

Fresh Products Branch Overview

Inspection Fee Structure
and
State & Federal Minimum Quality Requirements
& Grade Standards

FVIAC Meeting
June 27, 2006
Washington, DC



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Fresh Products Branch
Fruit & Vegetable Programs

Today's Discussion

- Introduction/Overview of the Branch's Operations
- Inspection Fee Structure
- Grade Standards Review Project
 - State & Federal Minimum Quality Requirements



Introduction to the Fresh Products Branch

- History
- Core values
- Organizational components
- Diversity of services & programs



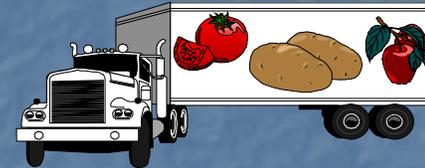
Branch History

- War Emergency Bill, August 1917
- When received in Interstate Commerce
- First Commodity Standard
 - Potatoes, 1917
 - Now, 160 standards on 87 different commodities



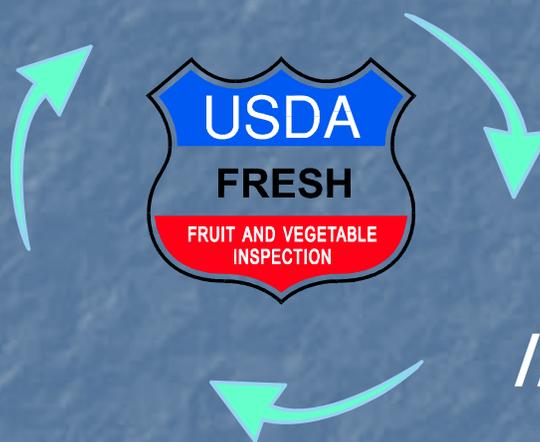
History...

- The Appropriations Act of May 1922
- When offered for *Interstate shipment*
- Cooperative agreements with the states to provide service on behalf of USDA
 - Where it is more economically sound for the state government to provide service...



Core Values

Honesty



Efficiency

Impartiality



Nationwide Service



- Buyers
- Sellers
- Receivers
- Brokers
- Shippers
- Processors
- Importers
- Other...

Inspections are Used For...

- Factual evidence
- Quality control
- Establishing product value
- Making & obtaining loans
- Settling claims
- Basis for rejection
- Evidence of compliance or non-compliance of:
 - Contract specs
 - Marketing Orders & Agreements
 - State regulations
 - Import & Export requirements
- Facilitating trade



Programs & Services

- FPB provides a wide range of programs & services to meet your business needs:
 - "Traditional" inspection and grading
 - Partners In Quality program
 - Customer Assisted Inspection Program
 - Contract specifications
 - Good Ag & Good Handling Practices program
 - Identity Preservation Program
 - Food Defense
 - Other inspection, grading or auditing programs
 - Develop or revise US grade standards
 - Training programs
 - Inspection data, general or specific
 - Billing summary information



Nature of Services

- Inspection/Grading & Auditing Activities
 - Voluntary;
 - Upon specific request; or
 - Specified by:
 - Special Program, Contract, Marketing Order or Agreement; Import or Export requirement

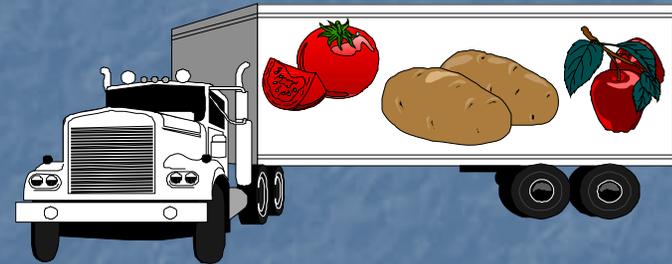
- Standardization Activities
 - Industry standards;
 - 1917-2002 developed and/or revised at specific request
 - 2003 to present "Grade Standards Review Project"

