted the U.S. testing plan as developed for Japan, but did submit a similar draft testing and IP protocol to U.S. Government officials in April.

The concern by importers, such as Japan and South Korea, over the possible presence of StarLink corn, has influenced buying decisions. The latest data on US corn sales for this year to date show corn export sales to be 4.7 million metric tons behind last year's pace, due largely, but not entirely, to lags in sales to Japan and South Korea. Deterioration in corn sales is likely attributable to interactive market factors, such as competition for big crops just harvested in

South America, continued aggressive Chinese subsidies on their corn exports to other Asian countries, and to some extent StarLink.

It is important to note that the StarLink incident is a regulatory compliance issue where there is evidence of a product being used in a way other than what was authorized by the Government. Do not expect to see future products enter the marketplace with split food/feed registration. While many hard lessons have been learned from the StarLink incident, and we may learn several more, we should not view StarLink as the model for the future marketing of biotechnology-derived products.

And in closing, there is much occurring in the world Community regarding biotechnology. The USDA is diligently working with international organizations and individual nations to facilitate the marketing of America's agricultural products.

ADVANCE NOTICE OF PROPOSED RULEMAKING

Ms. Marianne Plaus, Assistant to the Deputy Administrator of GIPSA/FGIS, provided an update on the advance notice of proposed rulemaking. On April 16, 2001, the comment period closed on USDA's rulemaking seeking public input on the Department's role in facilitating the marketing of grains, oilseeds, fruits, vegetables, and nuts in today's marketplace. The rulemaking is part of USDA's efforts to explore how it can continue to foster the marketing of U.S. grains, oilseeds, fruits, vegetables, and nuts in an evolving marketplace characterized by biotech and non-biotech crops, as well as by an increasing number of crops with specific end-use quality attributes. GIPSA and the Agricultural Marketing Service published the advance notice of proposed rulemaking (ANPR) in the November 30, 2000, *Federal Register*. The comment period, which originally closed on February 28, 2001, was extended until April 16, 2001, in response to public request for additional time to comment.

During the 135-day comment period, USDA received a total of about 3,000 comments. Of the total number of comments received, approximately 89 percent were form letters. Of the eight different form letters received, one form letter, originated by the Campaign to Label Genetically Engineered Foods, generated close to 60 percent of all comments received. One other form letter, sent by consumers from around the world, generated approximately 27 percent of all comments received. Because both form letters advocated food labeling, food labeling was the most prevalent theme running throughout the comments.

In addition to the form letters, comments were received from a wide range of respondents that included producers and producer groups, grain handlers and exporters, processors, biotech/seed firms, testing labs, consumer groups, and other constituents. Of these commentators, many felt that the USDA should continue to work with international organizations and with the United State's customers to encourage the use of science-based biotech evaluation procedures. Many also felt that the USDA has been assuming an appropriate role, and would prefer that the government let the market determine the level of biotech identification and segregation necessary. In other words, let the market handle "marketing" issues, and, when necessary, as in the case of StarLink, the USDA should step in to help resolve "sticky situations."

Some felt that some government involvement is necessary to help the market to establish standard definitions and standard formats for identity preservation or quality assurance systems.

Some commentators also advocated that whatever rules or regulations the U.S. Government applies to domestic crops, it should apply the exact same rules and regulations to imported crops.

Approximately 28 commentators specifically addressed the topic of laboratory accreditation. Most, but not all, of these commentators were in favor of GIPSA's soon-to-begin laboratory accreditation program. Of those in favor of the program, most felt that USDA should expand its accreditation of laboratories to include laboratories testing vegetables and other crops, if and when bioengineered varieties of these crops enter the marketplace. These commentators also tended to be in favor of including laboratories outside the U.S. in the program so that the U.S. and its customers and suppliers are all using the same standards, tolerances, and requirements. They felt that this would be necessary to assure U.S. growers that export markets will apply credible and valid methods for detecting intrinsic traits whether or not they are biotech-derived. In closing, a team of GIPSA employees is thoroughly analyzing the comments and will give the Deputy Administrator a thorough analysis by mid June. After that, USDA's leadership will make the determination as to whether the comments warrant further study of marketing trends or the formulation of a proposed rule or rules.

