



United States
Department of
Agriculture

Grain Inspection,
Packers and
Stockyards
Administration

2008 Annual Report

of the

Federal Grain Inspection Service

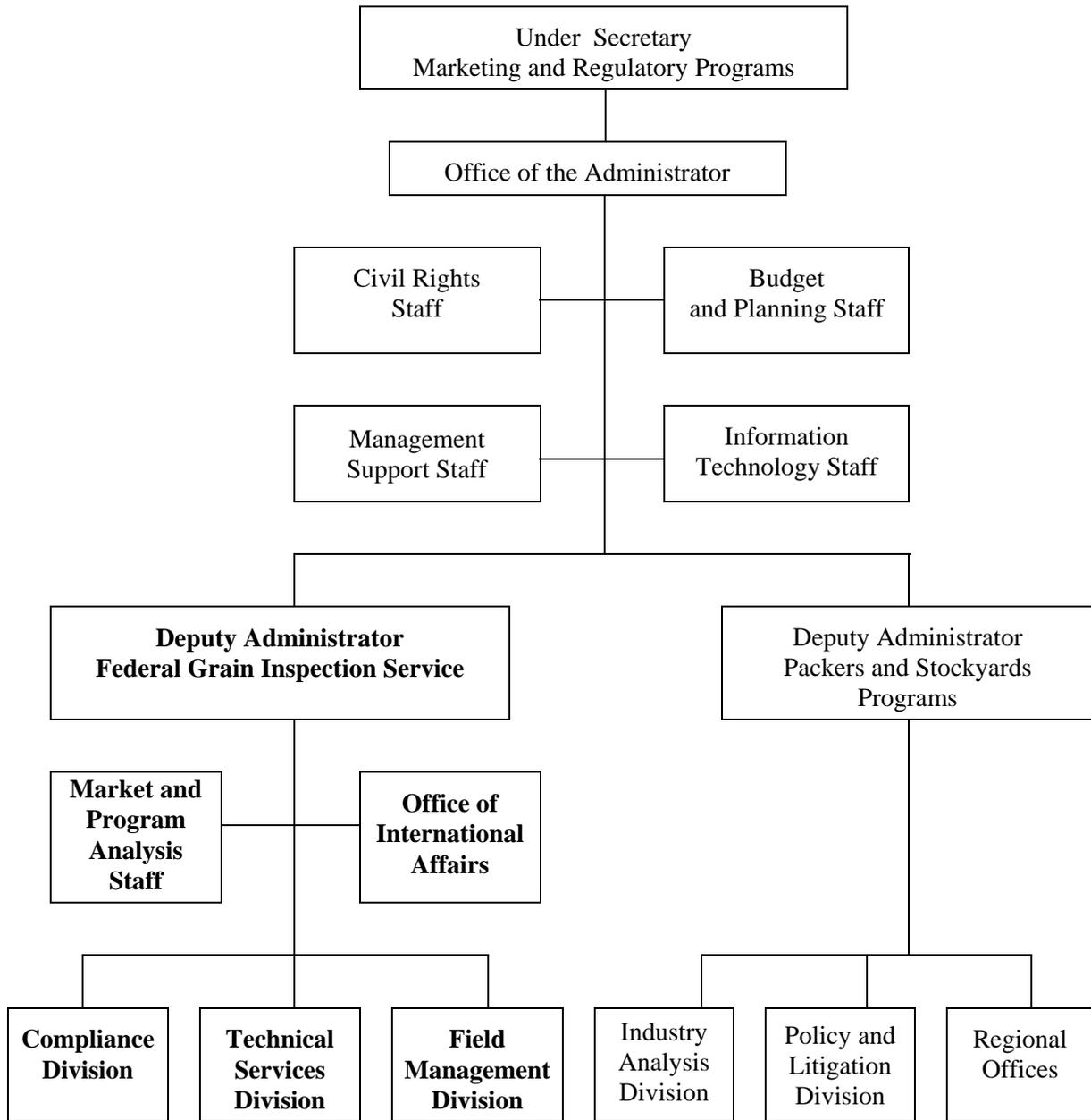
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The mention of firm names or trade products does not imply that they are endorsed or recommended directly or indirectly by the United States Department of Agriculture over other firms or similar products.

Organizational Structure and Functions

GIPSA's Organizational Structure



Federal Grain Inspection Service

The Grain Inspection, Packers and Stockyards Administration's Federal Grain Inspection Service (FGIS) establishes quality standards for grains, oilseeds, pulses, and legumes; provides impartial inspection and weighing services through a network of Federal, State, and private laboratories; and monitors marketing practices to enforce compliance with the U.S. Grain Standards Act and Agricultural Marketing Act of 1946, as amended. Through these activities, FGIS facilitates the marketing of grain, oilseeds, and related products.

Activities Under the U.S. Grain Standards Act

FGIS administers uniform, national grain inspection and weighing programs established by the U.S. Grain Standards Act, as amended (hereinafter, the Act). Services under the Act are performed on a fee basis for both export and domestic grain shipments. The Act requires generally that export grain be inspected and weighed; prohibits deceptive practices and criminal acts with respect to the inspection and weighing of grain; and provides penalties for violations.

In administering and enforcing the Act, FGIS:

- establishes and maintains official U.S. grain standards for barley, canola, corn, flaxseed, oats, rye, sorghum, soybeans, sunflower seed, triticale, wheat, and mixed grain;
- promotes the uniform application of official U.S. grain standards by official inspection personnel;
- establishes methods and procedures, and approves equipment for the official inspection and weighing¹ of grain;

¹ Official Inspection. The determination by original inspection, reinspection, and appeal inspection and the certification by official personnel of the kind, class, quality, or condition of grain under standards provided for in the Act; or, the condition of vessels and other carriers or receptacles for the transportation of grain insofar as it may affect the quality of such grain under other criteria approved by the Secretary. (The term "officially inspected" shall be construed accordingly.)

Official Weighing. (Class X Weighing). The determination and certification by official personnel of the quantity of a lot of grain under standards provided for in the Act, based on the actual performance of weighing or the physical supervision thereof, including the physical inspection and testing for accuracy of the weights and scales, the physical inspection of the premises at which weighing is performed, and the monitoring of the discharge of grain into the elevator or conveyance. (The terms "official weight" and "officially weighed" shall be construed accordingly.)

- provides official inspection and weighing services at certain U.S. export port locations,² and official inspection of U.S. grain at certain export port locations in eastern Canada along the St. Lawrence Seaway;
- delegates qualified State agencies to inspect and weigh grain at certain U.S. export port locations;
- designates qualified State and private agencies to inspect and weigh grain at interior locations;
- licenses qualified State and private agency personnel to perform inspection and weighing services;
- provides Federal oversight of the official inspection and weighing of grain by delegated States and designated agencies;
- provides review inspection services³ of U.S. grain in the United States and at certain export port locations in eastern Canada;
- investigates, in cooperation with the United States Department of Agriculture (USDA) Office of Inspector General, alleged violations of the Act and initiates appropriate corrective action;
- monitors the quality and weight of U.S. grain as received at destination ports, and investigates complaints or discrepancies reported by importers; and
- helps U.S. trading partners develop and improve their grain inspection and weighing programs.

Mandatory Services

Under provisions of the Act, most grain exported from U.S. export port locations must be officially weighed. A similar requirement exists for inspection, except for grain which is not sold or described by grade. Intercompany-barge grain received at export port locations also must be officially weighed. And, the Act requires that all corn exported from the United States be tested for aflatoxin prior to shipment, unless the contract stipulates that testing is not required.

² Export Port Locations. Commonly recognized ports of export in the United States or Canada, as determined by the Secretary, from which grain produced in the United States is shipped to any place outside the United States. Such locations include any coastal or border location, or any site in the United States that contains one or more export elevators and is identified by FGIS as an export port location.

³ Review Inspection Service. A reinspection, appeal inspection, or Board appeal inspection service performed when discrepancies are alleged between the true quality of the grain and the inspection results.

Mandatory inspection and weighing services are provided by FGIS on a fee basis at 40 export elevators (including 4 floating elevators). Five delegated States provide official services at an additional 11 export elevators under FGIS oversight. Under a cooperative agreement with FGIS, the Canadian Grain Commission provides official services, with FGIS oversight, at seven locations in Canada that transship U.S. grain for export.

Grain exporters annually shipping less than 15,000 metric tons of grain abroad are exempt from mandatory official inspection and weighing requirements. Grain exported by train or truck to Canada or Mexico also is exempt from official inspection and weighing requirements. Further, official inspection and weighing requirements do not apply to high-quality specialty grain exported in containers. High-quality specialty grain is defined as grain sold under contract terms that specify all factors exceed the grade limits for U.S. No. 1 grain, except for the factor test weight, or specify “organic” as defined by 7 Code of Federal Regulations (CFR) Part 205. This definition expires July 31, 2010.

Permissive Services

Official inspection and weighing of U.S. grain in domestic commerce are performed upon request and require payment of a fee by the applicant for services. Domestic inspection and weighing services are provided by 56 official agencies that employ personnel licensed by FGIS to provide such services in accordance with regulations and instructions.

