UNITED STATES DEPARTMENT OF AGRICULTURE
Grain Inspection Advisory
Committee Meeting

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Wednesday, August 30, 2023
8:30 a.m.

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USDA AMS FGIS
10383 N Ambassador Drive
Kansas City, MO 64153

PRESENT:

Barbara Grove, Chair
Arthur Neal, Deputy Administrator
Denise Ruggles, Executive Program Analyst
Karla Whalen, Director - Quality Assurance & Compliance Division
Charles Parr, Acting Director - Field Management Division
Dr. Ed Jhee, Director - Technology & Science Division
Dr. Charles Hurburgh
Charles Bird
Philip Garcia
Christopher Frederking
Robert Sinner
Janice Cooper
John Morgan
Shayleen Rambur
Nicholas Friant
Kia Adams-Mikesh
Jimmy Williams
Mark Heil
Curtis Engel

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P-R-O-C-E-E-D-I-N-G-S

(8:30 a.m.)

CHAIR GROVE: It is 8:30 and we are going to head -- go ahead and call our meeting to order.

I want to welcome everybody here, the Committee. We've got a lot of people online, so that's really awesome. It's great that we can utilize technology to have more people involved with us. We do have one committee member online also. And again, welcome to everybody in the gallery. Appreciate you being here.

I'm going to start off with roll call. And what I would like everybody to do is state your name as we go around the table. All right. And I will start with you, Dr. Charlie.

DR. HURBURGH: Charlie Hurburgh. Oh, sorry. Too much technology. Charlie Hurburgh, Iowa State University. I run the grain extension program at Iowa State University. And won't tell you how long I've been at Iowa State, 'cause then I'll date myself. But thank you for inviting me to come.

MR. BIRD: Chuck Bird, Neogen Corporation. Been with Neogen 37 years and help represent the technology around mycotoxin testing and other technology.

MR. GARCIA: Phillip Garcia with the Washington State Department of Ag.

MR. FREDERKING: Chris Frederking, general manager at Zen-Noh Grain Corporation, here representing exporters.

MR. SINNER: Bob Sinner, SB&B Foods North Dakota, representing container industry and producer.

MS. COOPER: Janice Cooper, formerly of the Wheat Marketing Center, now in California.

MR. MORGAN: John Morgan with Supreme Rice in Crowley, Louisiana. I'm representing the rice industry.

MS. RAMBUR: Shay Rambur, JD Heiskell & Company.

MR. FRIANT: Nick Friant, Cargill, representing exporters, domestic and GFA -- grain industry.

MS. MIKESH: Kia Mikesh with North Dakota Grain Inspection, representing official agencies and the American Association of Grain Inspection and Weighing Agencies.

MR. WILLIAMS: Jimmy Williams, Missouri Department of Agriculture.

MR. HEIL: Mark Heil. I'm with Prairie Central Cooperative in Chenoa, Illinois, and we're a grain -- local grain elevator cooperative that loads shuttle trains of corn and soybeans.

MR. ENGEL: Curt Engel, Northridge and Hills, Texas. I'm retired from The Scoular Company.

CHAIR GROVE: I'm Barbara Grove, chairing this committee, and I work for Central Valley Ag, a locally owned cooperative in Kansas, Nebraska, Iowa, and South Dakota. And I'm representing NGFA, GEAPS, and the inland market of our industry.

And Curt -- Dr. Curt if you are able

to unmute online and introduce yourself.

Actually, I'm not sure I see Curt's name online, so when he comes on, you just go ahead and let us know. We do have a quorum to complete our business today. Thank you all for being here.

A few quick clean-up items, or meeting protocol items. As we just heard one, please make sure you have your cell phones shut off, in silent mode. That way we aren't interrupting the proceedings today.

Also, if you happen to -- we all know our businesses do go on, so if you have to take a call, please don't answer it till you have stepped out, cleared the -- the closed door. That way, again, you aren't interrupting the meeting. And this is a public forum. It is being recorded, so somebody else talking may -- may just kind of put a little bit of a mess in what -- what we're trying to do here and what should be on public record.

During the meeting today, again,

everybody is part of the Committee. Obviously, we will be using our mics, so please press your mic. The red will come on when you are live. And then when you are done, make sure to click it off so that it doesn't disrupt somebody else being able to talk.

Those that have joined us online, again, thank you. You can put in the chat to the National Grain Center if you have a question or comment. And I will try to watch the comments, or they will make sure to signal me that there is somebody online. And if it is an appropriate time, we may let them unmute you to ask your question verbally, or we will handle it through the chat.

Those of you that are in the gallery. We do have a public comment section at the end. But if you have something that is very relevant to the conversation or a topic and you would like to comment, please raise your hand and until addressed to be given the floor, please hold off. But come over to the mic. We don't have our mic there yet? Okay. We will have a mic there. And when you come to the mic, please state your name, and please spell it for the record, and who you are representing. And then proceed with your comment or question after you've been given the floor.

So this morning, we are going to go ahead and start our agenda with FGIS program updates. So Arthur if you would like to go ahead and lead us off.

And I will, again, any speaker today, please make sure to state your name and your purpose, or who you're representing for the record.

MR. NEAL: Good morning everyone. It's good to see you. It's been since December we've last gathered together. Some of us have been running into each other in different meetings and conferences, and so it's good to be back here at the National Grain Center for another Grain Inspection Advisory Committee meeting. Our goal was to have two meetings this year. We'll see what happens. But for this meeting we are grateful because we do have some business to attend to.

Want to get right into it with FGIS updates. I'm going to kind of kick it off with updates regarding Grain Inspection Advisory Committee recommendations, as well as some other general activities that are happening in the program.

One of the things that has transpired since we've last gathered is that we've published a review on geographic boundaries. It was one of the recommendations that came from the -- the Committee back in 2022. And it's birthed out of the U.S. Grain Standards Reauthorization Act.

And so we've completed this by taking a look at all the geographic boundaries that -- under which all of our official agencies operate and provide service. To ensure or assess whether or not any changes need to -- needed to be made to boundaries and how we're facilitating the review, and the assignment of those boundaries.

One of the things we've also done as a result of this particular report. We published an online map that identifies where each official agency is operating their territory, as well as, you know, some of the customers that they serve. Not all, but some. Based on the data that we have available to us.

Another recommendation that we've closed out is we've published a final rule regarding soybeans of other colors. I think everybody's aware that over the past several years -- well, over the past year and a half, rather, we've had a presence upsurge, in the presence of soybeans of other colors.

Didn't quite know how to deal with it in the immediate presence of it. However, we worked collaboratively with the Grain Inspection Advisory Committee, as well as the industry, to figure out a path forward on how do we address this occurrence, such that it does not impact the grade of soybeans and contracts that have already been established. And so what we've done is we've removed soybeans of other colors as a grading -- official grading factor for yellow soybeans. It remains a criteria that can be requested and evaluated upon request by the customer. But it allows us to still trade our soybeans without them being impacted by this factor. Until it crosses the threshold of 10 percent, which it becomes mixed soybeans. And so that becomes effective tomorrow. We wanted to make sure that we got that completed before this year's harvest. Is it tomorrow? No. On Friday. Sorry. I'm thinking today's the 31st. On Friday.

So this has been closed out. We're going to be working with Foreign Agricultural Service to ensure that they've got all of the attaches fully up to date on the changes that have been made in case any countries have any questions. And Byron will probably provide some updates. 'Cause we have had some conversations with countries like Indonesia, just wanting to make sure that this change will not affect them if they buy a lot of food grade soybeans. But to date, we've heard no concerns about the changes that have been made.

We also published a final rule that changes how, or clarifies how we make decisions regarding requests for exceptions to geographic boundaries. This has been a longstanding issue from what I understand. And when I came in in 2019, this is one of the first issues that was brought to me.

It took us a minute to figure out what was the problem. But I think we figured out what was the problem. I think it was transparency. How do we understand the process works. And so what we've done is we've built a process that -- that specifies when official agencies, when customers can request changes to their boundaries. And so this rule does that. Carla will probably share a little bit more about that in her updates from the Quality Assurance and Compliance Division. That rule became effective August 1st.

The directive on FDA action levels. This is another issue that came to us in 2019. Kind of took us a minute to figure out the right approach, and then the various impacts of it. I'm happy to say that we're making progress. I think the last conversation we had with industry about this was in end of May of this year. And FDA was present for our exporter meeting down in New Orleans in terms of virtually. They were virtually present.

And Barry Gomoll, who's been the point of contact for FDA, has been working very closely with -- with -- he's a point of contact for FGIS. He's been working closely with FDA on this issue. And we're hoping to have a draft directive on this updated, probably by the end of this month, early next month that we can begin reviewing.

The finalization of that draft may take us a little while. But we'll be consulting with you all as we get it in our hands, so that we can see if we can kind of take this down the road further, close it out, and have a little bit more clarity around how we will deal with issues like animal filth being called in in lots, response times. If we've had any flexibility on preapproved methods to remediating those before we have to engage with FDA, just to try to streamline the process, make it more efficient. So I -- I consider that progress since May of this year.

There was a recommendation also from the Committee regarding the user fee cap that's been placed on the Federal Grain Inspection Service. For every annual appropriation that we receive, there's a cap put on our collective user fee line items. That's our grain. That's our rice. That's our commodities, and our supervision account from our official agencies. And that cap says -- or the language says that FGIS cannot spend more than $55 million of its user fees.

What we have done with respect to this, we've made a formal request to Congress to adjust this language to only connect it to our user fees collected from our grain activities. Instead of all of our user fee activities, including rice and commodities. And what that would do is give us the opportunity -- not that we're spending at this level -- but it does not unnecessarily include activities that -- that don't have anything to do with grain.

We've also asked that the cap be lifted to $60 million. Not sure if it's going to be accepted. One of the reasons why we need to have this cap modified -- part of our discussion today is going to around the budget and fees. If we -- right now, FGIS is not collecting the revenue that it needs to cover all of its costs. When we do start collecting the fees to adequately cover our costs, that means that our revenue will increase, and we'll probably need to spend more to cover all of our costs. And we need to make sure that we've got the flexibility to do that without being hindered by that particular cap.

Another update I'd like to share is

around technology. The Grain Inspection Advisory Committee did make a recommendation around technology and asked us to develop a strategy by which we would explore new technology and work collaboratively with industry to do so. We did publish a process for evaluating new technology last year. That has been very helpful. You'll hear a little bit more about that from Ed Jhee during his update for technology and science division.

But what we've done since our last meeting, we've collaborated with all of our grading programs within the agriculture marketing service. Because we're -- FGIS is not the only grading program that has a need to innovate. And so in November -- around November the 8th and 9th, we're going to be gathering at Lubbock, Texas, at Texas Tech to have an innovation summit for all of our grading programs. And that's going to be Federal Grain Inspection Service. That's going to be cotton and tobacco programs. It's going to be livestock and poultry. And our specialty crops program, which is basically fruits and vegetables, tree nuts and the like.

Meeting with various customers who have implemented grading technology in their operations. For instance, the livestock industry's using cameras for grading beef carcasses. Fruit and vegetable industry, they use 360 degree cameras -- the customers are -- for grading and sorting their commodities before they ask USDA to grade it.

We're going to be learning from industry partners. And also having a conversation with industry. We're going to be asking, you know, certain members of industry to participate. It's going to be a small group so that we can learn from each other, and figure out where do we go from here. Because things are changing all around us. Markets are changing. We have to change as well to become more efficient. To be more accurate. Also to reduce the burden that comes from the manpower that we currently pull on. And so these are some things that we're going to be discussing at this summit.