GRAIN QUALITY MEASUREMENT INITIATIVES

Mr. Steven Tanner, Director of GIPSA's Technical Services Division, provided an update on the Agency's grain quality measurement initiatives. The Technical Services Division's primary role is to be the central laboratory for reference methods, methods development, standardization and quality control, education, and final inspection for grain quality in the United States. The Division's strategic objective is to increase the efficiency of U.S. grain marketing by harnessing technology to streamline grain inspection and weighing processes and providing objective measures of grain quality, quantity, and end-use value.

Regarding reference methods, GIPSA's objectives are threefold: (1) to directly measure the parameter of interest; (2) to provide information to evaluate and calibrate instrumentation and test kits; and (3) to provide international acceptance. Mr. Tanner provided specific examples of GIPSA's reference methods, including combustion nitrogen analysis, oil extraction, air oven moisture determination, high pressure liquid chromatography, and various visual reference methods, materials, and aids.

In the methods development arena, GIPSA's objectives are to improve the cost, accuracy, timeliness, safety, and relevancy of test methods, and to implement new official inspection services needed by customers. In this regard, Mr. Tanner provided brief overviews of several of GIPSA's initiatives, including inspection automation, test weight automation, and the use of digital imaging technology.

With regard to calibration development and monitoring, the Agency creates new calibrations and monitors on-going calibration accuracy. Mr. Tanner provided several examples of the Agency's efforts in this area. Artificial neural network (ANN) wheat protein calibrations for the official near-infrared transmittance (NIRT) instrument have demonstrated potential for improved performance (relative to existing calibrations) and "global" applicability. GIPSA is considering official implementation of the ANN calibrations in May 2003. The Agency is also looking into a new moisture measurement algorithm that holds considerable promise for the prediction of moisture in grain. Dr. David Funk, Chief of GIPSA's Inspection Systems Engineering Branch, Technical Services Division, and who recently completed his doctoral research in this area, indicated that the Agency could potentially implement the new moisture algorithm within 5 years.

In the area of standardization and quality assurance, the Agency's objectives are to standardize official equipment and inspectors with the national standards and to evaluate the performance of both. Through the process of check testing, GIPSA aligns over 350 official laboratories with the national standard and over 475 official moisture meters with national standards. The Agency also standardizes and monitors 155 official near-infrared transmittance instruments used in measuring wheat protein, soybean oil and protein, and corn protein, oil, and starch.

Mr. Tanner indicated that GIPSA also plays an important role in providing a variety of testing services and technical training to both domestic and international customers. He concluded his remarks by asking the Committee to consider the future of technology research and standardization considering the Agency's mission and responsibilities. What role should GIPSA have in a market that includes biotechnology derived grains? What role should GIPSA have in educating the grain industry at large and other representatives from other countries? Is there a role for GIPSA in setting standards for commercial grain inspection equipment in addition to its default responsibility of standardizing and approving equipment for official inspections?

For copies of or questions pertaining to Mr. Tanner's presentation, please contact him at tel: (816) 891-0401 or e-mail: stanner@gipsakc.usda.gov.

GRAIN STANDARDS ACTIVITY

Mr. Dave Orr, Director of GIPSA's Field Management Division, provided an update on what the Agency is doing with regard to wheat dockage and Hard White Wheat (HWW) (presentation slides attached).

Wheat Dockage:

At the last meeting of the Grain Inspection Advisory Committee, GIPSA/FGIS reviewed the Department's initiative to promote the production and export of cleaner wheat. As part of the Department's initiative, GIPSA had prepared a proposed rule to establish grade limits for dockage in wheat. After reviewing comments from this Committee and further discussions with industry representatives, we concluded that the best way to approach this is to prepare an advance notice of proposed rulemaking to solicit public input on this issue prior to publishing a proposed rule. More specifically, GIPSA will seek input on the need for grade limits for

dockage, export only standards, appropriate grade limits, and potential positive and negative impacts of the various options. GIPSA plans to publish the advance notice of proposed rulemaking in July 2001.