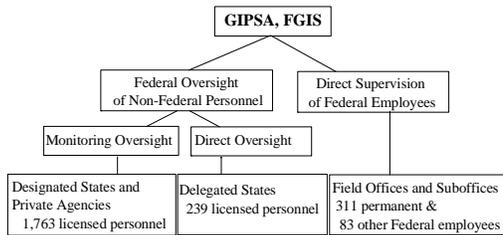
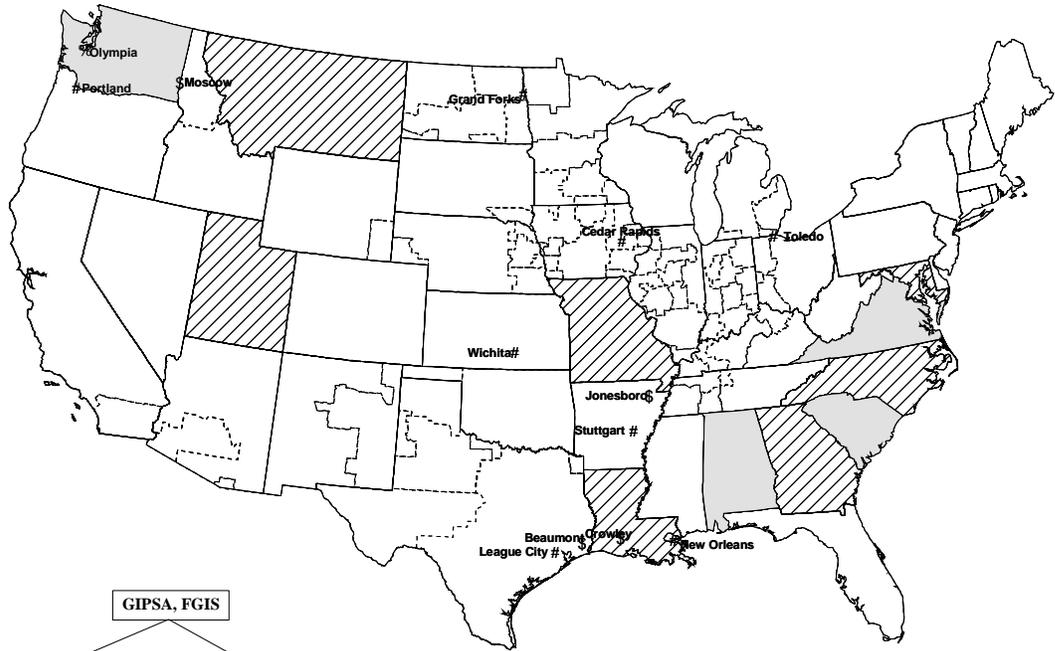
Activities under the Agricultural Marketing Act

Under the Agricultural Marketing Act of 1946 (hereinafter, the AMA), FGIS administers and enforces certain inspection and standardization activities related to rice, pulses, lentils, and processed grain products such as flour and corn meal, as well as other agricultural commodities. Services under the AMA are performed upon request on a fee basis for both domestic and export shipments by either FGIS employees or individual contractors, or through 41 cooperative agreements with States and private entities.

FGIS Structure

As of September 30, 2008, FGIS was comprised of 435 full-time, permanent employees, and 79 part-time, intermittent, or other employees located at a headquarters unit in Washington, DC, a technical center in Kansas City, Missouri, 8 field offices, 1 Federal/State office, and 4 suboffices. Field offices are located in Stuttgart, Arkansas; Cedar Rapids, Iowa; New Orleans, Louisiana; Grand Forks, North Dakota; Portland, Oregon; League City, Texas; Toledo, Ohio; and Olympia, Washington; thus ensuring the availability of official inspection and weighing services anywhere in the United States.

Official Inspection and Weighing Service Providers



GIPSA, FGIS Offices
 # Field Offices - 8
 % Federal/State Offices - 1
 \$ Suboffices - 4
 Official Agencies - 56
 Delegated States - 5
 (Wisconsin delegated only)
 Designated States - 7

Outlook 2009

Outlook 2009

Contracting Inspection and Weighing Services

During the process to reauthorize the U.S. Grain Standards Act in 2005, Congress communicated that FGIS should use its existing contracting authority in a manner that improves competitiveness of the U.S. grain industry, maintains the integrity of the Federal grain inspection system, and benefits employees who may be impacted. The Act authorizes the Secretary of Agriculture to contract with private persons or entities to perform inspection and weighing services at export port locations (7 U.S. Code (USC) 79(e)(1), 84(3)).

Following the reauthorization of the Act, FGIS began running a 2-year pilot test to assess the cost effectiveness and impact on the official system of contracting with private entities to provide mandatory inspection and weighing services at export port locations. To date, FGIS has implemented contracts in the State of California; Milwaukee, Wisconsin; and FGIS' Toledo field office circuit—Chicago, Illinois; Portage, Indiana; Toledo, Ohio; and Albany, New York. FGIS also had a supplemental labor contract in the Corpus Christi, Texas, area. Additionally, FGIS has established contracts to provide rice inspection services under the AMA for areas serviced by FGIS' Stuttgart, Arkansas, field office.

The pilot test is due to conclude at the end of the 2008 shipping period. During FY 2009, FGIS will analyze the data collected during the pilot program and other available information to determine how the Agency can best use existing contracting authority as one component in delivering high quality, cost-effective official inspection and weighing services that are recognized worldwide as being accurate and reliable.

FGIS also continues to conduct additional market research on contracting. On April 7, 2008, posted three requests for information (RFI) on the Federal Business Opportunity website. The RFI sought statements of capabilities from parties that might be interested in providing either full official grain inspection and weighing services or in providing FGIS with labor to supplement its Federal workforce, when needed, in areas serviced by FGIS export field offices in Portland, Oregon; New Orleans, Louisiana; and League City, Texas. The RFIs did not establish contracts but were a tool to conduct market research by determining the existence of commercial sources interested in and capable of providing export grain inspection and weighing services. Among the criteria for applications to address were: acquisition of qualified personnel to provide adequate and timely official service; personnel training on the Act and other components necessary to properly provide official service; plans for licensing their personnel with FGIS to perform services; and their technical background in sampling, grain quality inspection, weighing, and

stowage examination. Five companies responded to the RFIs by submitting documentation describing their respective ability to provide grain inspection and related services. FGIS will analyze the data received from the RFI during fiscal year (FY) 2009.

Official U.S. Standards for Wheat

In FY 2009, FGIS will initiate a review of the U.S. Standards for Wheat to determine their effectiveness and responsiveness to current market needs. Numerous changes have occurred in wheat breeding and production practices; in the technology used to harvest, process, and test wheat; and in wheat marketing practices. While FGIS amended the definition of contrasting classes in Hard Red Winter wheat and Hard Red Spring wheat in 2005, the wheat standards have not been reviewed, in their entirety, since the early 1990s.

Farm Gate and Export Quality Assessments

In 2006, FGIS launched a pilot program to capture inspection data for grain that producers bring to the market. FGIS is sampling at the first-point-of-sale, when producers deliver grain to the elevator, as a proxy for collecting samples at the farm gate. This program will provide a baseline of first-point-of-sale grading quality that will allow FGIS to better evaluate the potential impact of proposed changes to the grain standards on the marketplace. In 2006, FGIS began the assessment process with sorghum and added soybeans in 2007. FGIS intends to conduct each assessment for a minimum of 5 years.

During the 2006 sorghum harvest, FGIS contacted local grain elevators (identified via USDA/Farm Service Agency records) in sorghum-producing States to seek sorghum samples. Country elevators forwarded 1,036 samples for grading to Lincoln Inspection Service, Inc., an official agency selected as a grading laboratory through a competitive bid process. In 2007, country elevators provided 1,063 samples for the assessment. In 2008, FGIS is continuing the assessment process and begin analyzing the 3 years of data already collected to assess average quality.

During the 2007 soybean harvest, FGIS began its 5-year farm-gate soybean assessment. Country elevators in 27 States voluntarily collected 1,112 soybean samples and sent them to the Sioux City Inspection and Weighing Service Company, an official agency, for grading. Sioux City conducted full-factor analyses to assess levels of both grade determining and non-grade determining factors in all samples. In addition, Sioux City conducted a detailed assessment of the composition of foreign material (FM). FGIS recorded and analyzed the data on damage, FM, FM composition, moisture, oil, protein, splits, test weight, and the resulting grade.

FGIS is now conducting a soybean export assessment to compare the quality of U.S. soybeans at the farm-gate versus point of export. This assessment will continue at least through FY 2012. FGIS export field office staff and official agency personnel are collecting samples and sending them to Sioux City Inspection and Weighing Service Company for grading. Sioux City will analyze the export assessment samples for grade determining and non-grade determining factors, and conduct a detailed FM analysis.

The U.S. soybean export assessment will provide a general overview of how FM quantity and quality changes as soybeans move through the marketing chain. FGIS also will analyze the samples gathered from the soybean export assessment for pesticide residues, which are of interest to many international customers of U.S. soybeans.

International Trade Data System

FGIS is fully participating in the establishment of the United States government's (USG) International Trade Data System (ITDS). The USG is creating the ITDS to provide a "single window" to access import- and export-related documentation. ITDS is not a separate computer system, but an aggregation of related programs provided by 40 USG agencies involved in the import and export of products into and out of the United States. The system will be developed and provided by the U.S. Customs and Border Protection's Automated Commercial Environment (ACE) in collaboration with the other involved USG agencies. The ITDS will reduce customers' reporting burden to the government. It also will enhance Federal agencies' ability to target risky cargoes, persons, and conveyances; and strengthen the USG's ability to provide international trade data that are more accurate, complete, and timely.

Laboratory Rice Milling Equipment

In FY 2009, FGIS will complete the purchase of 12 rice millers to replace aging and worn millers at FGIS rice inspection service points in the southern United States. FGIS will collaborate with the rice milling industry to ensure that the implementation of the new instruments results in no disruption of service, and that the industry will experience no overall upward or downward shift in average milling yield results. At the industry's request, FGIS plans to incorporate the new rice millers into service prior to the start of the annual southern rice harvest once the millers have been accurately aligned to the standard reference method at FGIS' National Grain Center. FGIS' current implementation target is May or June 2009.