And I think we're going to also, for us, for the grain industry, look at how we can use -- and we've talked about this in the past -- how can we use imaging technology for our coarse grains. And that's soybeans, corn, and wheat. Those are -- are our largest commodities that we're exporting that we're grading. And the more we can do to lean on technology to support the work that we're doing, we want to explore that as soon as we can. And I don't think we've been shy about that.

I'll pause here, and just take questions before I move on to the next slide. No questions.

Other general updates. The Grain Inspection Advisory nomination process is currently open. We opened it on August 8th. It closes on September 22nd. We are still looking for nominations to come in. We have five at present. Which is good. Some people applied before we even opened the nomination. I want to thank Nick and Barb for helping us with our outreach efforts. We've done some different things this year. We did a webinar that we published and -- and promoted. And we had about roughly close to 30 people that participated in that. Names that I've never seen or heard of before. So that was positive. I've been out on the road attending producer events, educating them about the Grain Inspection Advisory Committee. And encouraging them to -- to submit an application for consideration. So for those who are online, we thank you for being a participant in today's meeting. But if you're also interested in serving on the Grain Inspection Advisory Committee, we ask you to do so. I extend that same invitation to those in the room today that are eligible.

Staffing. There have been some changes that have recently been made. One of the biggest changes I think is that Mr. Tony Goodman. Tony Goodman has served in the field management division of FGIS, I think, for his entire career.

We've made a transition with Tony a couple of weeks ago. He's going to be working out of the office of the deputy administrator as my senior policy advisor. So that will be a change. What that does, it vacates Tony's old role as the field management division director. Currently, Mr. Charles Parr is acting in that position. We'll be announcing a new acting director this week. His name is Mr. Jorge Vasquez. And while Jorge is acting, we're hoping that that vacancy announcement for the field management division director will be announced so that we start receiving applications for it.

We also had a change down in our largest field office. The New Orleans field office. We had hired Ms. Sherry Williams to -- to lead that field office. I guess last year, she reported around November. She left us last month. That was not anticipated. However, we are working feverishly to get that job announced so that we can begin receiving new applications to fill that vacancy. Mr. Andy Ping, who's associate deputy administrator for FGIS. I don't think I see Andy. But he's acting in New Orleans until we fill that vacancy.

You know, I -- I said this yesterday to AGUA, and I'll say it again today. One of things I -- and I'm not exaggerating -- I get teary-eyed every time I think about it. Is that Mr. Pat McCluskey, who served FGIS for over 20 years -- he's planning on retiring this next month. And if anybody's met Pat, you know Pat is a class act. He's a -- he's a different kind of fella that gives you his best in every room. His smile changes the -- it just changes the dynamic. His perspectives are always thoughtful, fresh, thorough. He's always helpful. And he's -- he's got some big shoes to fill. Or we've got big shoes to fill when he leaves us.

And so Pat's going to be leaving. And so we've announced his position to be filled. We have had some applications and some interviews, and so we're hoping that we can soon announce who that next person will be.

But I just want to say publicly, Pat McCluskey, you have been a integral part of FGIS. We value you. We will always value you. We appreciate what you've done for this industry and for this service. We wish you nothing but the best as you go on to do great things with your family.

Our current field office status in terms of staffing, we're about 85 percent staffed. This year we've not hired many people at all. And a lot of that is because of our financial posture. We did not want to make commitments to hire more staff. Long-term commitments, that is, to hire more staff, not knowing what's going to happen in terms of adjusting our fees. And so the -- the largest number of vacancies that we really have are down in our New Orleans area where we have the greatest demand. But we've got about 60 vacancies that we need to fill. That our field office, or our field offices want to fill. But we are trying to be as careful as possible in terms of extending ourselves. And it -- it kind of hasn't helped that we've had a -- a decline in -- in volume this -- it has helped from the standpoint we've not hired. Because if New Orleans was running full blast as it typically would, we'd need more people. And with our fees being set so low, we still wouldn't be -- we'll -- we'll be paying out more than we're recovering. So we're hoping that through this dialogue we have today and tomorrow, we can get some insight in terms of how we can move going forward with respect to our -- our hiring posture.

A new venture we will be exploring this coming fiscal year '24, is we're partnering with our national organic program within the agricultural marketing service. One of the things I think that we're going to have to start doing as a Federal Grain Inspection service is potentially diversifying what we do. 'Cause we're not quite sure how things are evolving. And so we're going to be exploring how we can help the National Organic Program strengthen their organic enforcement.

One of the things that's been experienced here in the United States is organic grain fraud. Folks how are purchasing non-organic grain, but marketing it as organic grain. And it's coming in from overseas. It's also happening -- happening here domestically. And so the organic program has asked us to help them with a sampling protocol and program that we can begin to help them monitor. And these monitors will be sent to another lab for evaluation regarding organic integrity. So that's something we're doing at a very small level. It's a -- it's a pilot. And we're only going to start when we have FGIS field offices. That may expand if it's successful. We'll be bringing more information to you about that initiative over time.

Cyber security threats. This is a kind of ongoing effort. Lee Capper, who's our chief innovation officer, has been working closely with USDA's information technology staff.

As well as talking to a number of the grain elevators that we work with. Cyber security attacks are growing every day. Even on our own systems. USDA and FGIS were successful in warding them off. However, it brings into question other aspects of our operation. We have a lot of official agencies that are connected to the work that we do. And questions are being asked of us. How well are we connected to their systems. The security about those systems, security about the elevators, and more. And so we're working closely with USDA to begin developing a strategy to strengthen the current position of our information -- of our cyber security related to our information systems in the collective body of the official system. So stay tuned about that. I think our information technology service is looking at doing surveys sometime in the future of our customers and our official agencies to learn more about how things are set up. So I wanted to share that as -- I want to say a project -- but a goal that's occurring. And we want to make sure everybody's aware.

And that is it for me in terms of general updates from my level. Before you come, Karla, are there any questions? No questions. I'll bring Karla Whalen up to the microphone, who is our director for quality assurance and compliance.

MS. WHALEN: Okay. Good morning. As Art just said, I'm the division director for quality assurance and compliance division. I've been with FGIS for about the past two years.

Just a quick briefing about QACD. There a four divisions within FGIS, which many of you know. But QACD division primarily focus on the field office and official agency audits. We also administer the quality programs. SIMS and STEPS, which many of you will be familiar with. We are the ones responsible for the designation and delegation opportunity notices, applications, recommendations to ODA, and assistance to official agencies. We regularly field and research regulatory questions for other parts of FGIS. Also support the office of the deputy administrator in that area. And my staff is also responsible for investigations.

On the investigations front, we primarily are focused on the USGSA violations. If there is a criminal matter, we do refer that out and work with AMS CARS (phonetic) branch. And in addition, any kind of personnel matters, we generally are going to work with the broader AMS investigators.

Arthur had mentioned there was not a lot of hiring in most of FGIS to fill certain needs. We were the aberration to that situation. So I wanted to pop this up here. In the last -- less than the last year, we've hired 75 percent new staff. They are coming from very diverse backgrounds. It's a very eager, skilled, and I would say, very diverse group that we're pulling together. And I'm actually thrilled with what I'm seeing out of this group. So out of eight compliance officers, six of them are brand new, with less than a year's experience. We are making tremendous strides on many needs within FGIS with this group.

I also want to mention Silvey Parker. Many -- many of you have probably known her from the past few years. She's been doing a -- a national detail on sustainability grants with the department. So she will be in that role, we expect, until next April. I have had Jacob Tyne (phonetic) act with me. And currently, we have Micah Malbroux, who is the AFOM from New Orleans, and he is assisting me right now.

We also brought over Jennifer Hill. She normally works for Byron in the international affairs division. She is on detail with us for the next six months, till December, helping us on export registration needs.

During COVID, the staff had to do their audits virtually, so that was a massive shift that occurred before I came to FGIS. However, we will be returning to what we're terming "hybrid audits" in the fall. That's where we're going to do portions of our audits that are much better done onsite with hands-on equipment, procedures, some processes. We will do those onsite, and then the parts of the virtual audits that worked very well and were very efficient, we are going to keep that. So we're terming that a "hybrid audit." We will be testing and trying out that process starting in the fall.

This is the schedule that we intend to get through for official agency and field office audits in the coming fiscal year. Obviously, this can shift a little bit depending on needs and other issues that might crop up. But once we get through this cycle, we should be caught up from staffing challenges, COVID delays, et cetera. And then we'll start a new five-year cycle. So this upcoming year is a really important one for QAC to get FGS -- FGIS back online with audits.

Okay. When we were at the annual meeting. Some of you that were there, this is going to be a repeat. But we had the staff do a -- kind of look at what were the audit trends, where the challenges that we were seeing. I'm going to pull my notes up on this one. What we want to highlight for you is, they pulled out some details for the last four years of audits. And we're going to highlight just the top three areas of challenges. The top three areas of challenges, in the blue color, what we are representing is official recordkeeping. The orange color represents issues in regards to facilities, testing, and equipment. The gray color is certain compliance issues. Most of them minor with USGSA, the regs, and FGIS instructions.

The next slide digs into those three areas, with a little bit more specificity. And again, this is representing four years of audits. On this particular slide, we did pull out findings where there were less than three findings on a particular matter over the course of four years. We did that so any areas of issue were much more prevalent in the way we represented this to you.

So by again, looking at the official recordkeeping requirements, this chart breaks down and shows that most of the issues in this area were related to stowage examination. Twenty-five percent of the time there was an issue. Not maintaining FGIS 944s, approximately 16 percent of the time there was a non-compliance. And the third area there was fumigation records not being maintained. And that occurred about 11 percent of the time.

The orange is the next largest area. And that's facility, equipment, and personnel. In this area, the subcategories where there was most of a challenge is the testing value to the 10th or 100th value. That's an issue that we have addressed a number of times over the past two years. F&D is working on getting the instructions corrected there. So right now we do not count that as a non-compliance, but that is a issue and confusion that we regularly see.

And the next two areas in that are equipment not being tested in time and recorded in the system, as well as lab scale tapes not being attached when there is a -- such equipment testing.

To assist the official agencies, we also presented this at AGUA, and then later sent out a message to all official agencies. This is taking those problematic areas and trying to give a quick educational or instructional reference back. So that it's easier for OAs to retrain on the areas that we're kind of seeing across the country in challenges. So we've just put that -- these two slides in your packet, which obviously, you can look at in more detail if any is needed.

FGIS, over the past year -- more than a year -- had worked with a serious situation with one official agency, Northeast Indiana Grain Inspection based out of Decatur, Indiana. This is a longstanding official agency that had a rapid change in operations due to, I would say, personal and professional challenges, that kind of imploded on that company. FGIS started to receive complaints from customers. We started to look into that situation more -- in more detail. We conducted a number of site visits. We offered assistance to that OA to try and get their challenges turned around. But ultimately, that was not successful.

As a result of that, FGIS went through the process to suspend their designation. USGSA designation. And we also filed a litigation complaint against NEI, as that is the mechanism that we have under that statute and another statute, of how we can actually try to revoke a designation when there is a problem with an official agency.

So we have gone through that entire litigation process. And as of last -- I don't -- I forget what date, what day it was -- but as of August 21st, this revocation of their USGSA designation has become final and effective. So there will be a notice to the trade coming out about this. It's -- it's going through clearance right now.