- Training Activities
 - Primarily for inspection staff;
 - Mandatory for Federal staff; strongly suggested for State staff
 - Industry classes developed by specific request



Types of Grading Service

- Terminal Market
i.e., destination
- Shipping Point
i.e., origin or point of import



Grading/Inspection Activity

Terminal Market Activity = ~ 3.5 billion lbs

- Commercial Inspections = ~2.5 B lbs
- 8e (Import), Non-8e (Import), DPSC, Institutions and Other Agencies, Contracts, Misc., Canadian Import Requirements & U.S. Export Acts = ~ 1.0 B lbs

Shipping Point Activity = ~ 73 billion lbs

- Commercial Inspections = ~26 B lbs
- 8e (Import), Non-8e (Import), Farmers' Stock Peanuts, Raw Products for Processing = ~ 47 B lbs



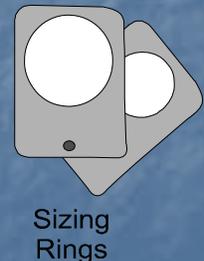
Organizational Components

- Office of the Chief
- Standardization Section
- Field Operations Section
- Program Support Section
- Training & Development Section



Field Operations Section

- Provides a uniform grading service to financially interested parties;
- Employs more than 200 personnel across the country;
- Develops and implements new programs



Fresh Electronic Inspection Reporting/Resource System

- Inspectors utilize ruggedized laptops loaded with unique software for performing inspections
- All US grade standards, inspection manuals and visual aids are available on the system
- All calculations and initial grade determinations made by software
- Inspector reviews certificate and if necessary, over-rides/writes correct or additional statements





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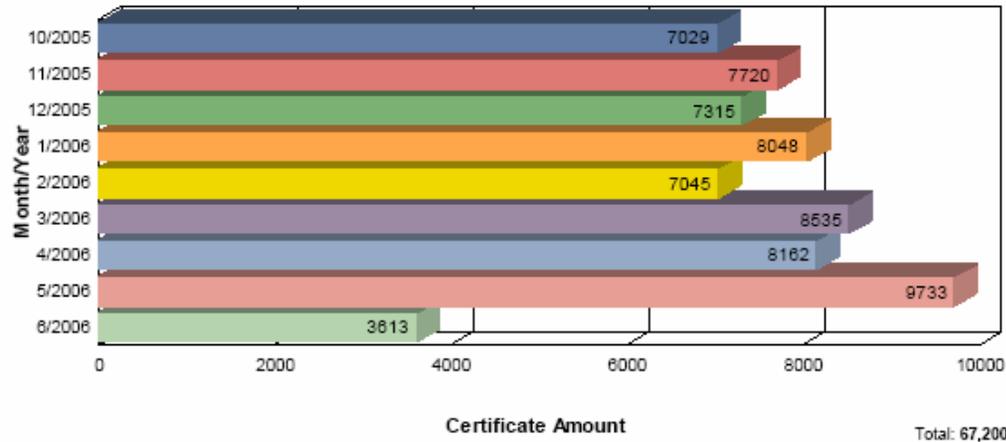


United States Department of Agriculture
Agricultural Marketing Service
Fruit & Vegetable Programs
Fresh Products Branch