Hard White Wheat:

Although the Hard White Wheat (HDWH) class is relatively new, it has the potential to become one of the largest classes of wheat in the United States. Depending on genetic make-up, growing area, and weather conditions, HDWH kernels take on different colors. As a result, the official grain inspection system has developed procedures to address color while ensuring proper classification and market facilitation. In May 1999 GIPSA, in partnership with the trade, developed a new color line and classification policy for HDWH. Samples as white or whiter than the color line qualify as HDWH. Samples darker than the color line are classed as HRW or HRS, based on morphological traits of kernels.

GIPSA has observed that two end-use markets are evolving. Whereas domestic millers focus primarily on intrinsic quality rather than kernel color, international millers place greater emphasis on kernel color in response to consumer preference. In response to market trends, GIPSA is drafting an advance notice of proposed rulemaking to solicit public input on the need

for subclasses or a special grade for Hard White Wheat to accommodate color concerns and whether contrasting classes should be redefined. GIPSA plans to publish the advance notice of proposed rulemaking in August 2001.

COMMODITY PROGRAM

Mr. Dave Orr also provided updates on GIPSA's commodity program (presentation slides attached). Effective May 4, 2001, GIPSA implemented a 3.7 percent fee increase for all hourly rates and certain unit rates for rice and commodities. The increase is needed to cover additional operational cost resulting from the mandated January 2001 Federal pay increase.

Mr. Orr also reviewed developments in the processed commodity program. As indicated by Mr. Orr, GIPSA has traditionally provided a number of processed commodity services. Over the years, the largest requestor of these services has been the USDA's Farm Service Agency. Because of policy/program changes, FSA no longer requests two of these services, end-item inspection and vessel loading observation. In response to dramatically lower revenues in this program, GIPSA has resorted to a number of cost-saving measures. GIPSA does not anticipate that this program will ever expand to its previous level.

ASIST UPDATE (i.e., INSPECTION AUTOMATION)

As presented by Mr. Orr, GIPSA, working with the North American Export Grain Association, has charged a team of automation and grain inspection experts with developing an automated

grain inspection system for use at export elevators. When completed and approved, the system will provide export elevators with constantly updated grain inspection information five times faster than present manual methods. The automated system has the potential to reduce costs to the industry and enhance GIPSA's efficiency. The prototype system, which was installed at an export elevator in Destrehan, Louisiana, was tested the first week of May 2001. Although the system performed well, the team is still trying to resolve the "splits in soybeans" issue. The team is trying to figure out a way to kick out soybean splits using the Carter Dockage tester, an integral part of the automated system. As a next step, the team will run the system with actual soybeans that are being loaded and compare the automated and manual inspection results. The team will then be able to ascertain the magnitude of the splits in soybeans issue.

RESOLUTIONS OF THE GRAIN INSPECTION ADVISORY COMMITTEE MAY 8, 2001

1. Funding: In view of the fact that GIPSA's standardization activities benefit all consumers of agricultural products and not just those paying user fees, the Grain Inspection Advisory Committee recommends against taking these funds away from appropriated funds and changing them to user fees.
2. Inspection and Weighing Account: GIPSA should review and establish an overhead calculation for all applicable Washington, D.C. cost for the inspection and weighing account, which should be applied to all bushels exported from the United States.
3. Moisture Measurement: The Grain Inspection Advisory Committee recommends that GIPSA/FGIS do all they can to accelerate the 5-year plan for potential implementation of the new moisture measurement technology.

ELECTION OF A VICE CHAIR PERSON

The Committee elected Mr. Timothy Paurus, Cenex Harvest States, as the new Vice Chairperson. Mr. Paurus will assume the role of Chairperson at the Spring 2002 meeting.

NEXT MEETING

The Committee agreed that the next meeting will be in November 2001 in either Corpus Christi or Houston, Texas. GIPSA should make the determination between Corpus Christi and Houston based on a price comparison. The Committee also recommended that the meeting last approximately 1 ½ days, thereby allowing the members an evening for informal discussion.

TOUR OF GIPSA's TECHNICAL CENTER

Thanks to the hospitality of Mr. Steven Tanner, Director of GIPSA's Technical Services Division, and the entire staff, many Committee members toured the Agency's Technical Center on the morning of Wednesday, May 9, 2001.

CONTACTS

If you have any questions regarding the Committee and/or if you would like a hard copy of the minutes with attachments, please contact:

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