FGISonline

FGIS continues to modernize the business functions of its grain program. The modernization effort is based on the results of FGIS' Enterprise Architecture assessment, and is designed to improve the efficiency and effectiveness of service delivery by streamlining business practices, improve customer service, and meet Federal eGovernment and related USDA requirements. In FY 2008, FGIS continued to develop its core applications, including programs to capture inspection, testing, and weighing information at the point of origin; capture and manage technical testing information; automate the licensing process, and expand its quality assurance and control capabilities. The Inspection, Testing, and Weighing program allows FGIS and official service providers to electronically enter inspection, testing, and weighing information for grain, rice, pulses, graded commodities, and processed commodities, single and lot inspection (combined, warehouse, local, composite, and cusum) for all carrier types including railcars, containers, trucks, ships, and barges. This information electronically feeds the Certificates program and the Inspection Data Warehouse, a national database of inspection and weighing records for services provided under the Act and AMA. The Equipment Capability Testing program records information on equipment used for the testing of grain quality, and its location, for

the purposes of notifying, submitting, and capturing test results conducted to validate the equipment's capability to accurately test grain quality. Enhancements to the Certificates program and the Inspection Data Warehouse were released during FY 2008.

Distance Learning Course

FGIS has teamed with the Grain Elevator and Processing Society (GEAPS) and Kansas State University (KSU) to create a new distance-learning course on the U.S. grain inspection system. In FY 2008, FGIS' Grain Inspection Advisory Committee, a board appointed by the Secretary and comprised of representatives of all segments of the grain production and marketing chain, recommended that FGIS join forces with the industry in a distance-education program. In response, FGIS, GEAPS, and KSU are jointly developing a basic-level distance education course that is designed to provide an introduction to the U.S. grain inspection system, and provide useful information to anyone planning to pursue work in the grain industry. The target audience includes industry professionals in operations, merchandising, and a wide variety of other capacities. The project is capitalizing on the grain inspection expertise of FGIS and the existing GEAPS-KSU distance-education program. FGIS' primary purpose in the collaboration is to make information about the official grain inspection system available as widely as possible. The new grain inspection course is scheduled to be available in April 2009.

Federal Grain Inspection Service

- *Providing the Market With Terms and Methods for Quality Assessments*
- *Protecting the Integrity of U.S. Grain and Related Markets*
- *Providing Official Grain Inspection and Weighing Services*

Providing the Market with Terms and Methods for Quality Assessments

Ethanol/Distillers Grains

On July 20, 2007, FGIS published an advance notice of proposed rulemaking (ANPR) in the *Federal Register*, inviting comments from interested persons regarding the appropriate government role in differentiating grain attributes for ethanol conversion, as well as standardizing the testing of co-products of ethanol production. The initial comment period closed on September 18, 2007, but due to a request from the National Grain and Feed Association, the closing date for comments was extended through December 4, 2007.

FGIS received 29 comments from individuals and organizations representing all aspects of the marketing chain. Respondents generally indicated they do not want FGIS to help revise existing definitions for ethanol co-products, establish standards for the co-products, or offer standardized tests for grain used for ethanol production or the resulting co-products. Some commentors recommended that FGIS' expertise in verifying the performance of commercial test kits might be applied to the marketing of the co-products. Respondents presented an overriding theme that the perceived needs of the ethanol industry will be best met by the various industry participants. One final observation was a recurring comment that the ethanol industry is relatively young, and because of this youth, FGIS involvement (i.e., standardizing testing of ethanol inputs and outputs) could hinder its progress. With such agreement among respondents that FGIS should play a very limited role in standardizing the testing of ethanol inputs and outputs, FGIS will not initiate any rulemaking action related to the matters presented in the ANPR. FGIS will continue to monitor developments and remain actively engaged with the ethanol and co-products markets and will support the industry, as appropriate, in its efforts to successfully market ethanol co-products.

Sorghum Standards

Effective June 1, 2008, FGIS revised the official United States Standards for Sorghum to amend the definitions of the classes Sorghum, White sorghum, and Tannin sorghum, and to amend the definition of nongrain sorghum. FGIS amended the grade limits for broken kernels and foreign material (BNFM), and the subfactor foreign material (FM). Additionally, FGIS inserted a total count limit for other material into the standards and revised the method of certifying test weight. Further, changes to the grade limits for broken kernels and foreign material required revisions to the inspection plan tolerances for these factors. These changes will help facilitate the marketing of U.S. sorghum by better describing the types of grain sorghum produced by American farmers, and reducing the allowable levels of broken sorghum kernels and foreign material in the various quality grades of sorghum.

Soybean Standards

In 2007, FGIS published an ANPR in the Federal Register seeking public comment on the effectiveness of the soybean standards. FGIS asked for input on factors used in the current standards and grading procedures, whether changes in soybean processing practices and technology merited changes in the standards, and whether any other changes were needed to ensure that the standards remain relevant to market needs. The comments FGIS received did not indicate a consensus on needed changes to the standards, so the program is withdrawing the rulemaking and will take no further action at this time.

The one issue that merits further review is amending grading limits for soybean foreign material (FM). Based on the lack of consensus and, at times, conflicting information provided by some commenters, FGIS has determined that it needs to gain a greater understanding of the soybean marketing/processing system and collect additional data about the quality of soybeans. FGIS will use data from its ongoing 5-year farm-gate assessment before considering further rulemaking related to FM grading limits. The assessment will provide first-point-of-sale data related to soybean FM content and composition across the United States, providing an FM range that can be used to formulate new FM grade limits, if appropriate.

Mycotoxins and Biotechnology Rapid Test Approvals

The grain industry needs fast, reliable tests to assess the presence of biotechnology-derived grains and oilseeds and mycotoxins in grain. To ensure that rapid and reliable tests are commercially available, FGIS provides a performance verification and approval program for such rapid tests.

FY 2008 Mycotoxins Rapid Test Kit Evaluation Summary

<i>Mycotoxin</i>	<i>Quantitative Methods Used</i>	<i>Quantitative Methods Approved</i>	<i>Qualitative Methods Used</i>	<i>Qualitative Methods Approved</i>
Aflatoxins	5	4	3	3
Deoxynivaleno l	7	6	9	9
Ochratoxin	2	2	0	0
Fumonisin	1	1	0	0
Zearalenone	1	1	0	0
Totals	16	14	12	12

FGIS evaluated six biotechnology rapid tests, one each for glyphosate-tolerant corn, glyphosate-tolerant soybeans, Herculex, Herculex RW, Starlink, and MIR604. All six of the rapid tests met established performance criteria and received Certificates of Performance. In FY 2009, FGIS will continue to evaluate qualitative and quantitative mycotoxin and biotechnology rapid tests.

Pesticide Residue Method Development and Testing

FGIS continued to participate in the Pesticide Data Program, a cooperative effort of the USDA, U.S. Environmental Protection Agency, and 10 participating States to monitor pesticide residue levels in fruits, vegetables, grain, and milk. FGIS tests all samples of grain and grain-related products collected under the program, and develops new methods of analysis when necessary. In FY 2008, FGIS analyzed 650 corn samples. In addition, FGIS developed new methods for rice analyses that will be validated in FY 2009 and used to analyze approximately 650 rice samples.

FGIS developed and validated a method for the analyses of spinosad in wheat and is working on a method for the analysis of glyphosate in wheat. Both methods will augment FGIS' current wheat export cargo pesticide survey. In FY 2009, FGIS will also adapt methods for use in a soybean export cargo pesticide survey.

Wheat Functionality - Protein Quality Assessments

The intrinsic qualities of wheat affect the quality of end-products. The market needs accurate test methods to differentiate functional qualities to best determine the ability of a specific lot of wheat to meet specific end-use needs. In addition to being accurate, these test methods must be practical, rapid, and reproducible across different laboratories. Making such methods available to the marketplace would provide value transparency from the producer to the processor, provide information that better predicts appropriate end uses, and, in turn, enhance the marketability of U.S. wheat.

Farinograph instruments measure the water absorption of flour and determine the mixing properties of dough. Prior FGIS studies clearly showed significant differences in the Farinograph test results among laboratories. The differences in Farinograph results may be causing confusion in wheat markets. During FY 2007, FGIS closely examined the Farinograph method variables and identified the dough-mixing bowl as a major cause for method variations among laboratories. In 2008, FGIS initiated a multiple-laboratory collaboration, including the instrument manufacturer, to identify ways to improve standardization of the Farinograph method among commercial laboratories. FGIS plans to continue this collaboration in FY 2009.

Wheat gluten is a protein that is primarily responsible for end-use dough characteristics. The amount of gluten is highly correlated to the level of crude protein in wheat but not to its "strength." Gluten strength – its elasticity and resistance to stretching -- is widely regarded as one of the most important aspects of wheat functionality. The market lacks both a clear definition of this important quality parameter and a standard test to measure it. In FY 2008, FGIS continued to cooperate with the USDA/Agricultural Research Service (ARS), universities, and the private sector to develop new standardized methods for precisely and reproducibly describing the viscous and elastic properties of gluten using fundamental rheological units. In FY 2009, FGIS will continue to refine these test methods.

FGIS continues to seek an objective method of identifying wheat varieties to augment the official inspection system's current subjective analyses. In FY 2008, FGIS established a High Performance Liquid Chromatography (HPLC) reference method that is consistent with work performed at the ARS laboratory in Manhattan, Kansas, and has demonstrated the utility of the method. In FY 2009 FGIS plans to develop a database of all relevant U.S. wheat varieties and to evaluate the ability of the HPLC method to discriminate these varieties.

Biotechnology

Biotechnology Proficiency Program. FGIS' internationally recognized Biotechnology Proficiency Program now includes 159 participating organizations, more than 80 percent of which are from outside the United States. Participants include organizations from Africa, Asia, Europe, North America, and South America. The program, initiated in 2002, enables organizations that test for the presence of biotechnology-derived grains to improve both the accuracy and precision of testing by identifying deficiencies and improving testing methodologies.