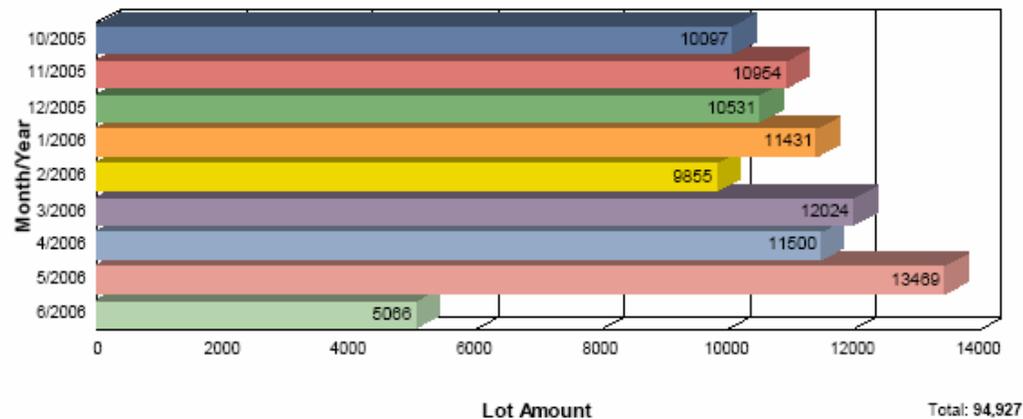
Certificate and Lot Total by Month

From 10/1/2005 to 6/15/2006

Certificate Total by Month



Lot Total by Month

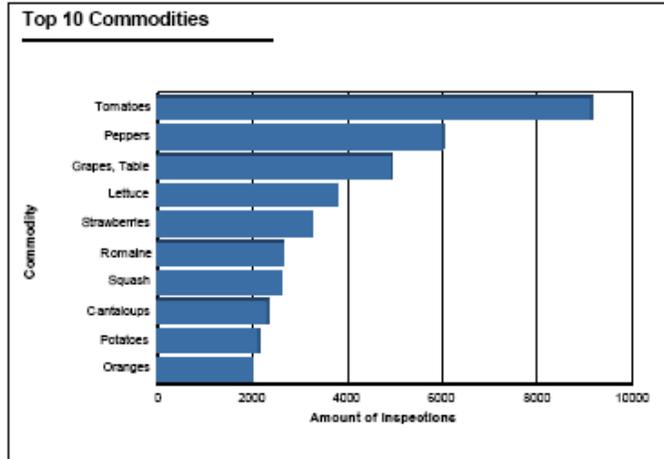


FEIRS Mgr. Reports





United States Department of Agriculture
AMS Fruit & Vegetable Programs
Fresh Products Branch



Inspection Total by Commodity
Report covers from 10/1/2005 to 01/02/06

Commodity	Amount of Certificates
Tomatoes	9,147
Peppers	6,019
Grapes, Table	4,926
Lettuce	3,775
Strawberries	3,262
Romaine	2,640
Squash	2,611
Cantaloups	2,310
Potatoes	2,142
Oranges	1,983

FEIRS Mgr. Reports





Office Summary by Assigned Inspectors

For BOSTON, MA

Selected Date Range: 5/1/2004 to 6/15/2006

Actual Date Range: 5/20/2004 to 6/15/2006

FEIRS Mgr. Reports

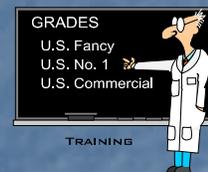
Certificates

	Regular	Superseded	Reversed	Sustained	Total	Total Fees	Total Miles Traveled	Total Overtime (Hrs)	Avg Response Time (Hrs)	Avg Inspection
ALBERT	2,159	87	2	0	2,248	\$283,910.07	23,201	137	0.79	0.48
ALLARD	1,293	44	0	2	1,339	\$178,550.04	14,052	241	2.50	0.64
APONTE	9	0	0	0	9	\$1,333.50	136			0.12
ATAMYILDIZ	1,310	66	1	2	1,379	\$175,578.75	1,100	115	3.90	1.17
ATSAVES	1,488	132	0	0	1,620	\$217,238.19	12,509	439	2.08	0.95
BAMIRO	1,204	102	0	0	1,306	\$174,522.83	12,130	244	2.92	1.12
BARLOW	606	45	4	1	656	\$101,891.98	15,056	141	4.03	0.79
BELL	1,095	46	0	1	1,142	\$173,657.75	14,673	76	1.47	0.80
BENAVIDES JR.	642	67	0	0	709	\$81,111.00	6,419	182	2.55	1.05
BENNETT	89	8	0	0	97	\$11,548.78	1,074	16	1.60	0.70
BOWERY	1,142	74	0	0	1,216	\$192,029.82	28,056	549	3.27	0.86