If by any chance someone wants to know more details on that, we would refer you to the hearing clerk, 'cause they have the complete litigation record. I -- I'm not really able to provide that to you, but I can get you to the judge's office that can. And again, this is just mentioning the NTT.

One other thing I want to mention about that. When the designation is revoked, we will go through the process to readvertise that area. So we do have a opportunity notice for the Decatur, Indiana geographic area, which will be coming out as soon as we can get it through clearance.

Two other areas I don't have slides for definitely want to mention to you are the exceptions. Arthur had mentioned that became effective on August 1st. If you need more information on that, I know some of you were on the webinar that occurred. You can go to the website, and we've -- we've uploaded the webinar.

There's helpful guidelines. There's new forms. Instructions that you can look at how -- how that process works. We -- to date, as of yesterday -- I don't know about today -- as of yesterday, we have not had any requests for exceptions. So that's where we are right now. We have had a couple interesting questions come in. And two of them I'm going to share.

One of the questions that came in was can the challenge feature be applied to previous exceptions, or exceptions that are already in place. And we have answered that "no." There was not a mechanism to do that at the time. So any challenges on exceptions would have to be something that's coming in prospectively.

Secondly, there was a question to us -- another interesting one -- can someone get a non-use of service exception to try and get a lower fee. And how we want to answer that one is it depends. Right? But is does depend. It's going to depend on all the circumstances of that exception request. What is the need? Where --

where is the service? What are the different OAs able to provide, et cetera? So we would look at that in a holistic manner. And that's really the only way we can answer that at this time.

The other area I want to mention that we don't have a slide for is Arthur had mentioned the congressional geographic boundary study that was done. About, I'm going to say, three-plus years ago, prior to my time coming into QACD, the staff had started to look at the geographic areas of each of the official agencies. Some of those are quite dated. They might even go back 40, 50 years. Consequently, some of the landmarks, some of the street names, some of the items that kind of describe these territories out in the rural area, don't exist anymore, or have been overtaken by other development events, et cetera. So there was a pretty detailed process over the last, I'm going to say two -- I'm going to say about 18 months of working with the official agencies on our suggested updates to those descriptions. I would guess we had about 60 percent participation rate from official agencies on our updated language, but not 100 percent. We have decided it's best -- again, Arthur speaks about transparency -- it's best if we put that national view out to the public for comment. So we will have an FR coming out. I anticipate that will be in the fall. We've got -- we -- we did have staff member that had good mapping skills, but they have moved on to other items. So that new crew, I've got a couple of them getting trained up, and we'll get there. But that FR should be coming out. We'll provide a national view to everyone at the same time in regards to the changes that we're recommending. In addition, once we deal with those comments, put out that final FR, it's going to help all of us for efficiency purposes because we'll only have one FR, not, honestly, 30 or 40 from the past that we have to reference in future FRs. So I'm really happy with that project and hopefully, it will -- will help to iron out and bring some issues that maybe we don't know about that we can actually deal with.

So that's my update. Last thing is, if anyone wants more information on compliance, we did do a pretty detailed email out. So that has all of things that this new staff has been able to accomplish over approximately the last year. I'd be happy to share that if you give me a email, and you can take a look at that. But TMI for this format. Okay? Good? Questions?

MR. FRIANT: Karla, Nick Friant with Cargill. On the Northeast Indiana revocation, what's the plan to cover facilities that are in that designated area?

MS. WHALEN: Okay. Great question. So at the time of the suspension, FGIS has to take over that territory. Right? So we had preplanned all that when we knew what was coming. So at -- at that moment, when that company was served with the suspension letter, Dial, as the overseeing official FGIS office, overtook that office. They worked with Toledo. We had staff preplaced to take care of any customer needs at that moment. That went pretty seamless, I would say. We were pretty happy with how that worked.

And then, subsequently, as soon as Dial could, they worked with surrounding official agencies that were in good standing, to -- to -- for us to deal service agreements. So that the official agencies could assist that area. And that is how it has been operating since the situation started. So at the point of suspension, on through the litigation, up to today. We will readvertise that through the FR. That's the legal process that we have to try and get someone else back in there.

Janice?

MS. COOPER: I have a question about your audit schedule. Very aggressive, and looks --

MS. WHALEN: Yes.

MS. COOPER: -- looks really good. How would that be affected by various funding challenges, including a government shutdown?

MS. WHALEN: Well, government

shutdown, we -- we -- our -- our portion is appropriated. We are not a fee-for-service portion of FGIS. But we would be shut down during a government shutdown. You don't see the exact dates on there. I have built in about three weeks in October, just in case that happens. But we -- we would not be able to work and it would delay us some. Thank you.

Okay. So Charlie Parr is up next. Thank you for your attention.

MR. PARR: First of all, I'd like to say good morning to the Grain Inspection Advisory Council and express my gratitude for the opportunity to address you this morning. I'd also like to express my thank you to Mr. Neal, who has given me the opportunity to serve as the acting field management division director for FGIS.

My name is Charles Parr. My normal position within FGIS is the deputy director of the technology and science division under Dr. Ed Jhee. I am not new to grain inspection. I joined FGIS in 2016 as a quality assurance specialist for a domestic inspections operations office. But prior to that I had 16 years a licensed inspector for an official service provider. And I've held various roles within FGIS.

Getting into our field management division updates. Arthur briefly touched on some of our -- our staffing changes. He mentioned the New Orleans field office manager. That position is now vacant, but it is being held by our associate deputy administrator Mr. Andy Ping. Andy has a lot of experience as a export field office manager. He previously held a position as the FOM in -- in our Portland field office. So it's nothing new for him to -- to take on those operations management duties.

As Arthur also mentioned, we will be having an upcoming vacancy for our policies, procedures, and market analysis branch, thanks to the retirement of Mr. Pat McCluskey. And for me, personally, I like the fact that I have the opportunity to go on public record and express my thanks and gratitude to Mr. McCluskey. Since I first met him, even prior to being an employee of -- of FGIS, Pat has served as a great mentor for me personally. And he's a great friend.

We have other various acting details throughout the agency. We mentioned briefly our -- one of our assistant field office managers, Micah Malbroux, who normally serves our New Orleans field office, is on an acting detail with the quality assurance and compliance division. It's a wonderful development opportunity for him to get some leadership experience in a -- in a different direction under Ms. Whalen. It'll be a -- a good opportunity for Micah and we all look forward to -- to seeing that play through.

We've recently had some policy reorganizations within PPMAB. Probably of most note is our policy bulletin boards. If you're relatively unfamiliar, policy bulletin board notices are kind of our fastest instruction that we can get out there. Historically speaking, most of the time, those policy bulletin notices have been kind of internal to the agency. They're not really -- they haven't historically been shared too much, but now we are posting those on our AMS public website. There's a couple that are -- are going to remain behind the FGIS firewall, and it's simply because it has content that needs to stay -- some of it has example forms and things like that, that we need to -- to keep behind the -- the firewall just for security purposes.

We have 23 policy bulletin boards that are being posted to the AMS website. And at the same time that we were conducting those updates, we identified 24 other policy bulletin notices that were retired. And by retired, that doesn't mean that they -- they went away. A lot of those instructions were rolled up into higher-level instructions, handbooks, directives, et cetera.

Just some basic data on our U.S. grain exports. This chart here shows this information is in metric tons and it is approximately a week old. This is the information that comes out.

Mr. Rob Dorman, from our policies, procedures, and market analysis branch makes this information publicly available every Monday morning. And you can see that our export levels are down across the board, with the exception of Canola. Canola is having a -- a -- I would assume a record export year with those percent changes. Next year's projections are unfortunately expected to be about the same or potentially even lower.

FGIS released our directive for detection of fecal matter. Our biotechnology branch developed a fecal determination assay for verifying the detection of fecal matter outside of a -- it's basically a reference method to verify the presence of fecal matter in grain samples. Large animal filth, especially, is FDA actionable under our memorandum of understanding. As Arthur previously mentioned, we've got Barry Gomoll with our policies, procedures, and market analysis branch, currently engaging with FDA to update that directive. We expect the -- the draft of that update to -- to be in our hands fairly soon.

When we went out with the -- the directive for actually performing this fecal determination assay, after the first couple of requests, it was -- became very apparent that we needed to make some updates to the directive. So we went back out with a -- a revised version. We worked with our -- my FGIS group to include a service request. That service request allows us internally to kind of track the -- the lifecycle of that -- that request. It also initiates a lot of our -- our billing activities. And it's our mechanism for capturing all the data related to the -- the requested test.

The updates to the directive also provided a little bit more clarity on the roles and responsibilities of what individuals were going to do at the field office to that sample being sent here to the National Grain Center, where the fecal determination assay is to be performed. And then, also the roles within the technology and science division on how to receive that sample, perform the analyses, and then for us to certify the final results. We also added clarity that the test is to be used as the reference method for it being a board appeal. So it's part of the review inspection process that we've already have for the review inspection of -- of grain. It also clearly defined what accompanying documentation needed to be included with the -- with the samples.

I don't have a -- a number of the total number of -- of determinations that we've made. But so far, we have not overturned any results from the field. So as of today, 100 percent of the assays that have been run have substantiated the -- the visual determinations made by the field.

Arthur also mentioned our soybeans of other colors update. What we have here is a -- just a screenshot of a soybeans of other colors resource page that Ms. Cline has worked to -- to have posted. This page will eventually expire, go away. As we -- I believe he said by the end of the calendar year, this page will probably come down. By then, the -- the final rule will have -- have been enacted, because that comes into play, as we previously mentioned, on Friday, September 1st.

And what that final rule did, is it eliminated SPOC as an official factor. But it is still utilized for classing soybeans. The -- so it's qualitatively used to determine class, and then SPOC is still available, upon request, as official criteria, should it be needed by applicants for service.

And that is all I have for your updates for the field management division. Again, I'd like to express my thanks for the opportunity to -- to speak this morning. And again, to Mr. Neal for the opportunity to serve as the -- the acting director of field management divisions.

And I'd be open to have any questions that you may have at this time. Hearing none, thank you very much.

And now I'd like to introduce our director of international affairs, Mr. Byron Reilly.

MR. REILLY: Good morning. Good morning. It's a pleasure to be here again and see familiar faces that I've known for many years. I have been with FGIS now for 47 years, going on 48. So my boss says I can't retire anytime soon. So I'm still hanging in there.

First line I'd like to talk about is updates to China Decree 177 that you've heard from me for many years now. We have recently made progress with regards to exporter registration. China Decree 177 used to be covered under China's GACC, general administration for customs. And there was also Decree 248, which was covered by GACC under the food safety office. So a lot of the programs, a lot of the grains related, that were used for food, such as edible sorghum -- the new administration in China, the animal and plant quarantine, APQ, has transitioned any of the grains that are even edible, from 248 back to 177 registration. Which then falls back onto FGIS registering them, versus a direct registration to GACC with the -- from the exporters.

We still provide a list with the list of exporters from annual registration, going through QACD process. We have established a streamlined method of getting that electronically from the source, FGIS online, and registration. It includes, also, export facilities where FGIS does our inspections. We have also gotten requests from several exporters to "Oh, can you also register these following facilities, because those names of those facilities appear on the export documents." So that there'll be less confusion and interruption on China, we have honored those requests. We also include exporters that register under the 15,000 ton metric exemption, particularly, containerized shipments.

So we want to be all-inclusive. So help facilitate the trade and not disrupt any imports. Recently, GACC has removed the pulses from 248; put that back under 177. Then became a big question working with FAS "Well, gee. They're under our Agricultural Marketing Act, which we have no requirements to require registration with these exporters." So working back and forth with FAS Beijing, FAS decided to become the quote "competent authority" to register these applicants, exporters. Currently, there are 50. China had asked for unique identifying numbers for these companies, and they have chosen to use the last four digits of their tax identification number.