Respond to Inadvertent Release of Unapproved Traits into the Marketplace. In recent years, there have been instances of unintentional releases of unapproved transgenic events into the U.S. grain handling system. When such a release occurs, the marketplace needs valid methods to detect the trait and thereby protect the integrity of U.S. grain and related markets. The testing methods must be highly specific and sensitive to effectively maintain confidence in U.S. grain marketing systems. FGIS helps government and independent laboratories that use protein and DNA-based technologies by performing impartial verification of their methods for both qualitative and quantitative detection of transgenic events in biotechnology-derived crops. FGIS' verification program facilitates the harmonization of sampling plans and international testing for biotechnology-derived grains and oilseeds. In FY 2008, FGIS established a formal Memorandum of Understanding (MOU) with the USDA/Animal and Plant Health Inspection Service (APHIS) to provide expertise and assistance in responding to unintended releases of unapproved biotechnology events.

Harmonizing Biotech Reference Methods. The U.S. grain market needs highly specific and accurate tests for the various genetically engineered (GE) crops that are grown in the United States. FGIS is helping by developing internally validated real-time polymerase chain reaction (PCR) methods, and by verifying the accuracy, reliability, and proficiency of commercially available methods used to identify GE traits in biotechnology-derived grains and oilseeds. FGIS is providing scientific expertise, engaging U.S. stakeholders, and influencing outcomes on issues related to testing of biotechnology traits in grains with the goal of developing global scientific consensus on different aspects of GE analysis and facilitating grain marketing on a global basis.

In addition, FGIS continues to partner with international organizations such as Codex Alimentarius, International Organization for Standardization (ISO), Association of Analytical Communities International (AOACI), American Association of Cereal Chemists (AACC), American Oil Chemists' Society (AOCS), Institute for Reference Materials and Measurements (IRMM), and National Institute for Standards and Technology (NIST) to facilitate the harmonization of testing for biotechnology-derived grains and oilseeds

Food and Agricultural Organization/World Health Organization (FAO/WHO) Codex Committee on Methods of Analysis and Sampling (CCMAS). The Codex Committee on Methods of Analysis and Sampling met March 10-14, 2008, in Budapest, Hungary. The Committee serves as a coordinating body for Codex with other international groups working in methods of analysis and sampling and quality assurance systems for laboratories. An FGIS representative is an alternate delegate to the Committee, providing technical expertise as the United States continues to be an active participant and very influential with respect to documents and proposals brought before the CCMAS.

Reference Method Analyses FGIS maintains reference methods for protein, moisture, oil, fatty acid composition, and mycotoxins. These methods are used to maintain the accuracy of testing in the official inspection system and to support development of new rapid field methods. The protein, moisture, oil, and fatty acid reference analyses support the near infrared spectroscopy (NIR), dielectric, and nuclear magnetic resonance (NMR) instruments used for rapid inspection at field locations that perform official testing. The mycotoxin reference analyses support the evaluation and standardization of rapid tests for official and commercial grain inspection, and support quality assurance programs to ensure consistent and reliable testing results. In FY 2008, FGIS evaluated Ultra-High Performance Liquid Chromatography (UPLC) for potential use as the aflatoxin reference method. This new method has the potential of providing more rapid and accurate analyses. In FY 2009, FGIS will continue to provide quality reference method analyses in support of the development of new testing methods and to maintain accurate field testing for the official and commercial inspection systems.

Agricultural Commodity Certification Association In 2008, FGIS actively supported and participated in the Agricultural Commodities Certification Association (ACCA). From 2007 through 2009, FGIS staff members served as the consecutive presidents of the association. The ACCA was founded in 2000 by U.S. Department of Agriculture professionals to capitalize on the benefits of sharing information and expertise, networking, and continuous education related to certification and inspection activities. Membership is open to any person actively engaged in any phase of agricultural commodity certification or related activities in or on behalf of any government or state agency that performs agricultural commodity certification.

International Briefings

FGIS personnel frequently meet with delegations visiting from other countries to brief them on the U.S. grain marketing system, the national inspection and weighing system, U.S. grain standards, and FGIS' mission. Many of these delegations are sponsored by USDA Cooperator organizations like U.S. Wheat Associates and U.S. Grains Council, which arrange visits to grain production areas, FGIS field offices, onsite laboratories at export grain elevators, and the National Grain Center in Kansas City, Missouri. At the Center, delegations sometimes receive technical training on analytical testing procedures and grain inspection methods and procedures.

Briefings are tailored to address each group's interests and concerns. Presentations include explanations of the various services available from FGIS, the Agency's use of the latest technology to provide grain traders with accurate and reliable inspection and weighing information and, for importers or potential importers new to the U.S. grain market, information on contracting for the quality that buyers desire.

These briefings foster a better understanding of the U.S. grain marketing system and the official U.S. grain standards and the national inspection system, and enhance purchasers' confidence in U.S. grain.

During 2008, FGIS personnel met with 43 teams from 38 countries.

Summary of Briefings with Visiting Trade and Governmental Teams In Fiscal Year 2008

Algeria	Korea
Australia	Malaysia
Belgium	Mexico
Brazil	Morocco
Canada	Nigeria
China	North Africa
Costa Rica	Norway
Egypt	Philippines
El Salvador	Portugal
England	Russia
Ethiopia	Scotland
France	Singapore
Guatemala	South Africa
Iraq	Spain
Ireland	Tunisia
Israel	Turkey
Japan	Yemen

Outreach

In FY 2008, FGIS responded to customers' needs for technical assistance overseas. Exporters, importers, and end users of U.S. grains and oilseeds, as well as other USDA agencies, USDA Cooperator organizations, and other governments, frequently ask for FGIS personnel to travel overseas to resolve issues relating to the movement of U.S. grain and grain products in international markets. These activities include participating in grain marketing and grain grading seminars, meeting with foreign governments and grain industry representatives to resolve grain quality and weight discrepancies, helping other countries develop domestic grain and commodity standards and marketing infrastructures, assisting importers with quality specifications, and training local inspectors in U.S. inspection methods and procedures.

Such activities typically have been funded through various programs administered by the Foreign Agricultural Service (FAS), Farm Service Agency (FSA), USDA Cooperators, or directly by FGIS. The 1995 amendment to the U.S. Grain Standards Act extended the authority to FGIS to charge and be reimbursed for travel, salary, and related expenses when a customer requests that we provide consultative expertise. Our authority to recover costs for providing consultative services has enhanced our ability to facilitate marketing of U.S. grains, oilseeds, and related commodities in international markets.

During FY 2008, FGIS coordinated with FAS and the Animal and Plant Health Inspection Service (APHIS) to develop a soybean monitoring project with Chinese officials that will begin in late 2008. The project will address China's quality concerns and build positive relationships between FGIS and Chinese inspection and quarantine officials. FGIS also worked with FAS, the U.S. Environmental Protection Agency (EPA), and the U.S. Food and Drug Administration (FDA) on a StarLink "exit strategy" to end testing on corn for the presence of StarLink, and initiated discussions and continue to negotiate with the Japanese government to remove trade restrictions for food and feed corn.

FGIS collaborated with FAS, the U.S. Trade Representative, and USA Rice Federation to ensure open markets for U.S. rice in European and other international markets. FGIS developed a letterhead statement to accompany shipments of U.S. rice to Russia to address concerns about LLRICE 601, an unapproved product of genetic engineering. Letterhead statements augment the information provided on the official certificate and are used to show information requested by the applicant but not required by regulation or procedure. FGIS also worked with FAS and European Commission (EC) representatives to develop a protocol for point-of-origin rice sampling and certification that U.S. rice shipped to Europe has tested negative for LLRICE 601; and hosted EC officials' visits to Kansas, Louisiana, and Arkansas to audit USDA's and the U.S. industry's implementation of the protocol.

In other efforts to facilitate the marketing of U.S. grain in international markets, FGIS coordinated with representatives of APHIS and FAS to resolve issues with Pakistan's phytosanitary requirements for wheat, which prevent U.S. exporters from submitting bids for wheat tenders and food aid shipments. FGIS also participated in the fourth Meeting of the Parties to the Cartagena Protocol on Biosafety in Bonn, Germany.

On three occasions, FGIS deployed a technical specialist to the United Arab Emirates to monitor and provide on-site technical inspection expertise for wheat shipments from the United States to Iraq, at the request of the U.S. exporters. FGIS observed destination sampling and provided technical assistance to the Grain Board of Iraq (GBI), which in all instances resulted in the GBI accepting the shipments without delay. Iraq represents the second largest market for U.S. Hard Red Winter wheat exports. In FY 2008, wheat exports to Iraq were valued at approximately \$1 billion.

International Projects

Mexico. Mexico is second only to Japan as America's most valuable customer of U.S. grain and oilseed exports. Due to the status of Mexico as a trading partner and the unique situation of our shared borders, FGIS maintains ongoing initiatives with Mexico's private and public grain sectors to promote the use of U.S. sampling and inspection methods to minimize differences in test results between FGIS and the receiver. During FY 2008, FGIS and the U.S. Grains Council visited several Mexican feed manufacturing laboratories throughout Mexico to discuss grain quality concerns, check-test lab equipment, and educate participants about FGIS' role in the U.S. grain marketing system and U.S. export inspection procedures.

Ethiopia. FGIS representatives traveled to Ethiopia to review commodity standards and provide grain sampling and inspection training to local officials of a newly established commodity exchange which opened in April 2008. The Ethiopia Commodity Exchange (ECX), the first exchange of its kind in Africa, will provide a marketplace where buyers and sellers can trade and be assured of quality, delivery and payment. It will reduce transaction costs and promote stability and increased production in Ethiopia's agricultural sector.

Asia. In FY 2008, an estimated 48 percent of U.S. grain and oilseed exports valued at over \$20 billion were shipped to Asia. Understanding the importance of this market and the critical importance of precluding and resolving issues related to grain quality that could interrupt trade to this region, FGIS placed two representatives in Asia on long-term temporary duty assignment. While in the region, FGIS' representatives developed a proactive approach in working with overseas Asian customers and their governments. FGIS had an onsite presence in the region for over 8 months during the fiscal year and was able to address immediate and long-term issues in the region, promote a better understanding and adoption of U.S. sampling and inspection methods to minimize differences in results, and develop face-to-face relationships with customers, USDA Cooperators and Government officials.