TDS Activity, FY-06

- New Inspector Training class (includes 2 weeks OJT in Philly & The Bronx)
- Refresher Training classes for all experienced inspectors
- Industry Training classes in cooperation with UFFVA
- Industry Training classes for specific companies
- Food Defense Training class
- GAP/GHP classes
- PIQ Training
- Mexican Inspection Service-focused Train-the-Trainer class
- Train-the-Trainer class
- Auditor Training class (development stage)



Questions on the general overview
of the Fresh Products Branch?

Jump into
"Inspection Fee Structure" discussion



Inspection Fee Structure

- Fees and appropriations cover:
 - Staff salary & benefits (~79% of costs)
 - Rent, facilities maintenance
 - Staff travel
 - Staff training
 - Supplies
 - Program, Agency, Department overhead costs



Brief History of Terminal Market Fee Situation

- Periodic increases pre-1998
- Increase scheduled for 1998
 - Withdrawn with Congressional appropriation in 2001
 - No fee increases from 1998-2004
- Presented alternate plan to 2002 FVIAC
 - Supported 15% increase FY-03, 05, 07, 09
 - Implemented increase FY-04 & FY-06
- Presented situation to 2005 FVIAC
 - Supported multi-year increase
 - In process with Dept., OBPA and OMB



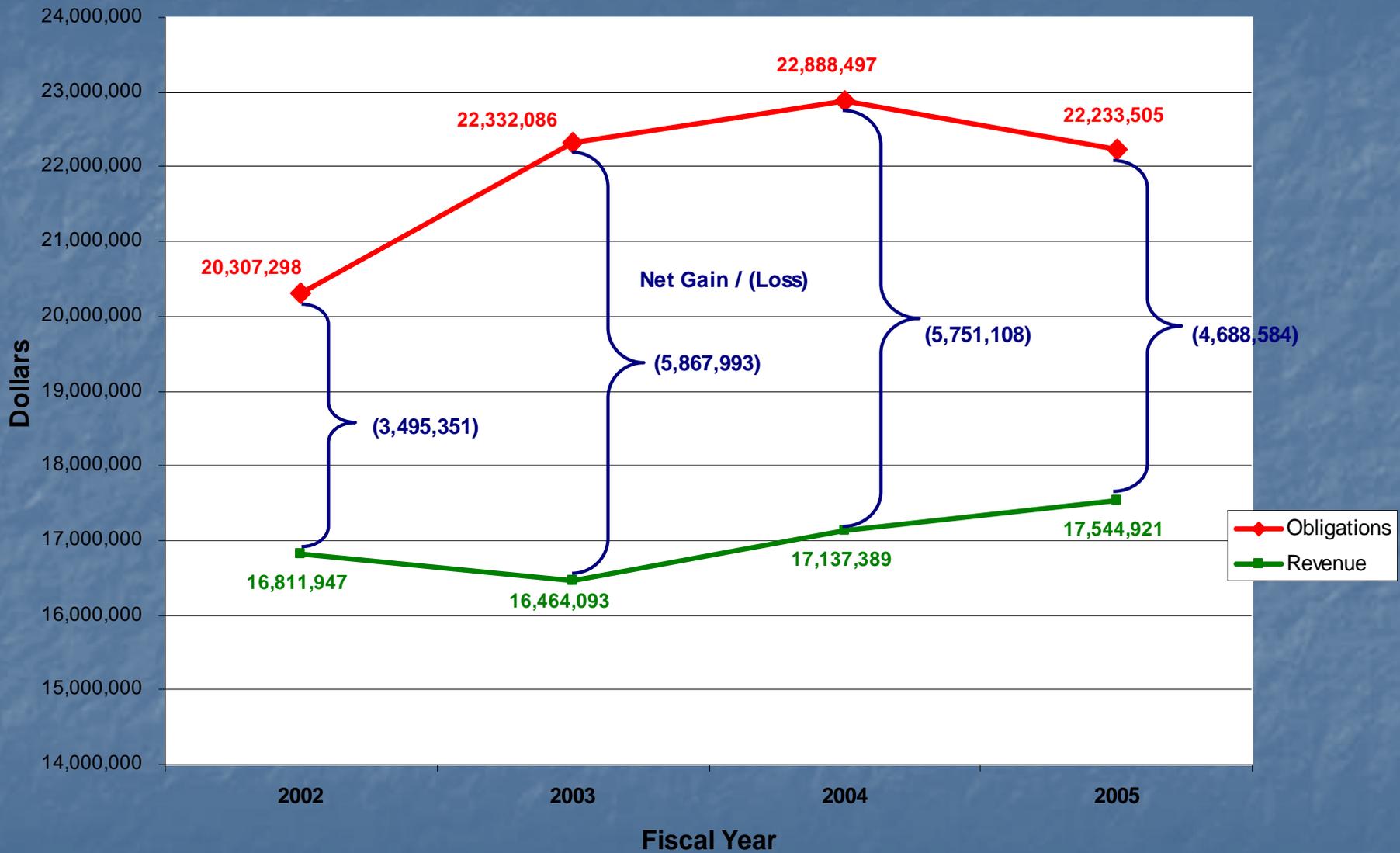
Fees & Revenue

Actual & Projections

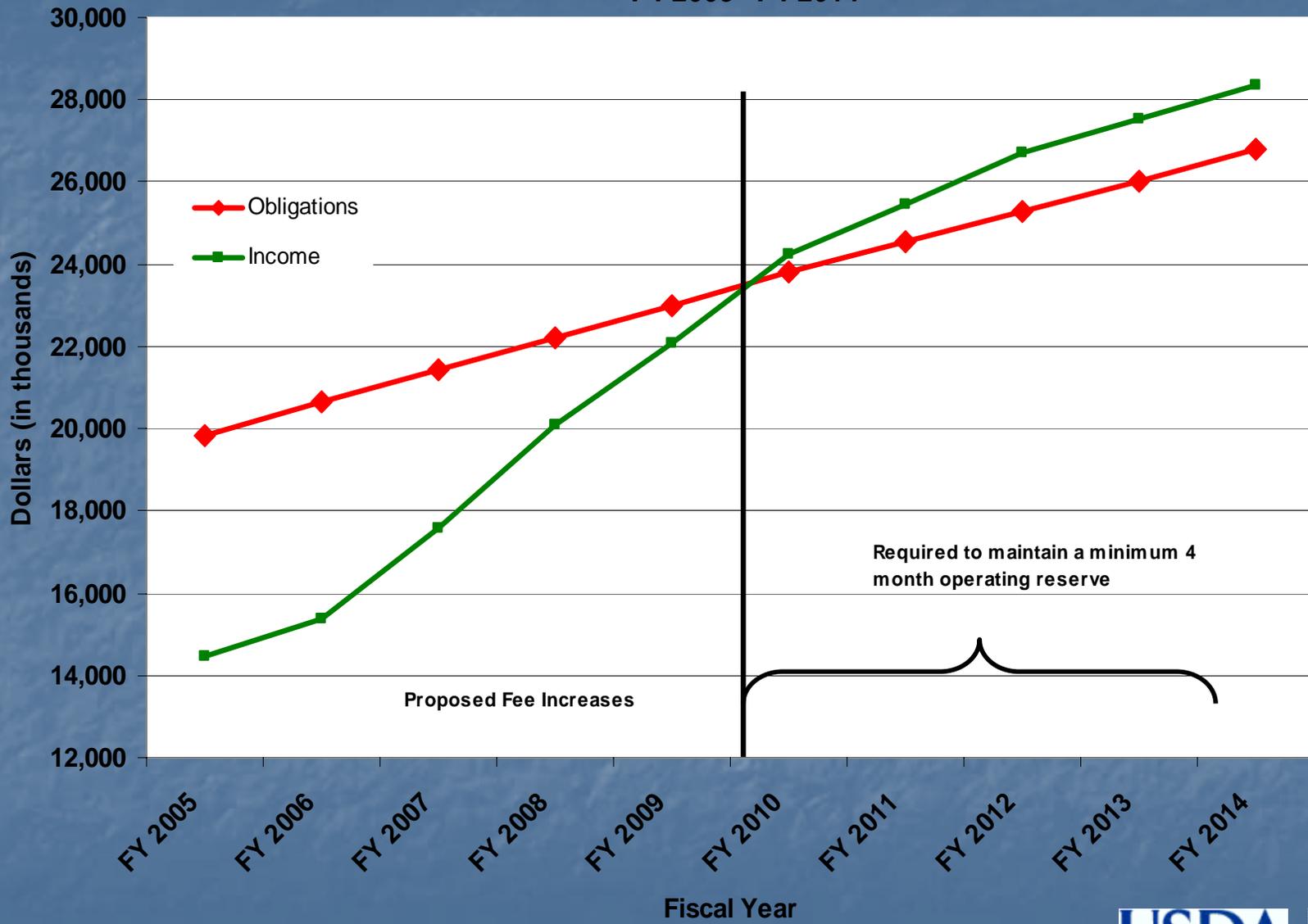
- **Actual** through 2005
 - Obligations \$22.2 M
 - Reflect \$1/2 M cost savings
 - Revenue \$17.5 M
- **Projections** to 2014
 - Federal market only
 - Federal-State dependent on State's provision of services
 - Obligations \$ ~27 M
 - Revenue \$ ~28 M