So I heard that we are having a record number of pulse inspections this year. And the list has just become -- I got notice today that it has been officially published on the GACC website. So get ready. We anticipate a lot more inspections of pulses going over to China.

FAS has requested FGIS, if we're able to, to also register exporters of various oil seeds, such -- particularly in cottonseed, popcorn, mustard seed, sesame, and a few other miscellaneous items that are covered under our Agricultural Marketing Act. So we're still having internal conversations with FAS and amongst -- here in FGIS.

Now I'll move on to some of our outreach activities. Mr. Neal mentioned that dealing with the SBOC issue, my office has been in contact with FAS here in DC and with USEC (phonetic), and the soybean industry. And we had a general conference a couple months ago. And then recently, had one specifically with Indonesia importers, who seemed very concerned about the effect of removing these as a grading factor. "Oh, this is just giving exporters the opportunity to really load it up with the discolored coat soybeans." I found out that Indonesia is one of the only Asian countries that does not require -- that requires the removal of the soybean hulls to make tempeh. All the others will just go ahead and grind it up.

But we had a good conversation.

Answered their questions, and suggested, you know, there's virtually no difference, no worry about it. Just put your specifications in the contract as you normally would, and we'll inspect it accordingly.

We have worked this year with other USDA agencies and our customers to talk about FGIS services that we have to offer. I had conference calls with FAS field offices. We had particularly AFIS, who took very much interest in that and learned a lot about FGIS. You'd think they would know about us, other than just doing their inspections. But they were very interested. And because of our meeting there, we had requests from their offices in Asia to come visit them. Barry Gomoll from FGIS is leaving this Saturday to start his trip -- one-month detail in Asia. So particularly in Japan and Korea, they had questions they wanted to ask him about FGIS and some trade issues. These will still be internal discussions, not involving industry while he's in-country.

We've conducted briefings this year with 13 visiting trade teams from 13 different countries. We've updated and translated numerous presentations into Arabic, Chinese, French, Japanese, Korean, and Spanish. And these are available to anyone of our customers asking for particular information on various subjects. Whether it be mycotoxins, or container inspections, or stowage exams, we have all these separate in different languages. They are only available upon request through my office because they take up too much server space. So -- but those are available to anyone interested.

We have worked this year -- because we've lost a lot of qualified inspectors that did international travel for us and were familiar with the -- what goes on with involving international travel. Safety concerns, et cetera. So we conducted a FGIS training session. We went out and requested -- you know, announced that we had positions for study. So we developed six different training modules that were available to them online. For in their off times when they could go ahead and take the training. We then had interviews and gave practice sessions for their presentation skills. So we have developed a cadre of -- we had 14 applicants and we're getting ready to send out passport applications to those people.

And what we have done to get them -- get their feet wet, so to speak, is when Barry goes over to Asia, we have one of the new applicants, who will accompany him on the last week of his trip, which will be in the Philippines. The Philippines always has a wide diversification, as far as who they speak to. And they'll make numerous stops with different customers. So this is the greatest experience for a new traveler. So then next year, that person will then go out on their own, again to Asia for a month. And we'll select another new applicant to accompany them on the last week.

U.S. Wheat Associates has asked us to go to Panama. They are working with Venezuelan millers that they're trying to get visas for to go to Panama. As well as train the Panamanians, millers there. It was scheduled for October, but because of possible shutdown and continuing resolution, we've convinced U.S. Wheat to see about doing it later in September. So they're working on that, and they said if they can get the visas for the Venezuelans, that'll be great. And U.S. Wheat is picking up the costs for FGIS.

Likewise, we got a request from U.S. Wheat to send a person over to Kenya, Nigeria, and South Africa to give a talk. So -- but they wanted that in November. I told them that was a no-go. And I did a recorded video presentation, which I sent to U.S. Wheat and I suggested that they try using that in a virtual conference. I was only supposed to go there for a one-hour presentation, which didn't make sense to travel all that distance for one hour. Thanks to modern technology, we're able to handle those requests.

Now with -- I mentioned Barry Gomoll's going to be going to Asia. He's leaving

Saturday. It was for four weeks to meet with importers, millers, processors, and government officials. This year is the first year that we've expanded. Typically, it's been to just countries in Southeast Asia. We had that program going since 2002. We've been doing it every year, and then COVID hit. So now this is the first year that we're -- it's reactivated. So this year, we went and contacted AFIS officials and the other overseas offices, as well as FAS offices, to say "Hey. Do you have issues? Would you like for us to come visit?" And prior to this, we only talked to the USDA cooperative groups; wheat, corn, soybeans. And they arranged the conferences. So this year, we're going to North Asia as well. We're visiting China, Japan, Singapore, South Korea, Philippines, and Vietnam.

As I said, we had a request from AFIS to go to Japan to talk about Japan's new request for phytosanitary certificates and their concerns on costs for fumigation using recirculation. We are very anxious to go to North Asia and include them in our training. This is the first time we've did a training in China in all those years. So this will be in Guangzhou, and it'll be a three-day training session with U.S. Wheat. We're holding seminars on grain standards, our services offered, and grain grading workshops.

I just met with the Chinese group last Thursday where the FAS people that were there with the group, as well as USEC, learned about the roles of FGIS where they were unaware of it before. And we mentioned the SBOC; there were no questions or concerns from the Chinese.

Some of the other activities that my office participates in internationally. We hold a position with the Codex Alimentarius executive and technical committees. Recently, there's been no activity dealing with grains, but we're talking about aspartame and other products, as well as concern with Codex to get any movement with a proposal moving forward. There's several conflicting bodies within FOA and other international agencies that want to have their say on it. Where we're saying "no," it should only be one agency to review it. Because authority was pretty much outside the jurisdiction of these other groups. So we're meeting in Geneva to present our paper to them.

We're a member of the sanitary, phytosanitary, and technical barriers to trade committees. Every week, there's a meeting. A member of USDA biotechnology coordinating group. We are actively involved in the interdepartmental coordination committee on international affairs, with FAS sponsor. And we're also a member of the global- level president's initiative on the acceptance of biotech grains at low levels. So we actively involve private sector to get their input and recommendations.

Wherein complaints, we've had a total of six this year so far. Ends today. And those complaints are China. We had one on soybean and three on corn, involving damaged kernels. We had an Algerian wheat ergot complaint, and a Vietnam wheat protein complaint. Barry Gomoll is going over to the flour mill in Vietnam during his visit to talk about the differences between Kjeldahl versus NIRT.

Thank you. Any questions? Okay. Appreciate it.

Next up, we have Dr. Ed Jhee with the FGIS Technology and Science Division.

DR. JHEE: Okay. We're not ready.

All right. Well, this morning, I'm going to talk a little bit about TSD's efforts to promote greater inspector alignment. I'll talk a little bit about technology and some of the activities that TSD undertook this fiscal year. A little bit about expanding our testing services in a couple of different areas, as well as some numerous process improvements to become more efficient and effective.

In fiscal year '23, the Board of Appeals and Review, or the BAR, created and distributed referee samples, or training samples, for corn, soybean, and wheat. The samples were produced to promote inspection alignment between quality assurance specialists, or QAS, and the BAR, and were created with common damages typically found in corn, soybean, and wheat. The data collected from the referee are used to determine the QAS's ability to identify damage in these grains, and recognize opportunities for improvement, to insure alignment across the official inspection system.

This year, the BAR, as well as our digital media group, updated FGIS's online wheat variety library with 24 new varieties that are grown and inspected in the Pacific Northwest region. The library is a collection of multiple varieties for three different wheat classes. And this update included varieties for hard red winter, hard red spring, and soft white wheat. Each variety is photographed from multiple angles, and are supported with descriptive terms to assist inspectors with identification.

The BAR and digital media also issued new visual reference images for lentils. The new image was create with input from the lentil industry. And the VRI was created to give improved guidance on how to assess insect damage more accurately in lentils. And the new VRI was well-received by the Dry Pea and Lentil Council.

And now to transition over the technology. There are as many as 2,000 licensed and authorized inspectors in the official grain inspection and weighing system that have to maintain agreement with the board of appeals and review. TSD has explored the use of new video microscope technology in support of increasing the number or quality of inspections performed in the official system -- in the official system and support quality assurance specialists in maintaining the quality line standards established by the BAR.

New procedures are in draft, or instructions are completed, and a pilot project is actually underway at FGIS's largest field export office in New Orleans. The goal is to enhance communication remotely with the BAR through the use of these ten megapixel video cameras. It is important to note that the microscopes are not intended to make remote grade determinations, as they do have limitations in achieving color and standardization.

All right. Mycotoxin test kits. In this past fiscal year, FGIS evaluated 16 test kits, and 15 were approved for use in the official system. FGIS also incorporated two improvements to the test kit evaluation program. The first is to promote transparency in the verification process. We announced the option for representatives from the test kit manufacturers to participate in the verification studies, alongside FGIS personnel here at the National Grain Center. And to improve robustness of the test kit evaluations, we now require the verification study to use three separate instruments to account for variation between the instruments of the same model.

Now the fun stuff. All right. GE is not CRISPR. Since the commercialization of the first genetically engineered crop in the U.S. in

1992, there've been over 130 GE crop products deregulated for cultivation in the U.S. To facilitate U.S. trade of these grains, accurate detection and quantification techniques are needed. However, more exquisite gene editing techniques have been developed in the past few years, challenging existing detection platforms.

FGIS needs to develop technical expertise in new detection platforms to accurately detect and quantify trades derived from new technology such as CRISPR. Currently, no USDA lab has the capability or the capacity to identify and quantify CRISPR products. The ongoing uncertainty about the acceptance of CRISPR could lead to trade disruptions, as in the previous decade with GE rise and GE wheat.

Over the past 20 years, PCR, or polymerase chain reaction-based detection has been the most widely used DNA-based detection method. This method allows us to identify and quantify specific foreign DNA. A sensitivity of PCR detection has been challenged, as more complex products enter the market. Stacked traits, with as many as eight different traits in one crop plant, and CRISPR-derived traits are also on the horizon.

All right. CRISPR stands for -- you ready? Clustered regularly interspaced short palindromic repeats. Say that three times fast. All right. CRISPR gene editing technology -- actually, let me pause for a second so you guys can take a look at this slide. CRISPR gene editing technology works similar to antivirus software in your computer. It searches and destroys target DNA that matches the CRISPR reference molecule. So if you look at the far left, you've got a target DNA on the lefthand side, and a created CRISPR molecule that is a complimentary strand to that target DNA.

Scientists have modified the system to make precise modifications, or edits, in many organisms. This is done by replacing the native DNA sequence with the CRISPR molecule. An example of this is -- is a commercial salad blend that contains a CRISPR-edited mustard green like kale. Only the bitterness has been removed. They were able to find the target DNA that confers bitterness, cut the DNA out, and which, effectively, was the kill switch to that bitterness flavor. Currently, CRISPR products can't be detected by traditional methods to detect genetic events, such as typical herbicide-tolerant varieties of corn and soybean.

We've been collaborating with the University of Missouri, who has the most current technology to sequence DNA, called next generation sequencing. FGIS is exploring next generation sequencing, which is a powerful technique, with thousands to millions of individual DNA sequences can be analyzed from a given sample. Unlike traditional PCR, when using next generation sequencing, the precise -- excuse me -- the precise mutation doesn't have to be known, providing that the gene that has been modified has been identified. In fiscal year '23 we were able to detect the presence of CRISPR edits using next generation sequencing. Our next step is to determine if this method can be used to quantify the amount of gene-edited material present.