**Summary of Activities
Involving International
Travel in FY 2008**

<i>Purpose</i>	<i>Number of Travelers</i>	<i>Country Visited</i>	<i>Dates of Visit</i>
1. To meet with European Union officials about biotech rice issue (LL601).	1	Belgium	10/03-10/06/07
2. To participate in long-term Asian assignments to address immediate and long-term issues in the region.	1	Malaysia, China, Korea, Philippines, Taiwan, Singapore	10/10-12/20/07
3. To perform seaboard inspections.	1	Canada	10/06-10/08/07
4. To attend sampling activities related to cargoes of U.S. wheat shipped to Iraq.	1	United Arab Emirates	10/20-12/10/07
5. To perform seaboard inspections.	1	Canada	10/25-11/09/07
6. To perform seaboard inspections.	1	Canada	11/17-11/24/07
7. To participate in a U.S. Wheat Associates seminar on logistics and transportation.	1	Mexico	11/26-11/29/07
8. To perform seaboard inspections.	1	Canada	12/03-12/07/07
9. To perform seaboard inspections.	1	Canada	12/14-12/20/07
10. To witness sampling activities related to cargoes of U.S. wheat shipped to Iraq.	1	United Arab Emirates	01/15-03/08/08
11. To participate in long-term Asian assignment to address immediate and long-term issues in the region.	1	China, Malaysia, Philippines, Taiwan, Vietnam, Philippines	02/19-04/10/08
12. To train Ethiopian grain inspectors.	2	Ethiopia	02/25-03/08/08
13. To participate in Codex Methods of Analysis and Sampling meeting.	2	Hungary	03/09-03/15/08
<i>Continued</i>			

<i>Purpose</i>	<i>Number of Travelers</i>	<i>Country Visited</i>	<i>Dates of Visit</i>
14. To participate in planning of global conference on analysis of genetically engineered products.	1	Italy	03/11-03/15/08
15. To perform seaboard inspections.	2	Canada	03/24-03/28/08
16. To participate in an APPAMEX/North American Export Grain Association conference.	1	Mexico	04/17-04/20/08
17. To participate in a National Type Evaluation Program meeting.	1	Canada	04/22-04/25/08
18. To participate in a railway meeting.	1	Canada	04/27-04/30/08
19. To investigate a bean complaint.	1	Malawi	04/12-04/21/08
20. To attend a Biosafety Protocol Meeting.	1	Germany	05/10-05/17/08
21. To participate in long-term Asian assignments to address immediate and long-term issues in the region.	1	Cambodia, China, Indonesia, Korea, Malaysia, Philippines, Singapore	05/12-09/11/08
22. To perform seaboard inspections.	1	Canada	05/18-05/23/08
23. To investigate a bean complaint.	1	Guatemala, Honduras	05/11-05/12/08
24. To visit Mexican feed laboratories.	1	Mexico	06/15-06/21/08
25. To attend sampling activities related to cargoes of U.S. wheat shipped to Iraq.	1	United Arab Emirates	06/20-09/09/08
26. To attend global conference on analysis of genetically engineered products.	3	Italy	06/22-06/30/08
27. To participate in a Canadian Grains Council meeting.	2	Canada	09/8-11/08

Protecting the Integrity of U.S. Grain and Related Markets

Alleged Violations

At the beginning of FY 2008, 12 cases involving alleged violations of the Act and the AMA were pending further FGIS action. During FY 2008, FGIS opened 24 new cases, 20 of which involved the following violations: exporting bagged grain without receiving a condition check, prohibited grain handling practices, exporting without official inspection and weighing, adding water to grain, weighing export grain using unapproved scales, alleged licensing irregularities, altering official government documents, deceptive loading, masking odor, improper sampling procedures, improper aflatoxin testing procedures, and exceeding the annual 15,000-metric-ton limit, the level at which grain exporters become subject to mandatory official inspection and weighing requirements. The remaining four involved employee misconduct.

FGIS issued 5 cautionary letters, 5 warning letters, 3 informational letters, and referred the investigation findings of 2 employee cases to appropriate officials to close 15 cases, 9 from FY 2007 and 6 from FY 2008. Twenty-one cases remained open at the end of FY 2008.

Registration

The Act requires that all persons who buy, handle, weigh, or transport more than 15,000 metric tons of U.S. grain for sale in international commerce register with FGIS. During calendar year 2008, FGIS issued 144 Certificates of Registration to individuals and firms involved in the foreign commerce grain business.

Delegation and Designation Program

FGIS oversees 56 official agencies that are designated under the Act to provide permissive official inspection and/or weighing services at domestic locations. Of these, four are States that are also delegated to provide mandatory official inspection and weighing services at export locations. One additional State is delegated to provide export services but not designated to provide permissive services. Delegations are permanent unless FGIS or the State terminates the agreement.

Under the triennial renewal process, 19 official agency designations automatically terminated in FY 2008. FGIS renewed 18 for full 3-year terms after reviewing their performance. One official agency was renewed for a limited 1-year term, and was not designated for all of the geographic area for which they applied due to major noncompliances found during the review of that area. During FY 2008, one State was added as a designated State.

Quality Management Program requirements

FGIS relies on a variety of arrangements with other government and private entities – official service providers – to carry out the

of the Act and AMA to achieve its mission. Official service providers include designated State and private agencies, delegated States, and FGIS field staff that deliver official inspection and weighing results. These entities provide U.S. agriculture with a variety of sampling, inspection, and testing services in accordance with specific FGIS policies and procedures. Compliance with the policies and procedures is essential to promote accurate, impartial, and standardized results—the true value of the FGIS official certificate.

As part of FGIS’ long-term strategic goal of centralizing oversight of official service providers, FGIS is developing a program that will incorporate modern quality management practices and principles to streamline the Agency’s oversight of the official inspection and weighing system. In the past, FGIS provided direct assistance and guidance to official service providers to ensure adherence with applicable laws and regulations. Under the new program, all official service providers will be required to adopt a Quality Management Program (QMP) as part of their official responsibilities. Quality management is a method for ensuring that all the activities necessary to design, develop, and implement a product or service are effective and efficient with respect to system performance. Applied to the official inspection system, the QMP will help ensure continuous improvement in service delivery and customer service.

As part of FGIS’ implementation strategy, each official service provider will create a QMP. Before implementation, official service providers will submit their plans to FGIS for review and approval. FGIS will periodically audit the performance of all official service providers to assess their conformance to the provisions of their individual QMP. Any major discrepancies detected during an audit would still be required to be promptly addressed by management.

FGIS is working closely with American Association of Grain Inspection and Weighing Agencies, an association that represents a portion of the official agencies delegated or designated by FGIS, to develop the requirements of QMP. The Agency intends to conduct a pilot program to test adoption of QMP by a limited number of volunteer official service providers during fall 2008. Depending on outcomes from the pilot program, FGIS hopes to fully implement the program by the end of calendar year 2009.

Conflicts of Interest

Under Act’s conflict of interest provisions, official personnel are prohibited from retaining or maintaining any financial interest in any grain business, and being employed or otherwise engaged in such businesses or accept any gratuity from such businesses. The Act also provides FGIS with the authority to waive the conflict-of-interest prohibitions on a case-by-case basis if the Agency determines that such a waiver will not jeopardize the integrity of the official system. At the beginning of FY 2008, FGIS approved three designated official agencies

to operate with discretionary conflict-of-interest waivers. All three agencies remain designated with conflict waivers.

Drug-Free Workplace

As each designated official agency becomes eligible for designation renewal, it must certify to FGIS that it provides a drug-free workplace. Each of the 20 agencies renewed or initially designated in FY 2008 provided this certification.

Compliance Reviews

Compliance reviews are independent third-party reviews of the performance of the grain inspection and weighing operations of the official system's Federal, State, and private laboratories. FGIS' Compliance Division conducts these reviews. During FY 2008, FGIS conducted onsite compliance reviews of 2 FGIS offices, 1 State department of agriculture, and 27 private agencies. Review teams evaluated customer satisfaction, including potential service delivery discrimination, management effectiveness and efficiency, and procedural compliance. FGIS found no instances of service delivery discrimination. All identified noncompliance items were corrected. None of the findings during the onsite compliance reviews appear to have affected the overall integrity of the national inspection system.

Exception Programs

During FY 2008, FGIS continued to operate three exception programs to gather information on the effect of allowing more than one designated official agency to inspect or weigh grain in a single geographic area.

The timeliness-of-service exception program allows official agencies to provide service to applicants located outside of their assigned geographic area on a case-by-case basis when official service cannot be provided within established timeframes. During FY 2008, no facilities used the timely service exception.

The nonuse-of-service exception program allows an official agency to offer service to applicants outside their assigned area if no official service has been provided by the applicant's assigned agency during the previous 3 months. During FY 2008, 99 applicants received 306,590 inspections under this program. This included 684 for barges, 65,558 for railcars, and 240,348 other inspections (e.g., trucks, containers, and Starlink™ testing).

The barge exception program allows customers shipping grain in barges to select any official agency, not only the agency serving their specified geographic area, to probe-sample and inspect the grain. During FY 2008, one facility received 9 barge inspections under this program.