**Fresh Products Branch Summary of Operations
Actual FY 2002 through FY 2005**



FRESH PRODUCTS BRANCH
Financial Projections for Federal Market Program
FY 2005 - FY 2014



Market Fees

- Federal & Federal-State Markets (Most)
Charge according to Fee Schedule
 - Full load Q&C = \$114
 - Less than ½ load Q&C = \$95
 - Sublot/same commodity = \$52
 - Hourly rate for inspection = \$49
 - Hourly rate for auditing = \$75
 - OT hourly rate = fees + \$29



Shipping Point Fees

- Established by States
 - Reasonable to recover costs of providing service
- Auditing fees recommended at hourly rate of \$75
 - Higher input (additional skills, training & oversight needed)
 - Used at Shipping Points & Markets



Funding Sources

- Inspection/Grading & Auditing Services
 - User-fee Basis
 - “Applicant” requesting service is billed
- Standardization Activities
 - Historically funded via appropriations
 - Due to the impact on the “greater good” of the consumer
 - Uncertain in FY-08
- Training Activities
 - Authorization by Congress in 2001 with 5-year Appropriation
 - Expired at end of FY-05 (September 2005)
 - Currently reflected in the Federal terminal market fees



Questions on the
“Inspection Fee Structure”?

Jump into
“Standards Revision Project”
& “Federal and State Grade
Comparison” discussion



Grade Standards Review Project

- Understanding that grade standards are not “USDA” standards; but industry standards
- A recommendation of your 2002 committee members
- USDA developed & implemented current process



Why Review?

- Greater range of produce available and requests for inspection
- New technology being used by industry
- Standards not being fully utilized
- Your recommendation to Secretary of Agriculture by FVIAC in 2002



Project Goals

- Review each standard for utility
- Ensure revision/development meets the needs of:
 - Produce industry (i.e., does it provide useful information to market product or make business decision)
 - USDA (i.e., can it be done during inspection?)
 - Develop long range plan for completion



Current Status of Review

- 33 commodity standards reviewed to date
 - 3 new standards developed
 - Mangos
 - Field grown leaf lettuce
 - Muscadine grapes
 - 4 withdrawn
 - Cucumbers
 - Snap beans
 - Lemons
 - Dewberries & Blackberries