All right. Imaging technology. In fiscal year '22, FGIS solicited manufacturers of imaging systems applicable to grains to determine if a commercially available instrument could support the California medium grain rice industry. In this past fiscal year, we entered a cooperative research and development agreement, or CRADA, with the company Sea Grain, based out of Sweden, to determine if their grain imaging instrument could effectively and efficiently analyze medium grain rice brokens. The first step was determining proof of concept, and building the library of images into what's called an artificial neural network, which is database or a catalog of images. This is cool. Great.

All right. This is a figure for duplicated data that shows both the repeatability and reproducibility of the instrument when compared to the reference, which in this study, was the BAR. Notice that the samples that contain -- 85 to 95, or greater than 95 per sample kernels are very, very tight along the zero. Also please make note of the Y axis in the scale. So based off of over 40 samples, we have very, very tight alignment at the higher end. All right? We did have about ten to twelve samples as part of our study on the lower end of average, so we actually see additional variation there, which is actually -- all right. A statistical treatment was applied to determine a range in which 95 percent of individual measurements between the Sea Grain instrument and the BAR would fall.

Our statisticians in this case used what's called a Monte Carlo simulation to model -- excuse me -- a model Monte Carlo simulation that's based off of 100 single measurement comparisons between the board of appeals and review, and the test instruments. The data analysis of the study indicated that 95 percent of the time, the maximum difference between the two measurements would be plus or minus 1.7. Again, please note that the difference -- differences decrease with the higher percentage of whole kernels increasing.

All right. Here's a simplified version of the last figure. Again, the data wasn't distributed normally, so a statistical treatment was applied to the data set in order to properly establish a tolerance limit. And the estimated tolerance limits are curved to account for the change in variation over the range of whole kernels. So the plus/minus 1.7 maximum difference that one would expect between two measurements occurs 95 percent of the time. When I also looked at data going back to 2021, over 80 percent of our inspections were within the 80 to 95 range.

Now this is what's cool. Even though it's handwritten, it's -- a fancy little graph. So this is a monitoring program for an existing instrument that's out in California. All right?

I want you guys to focus on this third line, which is called "hand-picked." All right? So these four samples were hand-picked by the board of appeals and review. We had two Sea Grain master instruments in our basement -- instrument one, instrument two. We took several measurements and took the average. I want you guys to look at the alignment. Just to prove a point.

All right. With all of this data considered, we are granting approval for the use of this instrument in the official system, with some conditions. Which includes sending samples back to TSD as part of an ongoing monitoring program, to collect additional data to ensure the performance meets our expectations.

And now about expanding testing services. I mentioned last year that the U.S. Agency for International Development partnered with FGIS to expand our testing capability and reliability of our services. Under this agreement, FGIS stood up a suite of analytical testing services for grain based commodities. We validate over 16 analytical methods for determination of various factors, such as pesticide residues, mycotoxins, heavy metals, and fortified nutrients across various commodities. These testing services are now available to all USAID producers to ensure the food-aid products meet specifications and contracts. And some of these new methods developed can actually be applied to grains under the USGSA, and serve as market opportunities for fee-for-service testing.

And lastly, in fiscal year '23 we began the process of improving our operating procedures and work constructions in various lab to TSD. This year, the biotechnology group achieved another year of ISO 17025 accreditation. And in addition, the commodities testing lab, trace analysis lab, and mycotoxin labs will begin -- they began -- excuse me -- conducting internal reviews of their processes and procedures, with a goal of identifying areas of improvement, as well as streamlining processes and insuring operating procedures generate reliable and consistent results.

Our ongoing efforts will go into fiscal year '24, where we'll be conducting a gap analysis of what do we have, and what else do we need in order to achieve an expanded ISO 17025 scope.

With that, I'd be happy to take any questions. I knew you --

MS. COOPER: I know you're very familiar with the impact on trade of unexpected GE events in, for example, wheat. How would you characterize the current acceptance of, or resistance to the use of CRISPR technology in grain such as wheat, or rice?

DR. JHEE: You know, I think the possibilities out there are endless. When I was taking some time for this presentation to even learn what CRISPR stood for, the technology that's being explored right now includes everything from agronomic properties to herbicide tolerance. I think most of what we've seen so far is primarily in specialty crops. Not so much in row crops yet. At least that's based off of what I've looked, in terms of some research.

You know, market acceptance, I think because it's not adding foreign DNA, seems to be more of an acceptable approach. I think another challenge that any organization would face is that if you delete something, how do you find it? So I think that's an unanswered question that scientists are going to be trying to figure out. Organizations such as ours, I think we're doing our best to partner with other universities, other leading experts in this industry, to find ways to be able to kind of maybe assuage concerns.

MS. COOPER: A question on a separate topic. Last year you published a method for evaluating new technology. Have you received any applications from any companies to evaluate devices for use in the official system?

DR. JHEE: Not new applications or proposals, but we have engaged with two manufacturers on some preliminary discussions. Primarily, they've been asking us about the data submission requirements. What is the length of time? What are some of the additional data and -- and verification and validation studies that they should be conducting? We've had these types of conversations with a couple of grain analyzer industry -- or manufacturers, hoping to receive some proposals maybe in the third or fourth quarter this year.

Yes, sir.

DR. HURBURGH: A few years ago -- sorry. A few years ago -- ten, I think. FGIS -- GIPSA then -- funded a study on the equivalence of NIR machines. And I'm biased. We did the study in the day. But -- but what happened to the results? I think the results showed that with all practical effectiveness, you could get makes and models of instruments to read alike. What happened to that?

DR. JHEE: That's a good question. I've have to look into that a little bit more.

But my understanding about the challenge between having multiple instruments --

DR. HURBURGH: Right.

DR. JHEE: -- is the potential for variation and indifferences. One of the most important factors that we look for when we're looking at, or evaluating an instrument is the reproducibility.

DR. HURBURGH: Yes.

DR. JHEE: And -- and I think that's what's most important. And then when you're comparing one instrument against another, how well are they aligned in terms of any type of bias? And -- and do adjustments need to be made? We've been pretty successful with moisture meters in a couple of these grain analyzers that are on the market. But I do know that there's other technologies out there. Other ways of going about this. And so we fully anticipate looking at these instruments as well.

DR. HURBURGH: Ours was done with NIRT machines.

DR. JHEE: Mm-hmm.

DR. HURBURGH: We got to within .01 agreement among -- among makes and models with a small standard deviation. I just wondered what happened. Anyway.

DR. JHEE: And a lot of these instruments go through the, what's called the national type evaluation program as well.

DR. HURBURGH: Yes. I'm on the Committee --

DR. JHEE: Anything else? All right. Thank you very much.

CHAIR GROVE: I do have one here quick. Just -- I'm very interested in some of the -- the imaging technology. But actually, kind of the -- the camera in use that you were talking about. So that -- you are using this technology for training purposes. Correct? I think you have to -- about 30 slides back. Yeah. So you're using that for more training and verification --

DR. JHEE: Correct.

CHAIR GROVE: -- of your QAS --

DR. JHEE: Correct. Correct. It's -- it's intended to support, augment, and really, enhance communication. I think what the BAR, and actually, this is -- this effort's being spearheaded by Charlie Parr here, our deputy director. And I think we had initial concerns about, you know, would this be used for grading. Nah. We can't use it for grading.

But with the number, and the importance of alignment, and -- and when we look at who we've been able to bring onboard into the FGIS family over the last couple of years, the QASs are relatively new. I don't say new, as in new in their position, but they're -- well, they're new in their position. And we've had a number of, I guess you could call, experienced QAS that retired. So that institutional knowledge left with them. So this is an opportunity for us -- at least the BAR -- to be able to connect with all of these new QASs, answer questions. You know, you can take a look

-- you can take some tweezers into a 3D rendering, take a look at the kernels, and be able to explain the damage a little bit better.

CHAIR GROVE: I -- I think that's a good use of technology. As we talked, obviously, the -- the next topic, or you know, on our program is about our budget. An efficient use of our people. And again, getting to people in a timely manner. When you have new people, I -- I find in -- in our system, people get left behind. And so I -- I think that's a very good use.

DR. JHEE: And I believe the -- these microscopes are relatively affordable. Charlie, what was the price point?

MR. PARR: Sorry. Trying to follow the -- trying to follow the rules here. Charles Parr.

The cost of those microscopes is very, very insignificant. They're like 50 bucks a piece.

DR. JHEE: Pretty high resolution. Ten megapixels?

MR. PARR: Yes.

DR. JHEE: So -- a little bit less than an iPhone, but still pretty good.

MR. PARR: And the -- the big thing with those, is that they're -- they're really meant to facilitate a conversation around the -- the samples. The -- a lot of times when you're inspecting grain, it's not necessarily a color determination that you need to make. It may be -- you could be having a discussion with somebody about the -- kind of the nomenclature of the kernel. Maybe some of the things that you're observing, you can describe. These video microscopes can be used via Microsoft Teams, so they're actually having a -- a live conversation about those kernels.

They can be used in in-person training. We have -- the board of appeals and review has training boxes, where normally, during alignment opportunities, people can answer which -- whether they think it's -- it's damage or not. And then, they have conversations later on about the results of those boxes. And when you can put that image up on the screen and everybody can look at it at the same time, instead of having to pass a box around, it just helps dramatically.

Another use that the New Orleans field office -- the QAS staff there -- they're really excited about the use of them. They're using them to also conduct outreach with their -- their stakeholders. So when they give, kind of those -- those grain grading classes for people taking in, you know, inbound grain at elevators, if they're offering training opportunities, it's a -- a good use of technology there as well.

DR. JHEE: Thanks, Charlie.

CHAIR GROVE: Yeah, thank you for that. Again, you know, I think, you know, in numerous meetings in this room, we've talked about that technology piece. You know, most of the time, we think about, you know, that imaging technology that you were using. But utilizing any type of technology to, just make our industry more efficient, FGIS is part of that industry.

So making yourself more efficient, that's very good.

DR. JHEE: Well, Arthur mentioned the technology and innovation summit that's going to be in Texas this -- this fall. Exciting opportunities there, especially, from what we've been able to learn from the cotton and tobacco program, and what technologies are available. We're going to definitely be open to hearing what some of the industry manufacturers have to say, and see if there's an opportunity to partner with them for FGIS and this industry.

MR. PARR: And I just wanted to add one more minor thing about the use of the video microscopes, is that it also enhances some of the current procedures that we have. Right now, all licensed inspectors and authorized inspectors at FGIS can submit opinions to the board of appeals and review. So now they can kind of have a -- a conversation around those suspect kernels, and then immediately next-day air those kernels for that final determination. So we're not making that final determination remotely. But we are expediting the -- to see if the -- we need to do -- go through that opinion process.

DR. JHEE: Okay. Yes.

CHAIR GROVE: Any other questions?

Thank you very much. And we are going to go ahead and take our break at this time. And that way, we can put Denise on ice a little bit, and have her think -- till she brings her presentation. So thank you. And 15 minutes, be back in the room.

THE REPORTER: Off the record at 10:05 a.m.

(Whereupon, the above-entitled matter went off the record for a brief recess.)

CHAIR GROVE: We are back in session, for everybody online.