Standardizing Commercial Grain Inspection Equipment

In FY 2008, FGIS continued to participate in an ongoing cooperative effort with the National Conference on Weights and Measures (NCWM) and the National Institute for Standards and Technology (NIST) to standardize commercial inspection equipment. FGIS served as the sole evaluation laboratory for grain inspection equipment under the NCWM's National Type Evaluation Program (NTEP). FGIS collected grain moisture meter calibration data for six instrument models as part of NTEP's ongoing calibration program. Calibrations developed in this program provide traceability to the official FGIS moisture program and

air oven reference method. These calibrations are used in the majority of moisture meters used in commercial grain transactions throughout the United States. The NTEP laboratory completed an evaluation for test weight per bushel determination as an add-on feature for one currently approved grain moisture meter model. In FY 2009, FGIS will again collect grain moisture meter calibration data for five NTEP models and will conduct NTEP testing for new grain inspection equipment models upon request.

ISO Registration

The International Organization for Standardization (ISO) represents the national standards institutes and organizations of over 100 countries, including the American National Standards Institute (ANSI). The American Society of Quality, the European Standards Institute, and the Japanese Industrial Standards Committee are a few of the major quality organizations that have endorsed ISO Standards, which are becoming the de facto standards across industries throughout the world. FGIS maintained ISO 9000:2000 registration for its primary reference methods (protein, oil, and moisture) and its Pesticide Data Program to enhance international credibility and acceptance of its results.

Visual Reference Materials

FGIS' Visual Reference Image (VRI) system serves as the primary tool to ensure standardization of FGIS' subjective (visual) grain inspection services. Visual Reference Images are used to ensure consistent and uniform application of grading lines and illustrate types of damage in conjunction with written descriptions. The visual grading aids system represents the foundation for the FGIS national inspection system's subjective quality control program, providing an effective management tool for aligning inspectors and assisting them in making proper and consistent subjective grading decisions. The system consists of a series of commodity specific VRI and descriptive text which, with regular use, controls and diminishes the impact of ordinary subjective perceptual differences.

In FY 2008, FGIS created general appearance prints for lentils and rice and updated the following VRI: Sorghum 8.0 Purple Pigment, Bean 7.0 Insect Webbing, Bean-8.0 Worm Eaten, and Corn 4.0 Germ damage.

Grain Quality and Weight Discrepancies

FGIS administers a grain quality and weight discrepancy process. When an importer of U.S. grain reports a quality or weight discrepancy, FGIS analyzes samples retained on file from the original inspection and samples submitted from destination (if the buyer chooses to submit them) to evaluate whether the discrepancy was due to differences in samples, procedures, or an actual change in quality from the time of the original inspection. The process verifies whether the original inspection and weighing service provided at the time of loading was correct, based on all available information. FGIS then issues a report outlining its findings and providing suggestions to avoid similar discrepancies in the future.

Occasionally, a particular buyer or importing country reports repeated discrepancies that are not best resolved by a shipment-by-shipment review under this process. In such cases, FGIS may conduct collaborative sample studies or joint monitoring activities to address the

discrepancy in a more comprehensive manner.

In 2008, the Farm Service Agency (FSA) notified FGIS that they received quality complaints from U.S. Agency for International Development (USAID) food aid recipients in Malawi, Guatemala, and Honduras on edible dry beans they received from the United States. At FSA's request, FGIS sent an inspector to those countries to initiate comprehensive investigations of the alleged quality complaints and obtain representative samples that were analyzed by FGIS' Technical Services Division (TSD) in Kansas City, Missouri. After lengthy and thorough investigations, FGIS issued detailed reports of its findings to FSA confirming the receivers' allegations of receiving beans that did not meet contract requirements. FSA is pursuing further investigation.

In FY 2008, GIPSA received seven quality complaints and one weight complaint from importers on grains inspected under the U.S. Grain Standards Act, as amended. These complaints involved 121,613.4 metric tons, or about 0.09 percent by weight, of the total amount of grain exported during the year. This compares to 6 quality and 3 weight complaints received in FY 2007, representing about 0.2 percent of grain exports by weight. In the preceding 5 years, FGIS received an average of 10 complaints per year, representing about 0.2 percent of U.S. grain exports by weight.

**Summary of Complaints
Reported by Importers on
Inspection and Weighing
FY 2008**

<i>Complainant</i>	<i>Grain</i>	<i>Number of Complaints</i>	<i>Nature of Complaint</i>
Asia			
China	Soybeans	1	Treated beans
Malaysia	Corn	1	Odor, damage
Philippines	Wheat	1	Odor
South Korea	Corn	1	Broken corn and foreign material
Taiwan	Wheat	1	Odor
Central/South America			
Chile	Wheat	1	Odor, damage
Europe			
Italy	Wheat	1	Short weight
North America			
Mexico	Corn	1	Damage, heat damage
TOTAL		8	

Providing Official Grain Inspection and Weighing Services

Container Inspection and Weighing Services

In recent years, there has been a significant increase in the demand for grain exported in containers. Grain shippers have capitalized on a surplus of empty containers in which they can ship grain at a low cost (freight rate) and deliver it to small business entities. Grain exported in containers must be officially inspected, unless the exporter annually ships less than 15,000 metric tons of grain abroad annually, ships by train or truck to Canada or Mexico, or ships high-quality specialty grain.

Expansion of the container grain export market has far exceeded most forecasts. Inspection of containerized cargo has increased from 0.3 percent of total grain inspected (679,321 metric tons) in 2005 to 1.5 percent of total grain inspected (4,041,295 metric tons) in 2007. In 2008, at export, containers accounted for 4.4 percent, or 5.4 million metric tons, 3.5 percent in 2007, and 0.7 percent of FGIS inspections in 2005.

FGIS is challenged to keep up with the inspection demands of the increasing number of container loading facilities. In 2002, eight facilities exported grain by container. Today, more than 130 facilities load containers, most of which are near the railroad hub in Chicago. Initially, most container loading operations were in the Pacific Northwest, where empty containers were abundant at export container terminals. However, in the past 3 years, the hub has shifted to the Midwest, and especially to Chicago because of its proximity to the grain supply and the rail yards that handle containerized cargo.

To accommodate the containerized grain trade, FGIS has remained flexible with regard to sampling containerized lots and certification procedures. However, to ensure that FGIS regulations and service operations effectively address current and evolving market conditions, FGIS has initiated a comprehensive review of the policies and procedures governing official inspection and weighing services for grain exported in containers. FGIS will formulate proposed regulations based on the results of the review. Proposed regulations should be published in the *Federal Register* during FY 2009. FGIS also is developing outreach material for current and potential buyers of U.S. grain to improve their understanding of the sampling, inspection, and certification processes for grain exported in containers.

The exportation of grain in shipping containers is also subject to USGSA weighing requirements. FGIS is working to keep pace with approving weighing facilities, and testing vehicle and hopper scales at container loading facilities. In FY 2008, FGIS approved 25 percent more container loading facilities than in FY 2007, bringing the total number of approved facilities to 141. At those 141 facilities, FGIS performed 370 tests of vehicle and hopper scales, a 23-percent increase over FY 2007 levels. FGIS issued 4,591 export weight certificates for container shipments in FY 2008, an increase of 1,053, or 30 percent, over the previous year's levels.

Rice Testing for the European Union

To facilitate trade of U.S. long grain rice to European Union (EU) countries, FGIS worked with the European Commission (EC) to develop a sampling and testing protocol that meets EC regulations and standards, and provides direct involvement by FGIS in the sampling of rice exported to the EU. FGIS developed and issued a protocol for sampling and testing rice for the EU to provide specific sampling and testing requirements for the rice industry and official personnel to follow for export shipments to the EU.

In August 2006, USDA and the FDA announced that trace amounts of regulated genetically engineered (GE) rice had been detected in samples taken from commercial long grain rice. The GE trait LibertyLink® has since been deregulated in the United States, but the EC adopted measures requiring all imports of U.S. long grain rice to be tested for the presence of the LibertyLink® trait.

In November 2006, the EC amended its original measures to require the testing to be conducted upon arrival in Europe. In December 2007, the EC voted to amend its measures to allow testing to be done in the United States if based on official samples drawn by FGIS according to EC recommendations.

FGIS' actions were instrumental in removing mandatory destination testing in the EU and an important step in restoring the market for U.S. long grain rice to Europe.

Inspection Procedures for Specialty Type Corn

USDA loan programs for grains, oilseeds, and related commodities rely on FGIS' definitions and standards for those crops. For crops for which standards do not exist, such as popcorn, FGIS has worked with the USDA's FSA to establish standardized quality criteria that can be used for FSA-administered programs. These criteria do not equate to a formal U.S. standard under the USGSA.

In FY 2008, FGIS established standardized criteria and uniform inspection procedures to facilitate the marketing of blue corn, which is predominantly used to make blue tortillas, tortilla chips, and flour. Producers of these crops may now qualify for marketing assistance loans and loan deficiency payments, both tools in helping them manage their risks. Additionally, FGIS laid the groundwork for additional colors of specialty corn such as red and purple, when and if they come into the market.

Vessel Fumigation

Since 1975, FGIS, in cooperation with ARS and the grain, fumigant, and maritime industries, has been involved in research to develop safe, effective, and economical fumigation methods for bulk grain loaded aboard oceangoing vessels. Based on the findings of these studies, FGIS has developed policies and procedures for safely and effectively fumigating bulk grain aboard certain vessels while the vessels are in transit. In FY 2008, FGIS conducted a review of its in-transit fumigation policies and procedures to ensure they reflect current science and technology. In FY 2009, FGIS will meet with industry to discuss recommended changes to enhance the efficacy and safety of the program.

Weighing Program

The Act mandates that FGIS facilitate the exportation of grain through standardization of grading and weighing practices. In establishing its weighing program in 1976, FGIS relied on the National Bureau of Standards (NBS), National Conference of Weights and Measures (NCWM) scale specifications and testing procedures, and the programs of other weighing bureaus that had been established by the U.S. railroad industry in their effort to standardize weighing and scale testing procedures. FGIS also sought assistance and advice from the industrial scale service sectors and State Weights and Measures bureaus to develop regulations and handbooks for the weighing of grain. In 1980, NBS, as part of an agreement with FGIS and the American Association of Railroads (AAR) transferred its railroad master scale in Chicago, two railroad track scale test car units, and the railroad track scale testing program to FGIS. FGIS' new weighing program enhanced the agency's ability to standardize scale testing and weighing practices within the railroad industry, which serves as a primary conduit for grain shipments to the main export facilities.