Reviewed/Revised Standards

- Sweet potatoes (added petite size)
- Kale
- Strawberries (basis of inspection)
- Asparagus (include white and purple)
- Globe Artichokes
- Limes (juice content determination)
- Sweet peppers
- Watermelons (define seedless)



Current Activity

- Commodities in process include:
 - Avocados (FL)
 - Pea Pods (Snow Peas)
 - new
 - Broccoli
 - Greenhouse tomatoes
 - Tomatoes on the Vine
 - new
 - Sweet Cherries
- Table Grapes
- Mushrooms
- Oranges (CA)
- Potatoes
- Parsley
- Pears (Winter)
- Cultivated Ginseng
 - new
- Summer Squash



Anticipated Results

- **Revised** standards that more accurately reflect industry marketing practices
- **New standards on additional commodities**
- Greater objectivity in defect scoring
 - More defined scoring guides
 - Revised or developed inspection instructions
 - Developed new visual aids
- **Greater use of the standards**
 - References in industry contracts
 - Increased inspection activity



Future Plans

- Continue process until all listed standards have been reviewed
 - From original list of 38
 - Other commodities requested by industry take priority
- Each year thereafter:
 - Evaluate top five commodities inspected
 - From Branch's inspection database, and that
 - Have not reviewed in previous five year
 - Two additional commodities
 - Not reviewed in past 20 years



State & Federal Minimum Quality Requirements

- A general discussion
- Review and compare a US standard with a State standard



Review & Compare U.S. & State Grade Standards

- Some commodities have both US & State Standards, i.e.,
 - Cherries (US and Washington State)
 - Pears (US and Oregon)
 - Asparagus (US and Hawaii)
- Either can be applied to a commodity at applicants request
 - Market staff apply US Standards unless otherwise specified
 - Shipping point staff apply requested standard



Grade Standard Comparison



United States
Department of
Agriculture

Agricultural
Marketing
Service

Fruit and
Vegetable
Division

Fresh
Products
Branch

United States Standards for Grades of Sweet Cherries

Effective May 7, 1971

Chapter 16-414 WAC Washington standards for cherries

Last Update: 10/4/05

WAC Sections

Part I

SWEET CHERRIES

- 16-414-005 What definitions are important to this chapter?
- 16-414-010 What are Washington No. 1 grade and Northwest No. 1 grade sweet cherries?
- 16-414-011 What size requirements apply to sweet cherries?
- 16-414-012 What tolerances apply to Washington No. 1 and Northwest No. 1 grade sweet cherries at their shipping point and en route or at their destination?
- 16-414-014 What tolerances apply to sweet cherries that are "off-size"?
- 16-414-016 Does Washington state adopt the U.S. standards for grades of sweet cherries?
- 16-414-020 How are individual sample tolerances applied to Washington No. 1 and Northwest No. 1 grade sweet cherries?
- 16-414-045 What specific defects are considered damage to Washington standards?
- 16-414-065 What specific defects are considered "serious damage" to Washington standards?
- 16-414-085 What requirements apply to containers used to ship sweet cherries?
- 16-414-086 Can the director grant exemptions to the container requirements listed in WAC 16-414-085?
- 16-414-090 What marking requirements apply to sweet cherry containers?

Part II

SULPHURED CHERRIES

- 16-414-105 What definitions are important to sulphured cherries?
- 16-414-107 What are the Washington state grades for sulphured cherries?
- 16-414-108 What are the tolerances for Washington sulphured cherries?
- 16-414-110 What are the size requirements for all grades of Washington sulphured whole cherries?
- 16-414-120 What are the tolerance requirements for the certification of lots of Washington No. 1 and Washington No. 2 grade sulphured cherries?
- 16-414-125 What tolerances apply to sulphured pitted cherries?
- 16-414-145 What specific defects are considered damage to Washington standards for sulphured cherries?
- 16-414-155 What specific defects are considered serious damage to Washington standards for sulphured cherries?



General Discussion...

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Questions or Comments?

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