MS. RUGGLES: Hi. I'm Denise Ruggles. I'm going to go over FGIS's financial overview. This year marks 30 years with FGIS. I've gone through two reorganizations. So just to kind of give some of my experience.

So we will jump right into it. I'm going to go kind of slow on each slide, so everybody can ask their questions as we're going through it. So we can -- we can always back up if we need to if there's some more questions as we go forward as well.

FGIS's funding. We are comprised of actually two components. One is of the appropriated funding that we receive, as well as, we have user fee funding. The user fee, as described this morning, we have a cap in the appropriations bill, the 55 million on our user fee cap that applies to all of our user fee accounts. It's not limited to just grain exports. We have submitted that request. We -- and we've also asked to increase it to 60 million.

Of the 20 million in appropriations that we receive annually, we only get about -- this last time was 17.45 million of that appropriation. In the U.S. Grain Standards Act, you will see that we are authorized up to 23 million, but we have not received those since the reauthorization in 2020. We've only been getting about 20, and of that, we've been getting between 16 and 17 million for FGIS use.

PARTICIPANT: Denise?

MS. RUGGLES: Yes.

PARTICIPANT: -- just a basic question. Where's the difference going between 20 and 17.45?

MS. RUGGLES: Overhead costs. So part of it is related to GSA building rent for the south building, the National Grain Center facility, some overhead costs for the administrators group, the department, and things like that, that come out of AMS's budget.

MS. COOPER: And then you and I have worked on the user cap -- the user fee cap allocation issue for, I would say, decades. And this committee has -- has weighed in before. What was the result of, kind of that effort to raise and -- and modify that cap? Can you just give a little historical background? Because this -- not a new issue, in other words.

MS. RUGGLES: So the reason we went -- we were requesting 60 million?

MS. COOPER: Well, just --

MS. RUGGLES: To do the U.S. Grain Standards Act limitation.

MS. COOPER: Yeah. What -- what happened to previous efforts to try and -- and give you more flexibility with that -- with that fee cap?

MS. RUGGLES: So -- did you want to take it, Arthur?

MR. NEAL: Arthur Neal, for the record. So we've gone through couple administration changes. So Denise and I both tried to work a department budget -- office budget and program analysis to get that lifted through Congress, but there's a extensive education process. Everybody doesn't understand the fee process. Everybody doesn't understand the cap.

By the time we got people educated,

administrations changed. So you start all over again. So we're going directly to Congress. And so part of our update was to ask Congress to decouple the rice, the -- the pulses from that cap so they were only focused on grain. I think the intention was always grain. And so we're waiting to hear back from Congress on whether or not they will accept that request for a technical change.

MS. RUGGLES: So on our user fees programs, we have the -- the user fee accounts for the U.S. Grain Standards Act. We have the inspection and weighing program, often called the export program. We have the supervision of official agencies program, which is our supervision account. We have our AMA rice inspection program, and our AMA commodity inspection program.

For our user fees for the USGSA, we have actually three components. We have the grain inspection weighing, which has the hourlies, the unit fees, and the tonnage fees associated with the grain market for FGIS services performed. We have the grain supervision account, which is services performed under grain for delegated states and designated agency, which also includes the -- which includes the supervision metric tonnage fee that we have.

And we have the USGSA miscellaneous fees for other services. That component is our registration -- export registration program, as well as our designation amendments program. Those fees were just updated April 1st for our annual review. And that's the current fee schedule we're under right now.

This is an historical graph of the supervision of official agencies program. As you can see, the yellow is the operating reserve, where we were in 2014, how it continued to climb in '15 and '16. And then, we implemented, as you can see, there's no green. We implemented a freeze on the assessment of the supervision fee at that time in 2017. So as you can see, there was no revenue brought in in '17, '18, '19, and

'20. That -- that supervision fee assessment was expired. And so then it was reinstated at its 1.1 cent.

So in the next fee change, we were able to change the metric -- the supervision tonnage fee amount. So then, the revenue, we were able to drop it down to a lower level to still continue to build -- to burn those -- operating reserve resources, to try to bring it to the -- we're trying to four and half months.

Where we are right now for quarter three, is the 2023 level. We have brought in $88 million -- or $88,000 of the 1.2 in expenses we had. And the reserve was down to $85,000. That is only through quarter three. So the obligations are often higher by now because we have booked entire years of some expenses, such as rent, agreements that we have with our HR services, IT services, et cetera. Those are booked for the entire year by now, by third quarter.

So here we are with the revenue. As

you can see, we had '18, '19, and '20 -- as I said, we didn't bring in any revenue. We brought in 1.6 -- almost $1.7 million in '21. We were able to bring that fee down, so we only brought in $390,000 in '22. And as of quarter three, we've only brought in $90,000. Those will continue to come in as we bill -- after a month closes. So right now, we're preparing in September to bill for August supervision fees. So we have continuing revenue coming in on those streams.

Is there any question about third quarter? We -- we're at one month of operating reserve by the end of third quarter this year. Okay.

Here's the historical graph for the inspection and weighing program. As you can see, the revenue -- we were bringing in '14, '15, and '16, and '17 was extremely high. We were doing the reduction in fees, starting with the reauthorization in 2015, but they actually didn't -- the fee change didn't happen till 2017 fiscal year. And the -- the reduction started occurring. And you can see the costs remained pretty steady, but we did have some increases, and we did have to compensate with other resources.

As of the end of quarter three, with the tonnage dropping -- is dropping significantly, we were at a negative 4.8 million in the reserve amount for the grain account alone. Again, as I mentioned before, some of the obligations are booked for an entire year. So we have agreements -- maintenance agreements and rent, et cetera, that are all booked up for the whole year. So those will - the costs will stay stagnant on those amounts, as the revenue continues to come in for those months.

Any questions on this graph?

MS. COOPER: Just interested in historical export tonnage. Whether -- what percentage of the annual comes in in that fourth quarter?

MS. RUGGLES: It is harvest for fourth

quarter. I don't know exactly how much of it. Usually, between August to January, is usually our largest portions of the year of tonnage. But this year, with the -- the tonnage is already -- is been less this year, than it has been in previous years. So I'm not sure how that -- exactly what our outcome's going to be.

MS. COOPER: So it did --

MS. RUGGLES: We're still down 21 percent.

MS. COOPER: It may improve, but not enough to bring it up? Okay.

MS. RUGGLES: Yeah. Yeah, we're down 21 percent compared to last year alone.

DR. HURBURGH: What is the contingency if that number stays negative?

MR. NEAL: That's part of this conversation, Dr. Hurburgh, is that --

DR. HURBURGH: Okay.

MR. NEAL: This -- this presentation's going to talk about way forward -- potential way forward.

DR. HURBURGH: Okay.

MR. NEAL: Great question.

MR. WILLIAMS: Denise. So what was the actual balance -- the fund balance at the end of 2022?

MS. RUGGLES: I think there's a graph in here for that. You mean for the --

CHAIR GROVE: She's going to get to it --

MS. RUGGLES: Yeah. The operating reserve. I think I have that as another slide.

MR. WILLIAMS: Okay. That's fine.

MS. RUGGLES: So -- so history of fees, I just wanted to give a -- questions have come up about when did metric tonnage fee come into play, some different things like that. So in October 1st of 1996 is when they broke the -- the fees for this inspection and weighing program into three categories. They had the hourly rate, which covered our direct labor costs. The unit tests and service type rates, which is like our stowage rates, aflatoxin testing, et cetera. And then our metric tonnage administrative charge to recover indirect costs for field offices and headquarters.

They would publish that and it would be a set amount for everybody across the board. Then in October 1st of -- also in October 1st of 1996 till 2004, the administrative tonnage was based on a six-tier tonnage rate. Meaning, after you ship so much it was a certain rate. After you shipped more, it was a lower rate, and it continued down for six levels. So the more you shipped, the lower your tonnage rate went.

Then in 2004 there was a review done and they wanted to change the fee based on a regional rate, so that certain areas weren't supplementing other areas for their tonnage levels. So that's when we broke it down to be, like, the Pacific Northwest, Toledo, League City, and New Orleans. All had their own local tonnage rate. As well as, we had a national rate for all the other exports coming out of the domestic market.

That went on until 2016, when the reauthorization rule went into effect, which changed in 2017, January 1st, with the implementation of the five-year rolling average for tonnage. And using only prior-year national local costs in that formula that was created.

So here's the annual review that we often talk about. So the annual review, with the 2020 reauthorization, we dropped it back to it doesn't have January 1st as the effective date anymore. It just has a year. So in 2021, we published -- I think it was February 1st -- the new fees that went into place.

The first thing we do is we look at our tonnage rates. We take the national tonnage and we figure out what the national costs were, and we do a formula calculation on what the national tonnage rate would be. That's our first component of the fee review that we do annually.

Then the second component is when we talk about the local. So I'm going to go into the national first. Oh, and I want to mention that when we talk about tonnage -- export tonnage. Land-based carriers to Canada and Mexico shipped by official agencies are excluded from the national tonnage rate. Those are covered under the supervision program's supervision fee. So those land-based carriers to Canada and Mexico are not assessed the national tonnage rate for what official agencies are doing. Just wanted to bring that clear, so -- yes?

MR. NEAL: Hey, Denise, I just wanted to also add a -- a comment on the -- you know, for each calendar year, starting with 2021, the service will review fees, including the section, and publish fees each year, according to the following.

So what was happening -- and we've talked about this in other settings -- every year, our fee schedule -- fee schedule was getting approved and posted later and later. And so we were in automatic violation of our own regulation, that we couldn't control. So our goal is still to get the fees published at the beginning of the year. It may not be January 1, but by January, February. That's still the goal. And that still has to be communicated. But what we didn't want to be is in a position where we are knowingly not meeting our own regulation. And so I just wanted to give context for that.

MS. RUGGLES: Thank you. And also, we ran into a challenge where there was a question about whether we should be retroactive. And we didn't want to do that industry. To -- to publish late, and then go back and charge the fee as of an earlier date.

So the national tonnage rate in the 2023 review that we did for the national tonnage rate has the five years of -- the tonnage for each of the years, and what the rolling average was. This was all published in the Federal Register. It also has what our national cost is for a historical purpose.

So you can see where we were for a national cost for each of these years, and where we were in '22. As of right now, we don't have the final numbers for '23. But this is where the calculated fees were each of those years for the national tonnage.

Also mentioned is the effective national tonnage fee. This was the last time we published under the prior formula before we implemented the five-year rolling average. So this was published. Then we did the five-year rolling average, and then we had -- the decision was based on the reserve amount, that we had a 5 percent maximum reduction. So here's what the fee calculated. And this is what the fee actually was.

So each year, we would calculate, and then we would have to do a reduction based on the operating reserve portion. Which I will discuss the operating reserve part of the fees. But I wanted to show why -- what calculated versus what people were paying doesn't always seem to match. It was always a question. So the calculation, then we did a reduction. Calculation, and we did a reduction.

This year, we only did 2 percent. This year, we had to do a maximum 5 percent increase. So with calculation, then the 5 percent increase. The calculation; the 5 percent increase. This year was the calculation and a 5 percent increase. So this is what we implemented on April 1st, this 3.3 cents for the national. Any questions on the national part?

Here's the local. So the local fee -- tonnage fee -- as you can see, is the tons for the five years for each of the office. The Pacific Northwest, formerly known as Portland office, with the merger that we did of there, between the Olympia office closing and the North Dakota office closing. We renamed it to the Pacific Northwest. Toledo, New Orleans, and League City. Here's their five years. And here's what the five-year rolling average for each of those offices was. For this 2023 local tonnage review.