Currently, FGIS owns 5 heavy capacity test car units and tests 11 railroad-owned master scales which are special scales used by the railroads only to calibrate railroad-owned test cars, and 210 railroad track scales annually. FGIS also is certified by NIST's Echelon III Metrology lab, which enables FGIS to calibrate its test weight standards and perform test weight calibrations for the grain industry and other commercial entities. In FY 2008, FGIS carried out approximately 180 calibrations.

FGIS continues its longstanding work with the National Conference of Weights and Measures (NCWM) and American Association of Railroads. FGIS developed the Automatic Bulk Weighing System code that was incorporated into the NIST Handbook 44 and routinely contributes to the development of scale specifications and tolerances via the various Weights and Measures groups associated with the NCWM. In FY 2008, FGIS performed approximately 600 tests on automatic bulk weighing scales at 143 facilities.

Educational Material

FGIS provides educational materials and grading aids to FGIS customers through various outlets, at industry meetings and trade shows, and to the public through the FGIS website. In FY 2008, FGIS developed courses for Testing Corn for Aflatoxin using the Vicam Aflatest method and Testing Wheat and Barley for Deoxynivalenol using the R-Biopharm Ridascreen FAST method.

**Inspection Program Data
Fiscal Years 2006-2008**

<i>Item</i>	<i>Fiscal Years</i>		
	<i>2006</i>	<i>2007</i>	<i>2008</i>
Quantity of Grain Produced ⁴ (Mmt) ⁵	426.0	477.5	477.4
Quantity of Standardized Grain Officially Inspected (Mmt) ⁶			
Domestic	174.5	178.2	181.3
Export by FGIS	75.1	76.9	81.4
by Delegated States	27.1	26.6	32.2
by Designated Agencies	<u>8.8</u>	<u>12.5</u>	<u>14.8</u>
Total	285.5	294.2	309.7
Quantity of Non-Standardized Grain Officially Inspected (Mmt) ⁷			
Domestic	0.0	0.0	0.0
Export by FGIS	1.1	1.0	0.1
by Delegated States	0.0	0.0	0.0
by Designated Agencies	<u>1.3</u>	<u>1.5</u>	<u>0.1</u>
Total	2.4	2.5	0.2
Delegated States/Official Agencies			
Delegated and Designated States	4	4	4
Delegated States	2	1	1
Designated States	6	6	7
Private Agencies	<u>45</u>	<u>44</u>	<u>44</u>
Total	57	55	56
<i>(continued)</i>			

⁴ Source: USDA World Agricultural Supply and Demand Estimates. This figure includes production of wheat, corn, sorghum, barley, oats, and soybeans.

⁵ Million metric tons.

⁶ Includes grains for which FGIS maintains official standards: barley, canola, corn, flaxseed, oats, rye, sorghum, soybeans, sunflower seed, triticale, wheat, and mixed grain.

⁷ Includes items inspected under the authority of the Act that do not meet the requirements for grain as set forth in the Official U.S. Standards for grain, including cracked corn.

<i>Item</i>	<i>Fiscal Years</i>		
	<i>2006</i>	<i>2007</i>	<i>2008</i>
State/Private Agency AMA Agreements	22	35	41
Number of Official Original Inspections ⁸			
FGIS	93,323	99,873	96,930
Delegated States/Official Agencies	<u>2,839,025</u>	<u>3,021,969</u>	<u>3,315,636</u>
Total	2,932,348	3,121,842	3,412,566
Number of Grain Reinspections			
FGIS	293	211	175
Delegated States/Official Agencies	<u>22,156</u>	<u>23,272</u>	<u>20,844</u>
Total	22,449	23,483	21,019
Number of Grain Inspection Appeals			
Field Offices	3,704	2,212	5,300
Board of Appeals and Review	<u>586</u>	<u>348</u>	<u>463</u>
Total	4,290	2,560	5,763
Number of Official Commercial Inspections			
FGIS	0	32	1
Delegated States/Official Agencies	<u>986,618</u>	<u>1,056,273</u>	<u>1,141,158</u>
Total	986,618	1,056,305	1,141,159
Number of Barley Protein Inspections			
FGIS	0	0	0
Delegated States/Official Agencies	<u>6,083</u>	<u>6,717</u>	<u>9,527</u>
	6,083	6,717	9,527
Number of Corn Protein, Oil and Starch Inspections			
FGIS	27	7	1
Delegated States/Official Agencies	<u>498</u>	<u>136</u>	<u>444</u>
Total	525	143	445
<i>(continued)</i>			

⁸ Includes original inspections for grade, factor-only inspections, official criteria only, and official commercial inspections.

<i>Item</i>	<i>Fiscal Years</i>		
	<i>2006</i>	<i>2007</i>	<i>2008</i>
Number of Wheat Protein Inspections			
FGIS	19,339	25,100	24,965
Delegated States/Official Agencies	<u>446,627</u>	<u>462,051</u>	<u>550,273</u>
Total	465,966	487,151	575,238
Number of Soybean Protein and Oil Inspections			
FGIS	11,877	15,008	12,800
Delegated States/Official Agencies	<u>28,763</u>	<u>14,540</u>	<u>24,820</u>
Total	40,640	29,548	37,620
Number of Sunflower Seed Oil Inspections			
FGIS	0	0	0
Delegated States/Official Agencies	<u>41,713</u>	<u>35,141</u>	<u>39,210</u>
Total	41,713	35,141	39,210
Number of Grain Aflatoxin Inspections			
FGIS	44,205	37,724	32,470
Delegated States/Official Agencies	<u>173,873</u>	<u>110,452</u>	<u>143,062</u>
Total	218,078	148,176	175,532
Number of Deoxynivalenol (DON) Inspections			
FGIS	9,909	10,157	9,820
Delegated States/Official Agencies	<u>114,993</u>	<u>57,126</u>	<u>61,959</u>
Total	124,902	67,283	71,779
<i>(continued)</i>			

<i>Item</i>	<i>Fiscal Years</i>		
	<i>2006</i>	<i>2007</i>	<i>2008</i>
Number of Fumonisin Tests			
FGIS	60	41	18
Delegated States/Official Agencies	<u>3,215</u>	<u>7,680</u>	<u>5,777</u>
Total	3,275	7,721	5,795
Number of StarLink™ Tests			
FGIS	2,173	1,794	2,060
Delegated States/Official Agencies	<u>16,630</u>	<u>17,522</u>	<u>23,623</u>
Total	18,803	19,316	25,683
Number of Wet Gluten Tests			
FGIS	0	0	8
Delegated States/Official Agencies	<u>1,145</u>	<u>3</u>	<u>0</u>
Total	1,145	3	8
Quantity of Rice Produced (Mmt) (milled basis)	8.7	9.0	9.3
Quantity of Rice Inspected (Mmt) (milled basis)	2.8	1.9	2.4
Number of Rice Inspections			
FGIS	17,912	17,745	12,684
Cooperators	<u>20,325</u>	<u>22,855</u>	<u>21,660</u>
Total	38,237	40,600	34,344
Number of Rice Appeals	137	186	103
Number of Rice Board of Review Appeals	5	1	0
<i>(continued)</i>			

<i>Item</i>	<i>Fiscal Years</i>		
	<i>2006</i>	<i>2007</i>	<i>2008</i>
Quantity of Pulses Produced (Mmt) (beans, peas, lentils)	1.8	2.0	1.2
Quantity of Pulses Inspected (Mmt)			
FGIS	.7	.7	.8
Cooperators	<u>.1</u>	<u>.1</u>	<u>.1</u>
Total	.8	.8	.9
Number of Pulse Inspections			
FGIS	14,220	13,936	13,131
Cooperators	<u>7,370</u>	<u>8,399</u>	<u>6,915</u>
Total	21,590	22,335	20,046
Number of Pulse Appeals	252	368	142
Number of Pulse Board of Review Appeals	13	12	20
<i>(continued)</i>			

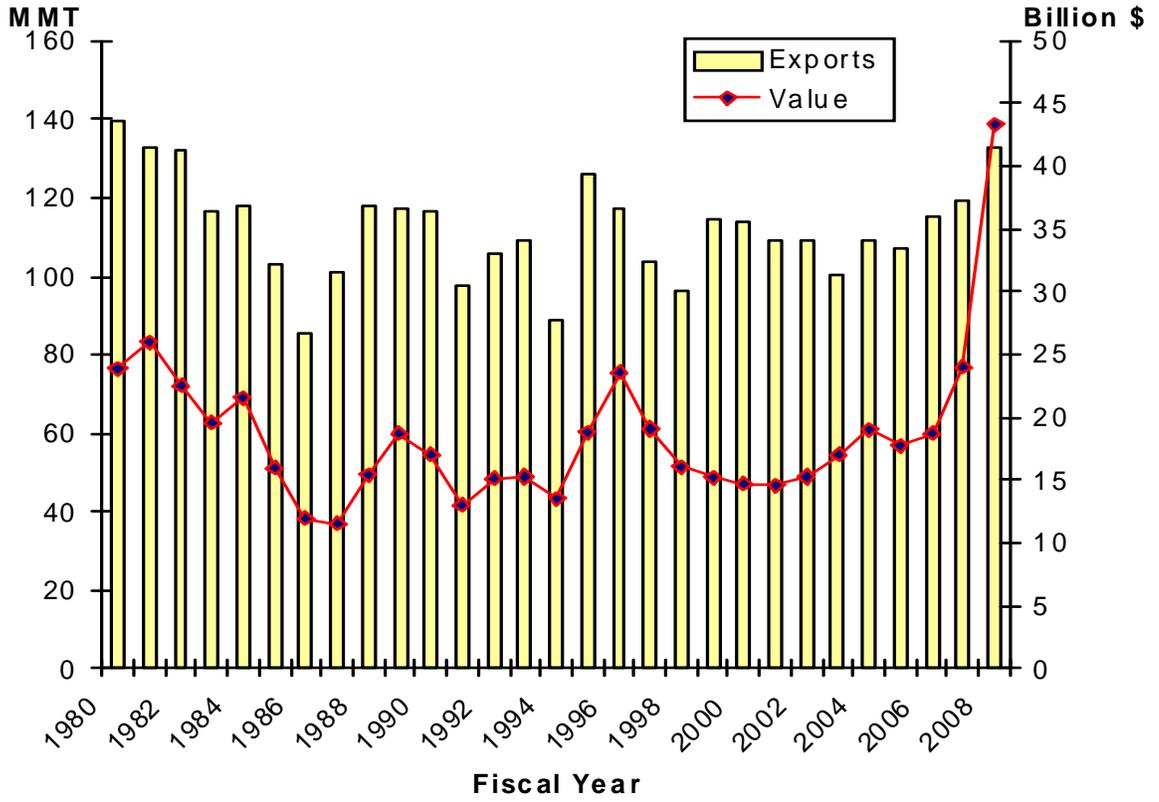
**Weighing Program Data
Fiscal Years 2006-2008**