Here's what their '22 local administrative costs for each of those offices.

And here's what the calculated fee was prior to the operating reserve adjustment. So Pacific Northwest calculated at the -- the 11.9 cent per ton, but then we had to adjust that to add 5 percent. Is there any questions on that?

This is just the local. That's not what you would pay -- if you were going to League City, you wouldn't be paying seven and half cents because this is just the local. The local and the national get added together when the fee is actually assessed. Any questions on the local?

Okay. So here's the portion -- the section of the regs where we do the operating reserve. And one of the areas I wanted to point out is the -- that we are adjusting the fees based on each million dollars by 2 percent, rounding down if we need to. Rounding down, meaning -- so if it's like 1.1 million, it's 1 million. If we're excess of -- of four and a half times -- if it's less than four and a half times, we have a maximum increase of 5 percent.

What that means is if we are at $3

million under our four and a half reserve amount, we can still only go up 5 percent. Even though the calculation would be -- three million would be -- would be 6 percent. We are maxed at 5. We cannot go more than 5.

Same with when the reserve is greater than four and a half months. For each million we do 2 percent, but with a maximum of 5. So if we were over by three million, we still could only reduce by 5 percent. Any questions on that?

MR. NEAL: So John Morgan's in the room and I have to be very careful how I say this. Just kidding. So we did something very similar with the rice industry couple of years ago. We had an excess in our operating reserves for the rice account. But what we did for the rice account -- we reduced -- we had two years of a 20 percent reduction, and then we -- we started gradually right-sizing their fees.

So they didn't drag on five, six years. We tried to do it quickly, and return it back to a regular operating state. And I think their last increase should go into effect starting in October. But this was a little different for us.

MS. RUGGLES: So here's the historical levels of the operating reserve that was asked. So here's where we were for revenue in '16, '17, '18, '19, through '22. This is where are estimating '23 to be at. We're just putting in some estimates, 'cause it was part of the fee rule conversation we're going to have later about this periodic fee review that we've did.

Here's where the obligations were for the program. As you see, we have some notes. In '21, we did adjust the obligations by 2.471 million, with using some Cares Act funding. That helped offset some of the staffing that had gotten ill. Some additional costs we had involved with people having to travel to cover areas where we had some shortages in staffing, and things like that. So we used the CARES Act -- CARES Act funding to offset some of those costs for this program.

And then in 2022, we had some additional appropriated funds that we hadn't used because of some staffing that didn't happen, travel was restricted, things like that. So we were able to offset some of our overhead obligations with those resources we still had available. Such as IT, some service level agreements that we had, some other items as well. This year, we're doing the same review for staffing, where we had some staffing shortages, where we didn't fill some positions, where we were able to move people around. We're looking to see if we have some extra resources that we can rebalance this account, so we don't close at this serious four and a half million dollars. So we're looking at seeing what funds we have available. So this is still ongoing. That's -- 'cause we're still in the year.

So here's where we were with our surplus or deficit. So we had a surplus in 2016. So that caused -- the fees were at five -- five months -- 5.7 months, so that triggered the next year to have a 5 percent reduction. In '17 we had a surplus again. This brought the reserve even higher. And of course, that was because we had that already defined fee revenue. So then, by the time we implemented it on January 1st, we'd already three months, which was our busy, you know, harvest. October through December brought in a lot more tons under the old rate. So then we had another 5 percent, 'cause we were at seven months of reserve.

In '18 we were at 6.6, which triggered another 5 percent reduction. But in '19, we were down to five. So we were only a half of a month too high from our trigger. So we only did a 2 percent adjustment.

Then in '20, we -- we were -- dropped below. We were down to 3.4 months. And we had to increase by 5 percent. That didn't cover our costs, so we had a further drop. We were down to 2.2 months, so we needed to do another 5 percent increase. In '22, we dropped down to having, like, just one month, so we did another 5 percent increase.

This triggered our periodic review, because we can't -- the 5 percent is not going to cover it. And I'm going to go into some of the challenges we've had on what's causing some of these increases. Any questions on the chart?

MR. FRIANT: Nick Friant with Cargill. So on the -- I just want to better understand your footnote B. So obligations in the chart show thirty- five eight. So does that mean -- that number would have been bigger if you hadn't rebalanced with appropriated funds?

MS. RUGGLES: Correct.

MR. FRIANT: Okay.

MS. RUGGLES: And this year would be higher if we didn't rebalance as well.

MR. FRIANT: Okay.

MS. RUGGLES: Yeah.

MR. NEAL: So our objective has been to slow down the hemorrhaging. And so we -- we've tightened our belts into the appropriated areas and we've moved overhead costs and administrative costs that are not necessarily being directly experienced at the field office level, but are coming from other areas. And we've been paying for that with appropriated funds so that we could take some of the pressure off of the user fee account. And we've been doing that since '20 at least. So that -- that's kind of been our method until we could figure out how to get the fees adjusted.

MS. RUGGLES: And those funds have become available because of the staffing shortages we've had. We've had a reduction of some positions that use appropriated funding. Travel restrictions, things like that. So we've had some of those resources. We've also had people move on details, which freed up some funding as well. So those resources have come available towards the end of the year. We see those resources and we can redo that rebalancing.

So here's where we are at the end of the third quarter. This is published on our public website. We publish each quarter, just so you can monitor how we're doing in our user fee programs. This is where we were with revenue at the end of our third quarter, which was June 30th. Obligations, where our losses were, what our operating reserve is for each of the accounts.

So this is the supervision account, the rice program, the commodity program. And this is our entire account as a whole. So the entire user fee program as a whole, is $1.98 million in the hole at the end of the third quarter. Any questions on that?

MR. MORGAN: So that's -- that's nine months into --

MS. RUGGLES: Yes.

MR. MORGAN: -- you have three months to go? Okay.

MS. RUGGLES: The supervision account is actually -- the revenue is -- is not nine months, it's eight months because we bill a month later. So it's actually the -- so the supervision revenue is short an extra month.

MR. MORGAN: Okay.

MS. RUGGLES: So here's the breakdown of costs to help you understand how our spending is occurring. So here's what the five-year rolling average tonnage would have calculated as. We put that up here just to give you an idea. Where we are right now at third quarter, compared to the previous year. And then our metric tons -- that's -- no. Excuse me. Let me back up.

This is the five-year rolling average calculation for the fee reviews. This is what '23 calculated that it should be for the fees that we implemented on April 1st. Here's where we are by third quarter. So the only year that the five-year rolling average and the fiscal year matched was '22.

So if you look at all these other years, in 2016, the five-year rolling average that we should have been at 105 million, we were actually at 122. In '17, it said -- the fee review said we should be at 107. We were actually at 135 million. '18, the one hundred --

114 million, but we were actually at 129 million. So you can see what's -- how some of these shifts have happened.

Then in '19, because we had these big years of -- of tonnage, it drove up what our rolling average is going to be, but in actuality, we actually had lower years. So then we dropped down to actually only bringing in on 107, 110. This year was a -- an -- the opposite. And then, this year, we were only matching. So this year, we're anticipating 21 percent lower than the previous year. So 21 percent lower than this -- this year -- '22.

MR. SINNER: Denise. How do we explain this? How -- how do -- how do we explain this lower tonnage? Where is it? What's happening? Is it crushing? What -- what's going on there? Do we -- do we know?

MS. RUGGLES: I don't know. Maybe Arthur can explain it, or --

MR. NEAL: I mean, honestly, I think the -- the export -- exporters in the room could probably explain it better. But the reality is that we're just moving less. Some of it is going to domestic markets. China's cancelled a lot of contracts. They're purchasing from Brazil. And so we're just moving less grain. There are more refineries going up across the country. So domestic grain is moving to those refineries.

Part of the conversation we had with some industry yesterday was about, you know, how do we look moving forward. If -- if markets don't realign to what they used to be. So these are some conversations that we'll have to have down the road.

MS. RUGGLES: So then, below is all the categories of our expenses. So as you can see, of 17, 39 -- 39 and a half million dollars -- 33.6 of that was just salaries and benefits for FGIS staff. So of our categories, it shows you where our expenses are for the total balance of our -- our total obligations. Where those categories are. And as you can see, salaries and benefits is our largest category for all of our spending.

Travel can come in about -- come in high sometimes, depending on how much travel we have to do. A lot of those travel costs are reimbursable. Some of them are related to maybe relocation costs. And then our other services are related to -- that's our ticket item where our overhead obligations are placed. Maintenance agreements, service agreements that we have with other departments, like IT, et cetera. Those -- those categories fall under other services. So any questions on that?

MR. FRIANT: Where -- so -- so first of all, thank you. Thank you for providing the breakdown of costs. We've been asking for more clarity on that. And absolutely appreciate having -- having this information.

How does -- how does what's on this chart, breakdown of costs -- where do the national admin costs factor into this?

MS. RUGGLES: The national tonnage costs?

MR. FRIANT: Yeah. The -- yeah -- yeah, that's used to calculate national tonnage fee?

MS. RUGGLES: Yes. So -- so that does fall under salaries and benefits. That would be, you know, our -- our directors, our associate deputy administrator, my expenses, FGIS online. We're in that salaries and benefits category, along with the direct service labor as well. But -- but our component is a part of that.

We also have travel expenses for different industry meetings, et cetera. We have other services, which is the administrator's office, their support staff, central charges, which are departmental. Green Book fees. I'm trying to think what other things could be out of there -- kind of help you understand some of those items. So those are categories that would go against the -- the national tonnage rate, as well as if we had any supplies for our local groups.

Oh, the IT for FGIS online falls in

the other services. We're not really in the rent and utilities, 'cause as I explained, the south building is under the appropriated portion that we don't get. And I'm housed at the National Grain Center, which is also covered under the appropriated. So a lot of that isn't -- we don't have any rent.

So the largest portion -- there's a portion here under salaries and benefits for, like, FGIS staff. And then, like I said, the administrator's office for AMS, departmental charges, Green Book fees, et cetera. And those service level agreements we have. Does that answer --

MR. FRIANT: So it's spread across multiple --

MS. RUGGLES: It can be. Yeah. Different categories -- we have different components.

MR. FRIANT: Great. Thank you.

MS. RUGGLES: Any other questions on this one?

Okay. So challenges we have with the annual fee review. I know that's come up. Why can't we post faster. One of the challenges I have is the fee review cannot start until all tonnage is reported. We have a delay of up to two weeks with industry deciding, are they done loading? Have they figured out all of the services that they're finishing on those shipments? And once they finalize that, then they finalize the tonnage billing.

So if a ship finishes and they've decided that September 30th services is the last time any new services are going to be done on that load, they will put it in the system. I -- I have the tonnage coming in up till October 15th as industry's deciding how they want to finish those loads.

If they add more to it or add more services, then it shifts to the next fiscal year because then the ship is not completed in this fiscal year. It doesn't complete till the next fiscal year. So then that ship moves. So it might have started in one year, but it doesn't actually finish till the next year. So we're kind of in a two-week holding pattern on that.

The second challenge is the fiscal financial reporting is not completed until October 31st. We close the books on the 30th, but then there's a lot of documents that they finish up through October completing the process. It's called period 13. They're finishing that up. So we get final financial numbers, not until November 1st. So we're dealing with tonnage and those financial numbers not coming in till -- so we can start it on November 1st.

Then the other challenge we have is that the Reauthorization Act of 2015 -- the regulation that was put in place only lets us look backwards. Doesn't let us look forward. So we are in -- and I'm going to talk about this coming up -- COLAs. We've already had been given -- and we're supposed to estimate our COLA, our increase of staffing for January 1st.