<i>Item</i>	<i>Fiscal Years</i>		
	<i>2006</i>	<i>2007</i>	<i>2008</i>
Official Weight Certificates Issued			
FGIS			
Class X ¹	69,135	67,035	80,537
Class Y ²	<u>2,518</u>	<u>7,048</u>	<u>7,572</u>
Total	71,653	74,083	88,109
Delegated States/Official Agencies			
Class X ¹	70,011	165,565	261,284
Class Y ²	<u>89,260</u>	<u>78,251</u>	<u>79,150</u>
Total	159,271	243,816	340,434
Exported Grain Weighed (Mmt)			
FGIS	75.1	76.7	81.1
Delegated States	<u>26.6</u>	<u>26.5</u>	<u>31.9</u>
Total	101.7	103.2	113.0
Number of Certified Scales in Service			
Export Elevators	230	230	222
Number of Scales Tested			
Railroad Track Scales	200	200	220
Hopper Scales	740	675	615
Vehicle Scales	160	228	370

¹ Class X weighing involves 100 percent supervision of weighing.

² Class Y weighing involves a minimum of 25 percent supervision of weighing.

**U.S. Grain, Oilseed, and Rice Exports: Volume and Value
FY 1980-2008**



Sources: FGIS Export Grain Inspection System and the USDA Economic Research Service, Outlook for Agricultural Exports

**Volume of Grain Inspections
by Port Areas
October 2007-September 2008**

<i>Port Area</i>	<i>Million Metric Tons (MMT)</i>	<i>Percent of Total U.S. Exports</i>
California	0.2	0.1
Chicago	0.3	0.2
Columbia River	21.4	16.6
Duluth-Superior	1.4	1.1
East Gulf	1.7	1.3
Interior	15.1	11.8
Mississippi River	54.3	42.3
North Atlantic	0.4	0.3
North Texas	12.4	9.6
Puget Sound	12.9	10.1
South Atlantic	2.2	1.7
South Texas	5.1	4.0
Toledo	1.1	0.9
Total	128.5	100.0



Management Initiatives

Management Initiatives

Customer Survey

From September through November 2007, FGIS surveyed customers of the official inspection and weighing system. FGIS mailed surveys to 1,018 customers of 43 private official agencies, 12 State agencies, and 5 of the largest FGIS field offices (i.e., League City, TX; New Orleans, LA; Portland, OR; Stuttgart, AR; and Toledo, OH). Fifty-two percent of customers responded to the survey.

FGIS conducted similar surveys in 1996 and 2000. In all three surveys, customers rated FGIS highest in the areas of timeliness and overall quality of service. FGIS has identified the establishment of additional on-site laboratories by official service providers as one factor allowing the official system to offer more timely service and results. FGIS is currently implementing *FGISonline*, a major information technology and business reengineering initiative that will further improve customer service, provide customers with web-based access to results, and improve internal business operations.

In all three surveys, customers were least satisfied with the cost of services, and the accuracy and consistency of results. To this end, FGIS has undertaken several complex, long-term initiatives to improve our performance in these areas. FGIS maintains ongoing efforts to improve the cost efficiency of its programs and services. Several years after the 2000 survey, FGIS implemented a revised inspection and weighing service fee structure. Currently, FGIS is analyzing the fee structure of the commodity inspection program. While customers expressed the least level of satisfaction with the cost of services, overall satisfaction levels increased by more than 12 percent from the 1996 to 2007 survey.

In the quality assurance arena, FGIS is realizing years of planning. Within one year of completing the 2000 survey, FGIS undertook a review of its quality assurance and control processes. That review provided impetus to create a long-range strategy to improve and streamline those processes which has come to fruition in the form of organizational restructuring and information technology innovations that will improve the official system's ability to provide highly accurate and consistent results.

Succession Planning

FGIS was established and originally staffed in 1976. Many employees in the mission-critical agricultural commodity grader and agricultural marketing specialist series were hired in 1976 and are in the Civil Service Retirement System (CSRS). Typically, employees covered by the CSRS retire within 3 years of reaching 55 years of age and 30 years of service. By 2009, 64 percent of FGIS' entire workforce will be eligible for retirement. For the mission-critical series (agricultural commodity graders and agricultural marketing specialists), retirement eligibility will reach 73 percent and 63 percent by 2009, respectively.

FGIS is taking a number of steps to ensure the quantity and quality of our future workforce.

FGIS encourages employees to avail themselves of available professional and personnel development training; conducts 360 degree supervisory assessments to strengthen management competency throughout the organization; and increases recruitment efforts in response to impending attrition. FGIS initiated two programs in 2008 to specifically address our need for mission-critical grain graders. In 2007, FGIS instituted at major export offices an Agricultural Commodity Grader Program, an apprentice/ development program for agricultural commodity technicians that will prepare staff for future agricultural commodity grader vacancies. Under this program, FGIS developed a new “apprentice” agricultural commodity grader position, which is classified at the GS-7 grade level instead of the usual GS-05 level, and is a 3-year term appointment. The program includes a full training curriculum with technical, administrative, and regulatory components. Incumbents compete for this position, which in turn, allows them to compete for available vacant GS-9 grader positions if they successfully complete the training program. FGIS also implemented the Specialized Enhancement Program at three major export field offices (New Orleans, League City, and Portland) to enhance the proficiency of our technical workforce by improving communication skills, developing better technical skills, and improving the understanding of internal field office processes and procedures.

Commercial Services Management⁹

FGIS prepared and submitted its 2008 Federal Activities Inventory Report (FAIR) as required. FGIS updated and submitted its FY 2008 and 2009 Commercial Services Management Plan, and completed three additional Feasibility Studies in FY 2008. As of the end of FY 2008, the Agency has performed feasibility studies on 65 percent of its Commercial ‘B’ positions. None of the studies indicated it would be economically feasible to conduct further A-76 studies on the corresponding commercial activities.

Explosion Data

GIPSA receives information on agricultural dust explosions via the Internet, employees, and newspapers. GIPSA does not investigate agricultural dust explosions and the private sector is not required to report explosions to GIPSA. This data is subject to change as new information becomes available.

Summary of Reported Agricultural Dust Explosions Fiscal Years 2006 –2008

	2008	2007	2006
Number of Explosions	4	4	9
Number of Injuries	1	6	11
Number of Deaths	0	0	1

⁹ On May 22, 2008, the Office of Management and Budget (OMB) changed the initiative from Competitive Sourcing to Commercial Services Management to recognize that agencies can use a variety of management improvement tools to make operations more efficient and effective.

**Reported Agricultural
Dust Explosions
FY 2008**

<i>Facility</i>	<i>Location</i>	<i>Date</i>	<i>Injuries</i>	<i>Fatalities</i>
Midwest Farmers Cooperative	Alton, IA	07/09/08	1	0
Prairie Central Cooperative	Pontiac, IL	06/17/08	0	0
Champagne Landmark Grain Elevator	Thackery, OH	06/09/08	0	0
Farmers Co-op Society's Grain Elevator	Sanborn, IA	04/13/08	0	0

Financial Information

Financial Information

Status of FGIS
User Fee-Supported Accounts*
Fiscal Year 2008

PROGRAM	REVENUE	OBLIGATIONS	PROFIT/(LOSS)	RETAINED EARNINGS
	9/30/2008	9/30/2008	9/30/2008	9/30/2008
U.S. Grain Standards Act				
Inspection & Weighing Official Agencies	\$ 35,996,736	\$ 33,447,550	\$ 2,549,186	\$ 6,330,532
USGSA Subtotal	\$ 38,463,165	\$ 35,314,668	\$ 3,148,497	\$ 8,911,394
Agricultural Marketing Act				
Rice Inspection	\$ 4,957,409	\$ 4,002,587	\$ 954,822	\$ 518,858
Commodity Inspection	\$ 2,281,910	\$ 2,485,943	\$ (204,033)	\$ 1,713,529
AMA Subtotal	\$ 7,239,319	\$ 6,488,530	\$ 750,789	\$ 2,232,387
Total Fiscal Year 2008	\$45,702,484	\$41,803,198	\$ 3,899,286	\$11,143,781

FGIS' Appropriated Budget Authority
Fiscal Years 2004-2008
Dollars in thousands

<i>Appropriated Funds</i>	<i>FY 2004</i>	<i>FY 2005</i>	<i>FY 2006</i>	<i>FY 2007</i>	<i>FY 2008</i>
Federal Grain Inspection Service	\$16,939	\$17,491	\$18,186	\$17,613	\$17,613

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