(Off-microphone comments.)

MS. RUGGLES: Cost of living adjustment. That's coming up -- it's -- I'm going to explain it a little bit further here -- about those different adjustments that we -- so we know that's coming. We don't know exactly the amount, but we can't figure that into those annual fee reviews. So when we do know something's happening, we're only looking back. We don't look forward.

The other challenge we have is the limitation on the 5 percent increase or decreases. That's a challenge. You know, you saw on some of those categories, we should have done larger decreases, we should have done larger increases with the changes in costs. Or with the reserves being too high.

And the other challenge is, often times, some people are looking at our export tonnage rates that we're publishing each week. And they don't understand that you need to remove the -- the rail and the land-based carriers to Canada and Mexico, which is our rail and trucks being services by official agency. So those are reported in our export numbers, but they do not -- are not assessed the national tonnage rate or -- so that's another challenge.

Historical hourly rates. I wanted to go over that to show you where we are for the different contract and non-contract. Oh, do you need me to go back?

MR. FRIANT: On the -- on the delay in tonnage reporting. I know that there's been -- and I -- I don't know all the correct terms. But I know there's been some challenges in the reporting system that is used by -- help me, Chris. The -- watching post -- I know there's an electronic reporting system and there's been challenges with that reporting system being rolled out. I think it's through ERS? I'm wondering if that would -- if that impacts the reporting that you're getting for tonnages?

MS. RUGGLES: Well, our delay is because they can't close out those inspection logs until all final --

MR. FRIANT: Okay.

MS. RUGGLES: -- and that builds the tonnage.

MR. FRIANT: Okay. So it's FGIS inspection logs --

MS. RUGGLES: Yes.

MR. FRIANT: Not an external report. Okay.

MS. RUGGLES: Now but I don't know what challenges on why the decision, or delayed on making decisions on when to close those ships out. I don't know if they're still really evaluating, can they get more grain on? Should they take grain off? I'm not -- you know, I don't know if there's more inspection services. Maybe they want to do aflatoxin. I don't know what's delaying the -- up to two weeks for those ships to finish.

MR. SINNER: Denise. One -- one other question. On that last point, why are land carriers assessed? Explain when that change -- or when that was implemented, or what -- why is that?

MS. RUGGLES: It was implemented at the time they did the breakdown for the regions. So when they decided they were going to do national and local tonnage back in -- I'd have to back up -- prior to the rolling tonnage average that we put into place. So on that first chart we talked about it, when they talked about regions. It was decided at that time to not assess it on land-based carriers to Canada and Mexico. They were separated out in that rulemaking.

MR. SINNER: Okay.

MS. RUGGLES: Containers, though, are -- are assessed export tonnage, regardless if they're offloaded domestically. Because the intention of using that conveyance is to export. But there might be a challenge where you loaded and it didn't make grade, so the container cannot leave the country. We still charge the export tonnage, 'cause the intent was to export it.

Historical hourly rates. So this is

the component of the direct service rates. This is your contract and non-contract. We used to have three months, six months, and we dropped it down to just one-year contracts, and no contracts. So here's the historical view of where we were in 2016 before the regulations were implemented with the Reauthorization Act of 2015. And then these are the rates that were a part of those components.

So what I'm saying by that is we calculated the tonnage fees and everything, and then we looked at our operating reserve. And then we adjusted this rate up or down 5 percent. So that's where this 5 percent is coming into play, up or down. So we figured out where the reserve was. We reduced the hourly rate by 5 percent. We figured out what the reserve was. We reduced it by 5 percent. You can see that here. So this was prior to the formula change. These are the reductions that we implemented each year. Or increases.

So this shows you the trend of where

we were. The last time this was our highest contracted rate at the time before we implemented. The other we want to point out is that I don't know if anybody's noticed, but our one-year holiday -- contract holiday has always been the same rate for all non-contract rates. Meaning, there is no adjustment done if a non-contracted facility wants to work holidays. They pay the same rate whether they do it Monday through Friday during regular time. They pay the same rate. There's no -- there's no incentive for them to work during regular hours. The rate is the same, regardless.

MR. NEAL: Denise, and just to also clarify, or illustrate. If our employees work on the holiday, we pay them double.

MS. RUGGLES: So is there any questions on this historical of what our rates have been, and what we implemented on April 1st? This is what our rates are right now. So as you can see, right now, as of '16 -- as of our April 1st, we still haven't brought ourselves up to even what the '16 level was yet. Any questions?

So here is a comparison to the other AMS programs that are under a different model of fee adjustments. So here's where we were in '16; here's where we are in '23. Here's where the dairy program is for contract; here's where the fruit and vegetables for processed -- they don't have a contract rate for their fresh vegetables -- fruits and vegetables. They only have it for processed. The meats program, which I would suspect is livestock and poultry, but they call it meats. And then the egg and poultry -- or livestock, I guess. So there's where they are in their contracted rates versus their non-contracted rates.

As a comparison of FGIS's 2016, '23, our current rates, and where those programs are at this time. And this was as of the fees that are in place right now. They are having a fee adjustment done on October 1st. They publish at the same time we publish our rice ones. Any questions? Just trying to give you a concept of where FGIS is standing compared to some of the other programs.

So for the periodic fee review. This year we implemented the periodic fee review. We brought together a team that was assembled with FGIS staff, that included division representation, field office representation from all of the different areas in the country. And they brought -- they brought together what their costs are, locally, for doing various services.

To give you an example. How long does it take -- what kind of grade level are you using to do an aflatoxin? What -- what's the cost of the -- the equipment you're using? What are your consumables? Is there any training you have to do? We had them put that all together for all the different services that they offer in their area.

And then we weighted it and compared it. I'm not going to those comparisons in our scenario as to what we did, but that's what we did. We brought together the groups across the country, and they all put in their input. Even the BAR participated. Different labs here participated that do grain testing. They all participated and brought back feedback on what it would cost to recover their costs of doing these services.

That was scenario one. And then we adjusted it because we -- you know, they were just covering what their costs would be. Then we have to add in for all the other costs. You know, different groups overseeing it. Like Ed Jhee's costs for being the director of the building, the AMS -- the admin staff for TSD, things like that.

Scenario two that we did. We implemented AMS's standard formula with a reduction in the rates. Because the original calculation, which is what we did in scenario four -- we did do a reduction for the calculated rates based on that formula. The formula we're talking about, I will describe later what that AMS formula is. It is a formula that the AMS implemented for all of their AMA programs. We implemented it with rice two years ago. This is the third year we're using it for the rice program. We will also implement that on the commodity program when that one gets completed.

The difference between scenario one and scenario two with the standard formula, with the reduction of the rate calculation, is related to the overtime and holiday calculations. The formula, as written, says that the overtime rate will be one and a half times the regular calculated rate and the holiday is two times. We have a little bit of lenience on that, and we did do some adjustments for that in our rice program as well. So the scenario three is actually taking the overtime at one and a quarter, with holiday being one and a half times the regular rate. Any questions on those scenarios that we did, how we came together?

MR. NEAL: And part of the reason why we modified the overtime and holiday rate is because we knew that the industries that we're servicing -- they had not been experiencing these type of wide swings in fees. And so we wanted to mitigate some of the impact on the rates. And so that's why we modified those overtime and holiday pay rates.

MR. MORGAN: John Morgan. I -- I believe rice is using scenario two.

MS. RUGGLES: Correct. But I -- I would have to look.

MR. MORGAN: I'm looking at them right now. It's definitely scenario two.

MS. RUGGLES: Yeah. But I don't think we reduced the regular rates. I think we actually calculated the rate, and then we did one and a quarter and one and a half.

MR. MORGAN: It looks like one and a half and two.

MS. RUGGLES: Oh. Did -- it is scenario three?

MR. MORGAN: Yeah.

MS. RUGGLES: Or scenario two, I mean.

MR. MORGAN: Yeah. Just --

MS. RUGGLES: It -- I think the second

year, we did -- stuck with the --

So here is the AMS formula -- standard formula that's published -- and there's -- and I have the federal rice -- 'cause we have it in our regulations now. 'Cause we are following that same formula with the rice. So this is out of our regulations for the rice. So this is the steps.

So each year we calculate the regular rate based on the person performing -- the personnel performing direct services, divided by the number of direct hours. And then we multiply it by the cost of living increase for the next year. So that takes consideration what's going to happen for next year. And then we add a benefits rate to it. We also add an operating rate to it, and we also add for bad debt allowance.

FGIS's bad debt allowance is really small, because we have three components on making sure we get -- are collecting our fees before we have to refer somebody to U.S. Treasury. So we have a lot of efforts put in on debt management. So our allowance for bad debt is like nothing, really.

And then we don't include travel expenses in our hourly rate, because our -- we charge for travel. It's a one-to-one reimbursement for those costs. The overtime rate, again, is the calculation of -- and you're right, John -- we did do one and a half, and the two. So that takes the regular rate calculation and takes it by one and a half. And then we do the holiday rate and take it times two. That's the standard formula.

In addition to that, it also looks at how you calculate a benefit rate. There's a formula for that. And then there's the operating rate, how you calculate that. And then the allowance for bad debt. It talks about those components that were mentioned before. And then we also adjust for economic factors that are released by OMB, for inflation and -- and other factors that are used. The cost of living is figured in the hourly rate part. Any questions on the formula? Yes, Jimmy.

MR. WILLIAMS: Denise, I have a question. Could you go back a few slides? Back to that slide where you show the salary and the salary costs for like the last six or seven years? So here's what I don't understand. So that -- that chart shows that salary and benefit costs were over 33 million in FY16? Is that correct?

MS. RUGGLES: Correct.

MR. WILLIAMS: Okay. And in FY23 they're -- or at this rate, anyway, they're at 21.9 million. What -- how do you explain that? How -- what's -- I mean, have you all reduced your staffing to that extent?

MS. RUGGLES: Significantly. You saw all the vacancies we have. Plus, we are rebalancing. So you're seeing these rebalances we're doing. It's 'cause to offset some of those cost of living increases as well. We're going to talk about what all those cost of living increases we've been absorbing over the years, that have been implemented on us every year by budgets -- the President's budget.

MR. NEAL: Denise if you can go to volume.

MS. RUGGLES: Go back to volume?

MR. NEAL: By -- by office -- field office. Just to give you some perspective. We're working our people extremely hard. This -- you know, I wish we weren't. And I was sharing earlier, that -- you know, our employees would love for us to hire, so they wouldn't have to work seven days a week. You know, almost 12 to 16-hour shifts. That's been the sacrifice that folks have been making so that we do not continue to add additional burden on the program. But we can't operate like that any longer, 'cause people are burning out.

And so it -- it's -- and if you look at where the work is happening the most, it's -- it's New Orleans and -- and League City. And -- and look -- look at 2021. Seventy-two million metric tons flown out of New Orleans. That's a lot of work. And -- and those are the folks who are asking for help. But we've got to get ourselves in a better position so we can give them help in a responsible way.

MS. RUGGLES: And we've been trying to adjust to hold those costs down, just because -- where we can to help the industry.

Try not to make everybody dizzy scanning back through these. So here's the financial impacts that we've been absorbing. So the financial impacts since the reauthorization of 2015. So the cost of living adjustments that we've experienced was 2017, we had a 1 percent, '18 was a 1.4, '19 was a 1.4. And then in '20 we got a 2.6. Then we got a 1 percent in '21. In '22 we got a 2.2. And then last year we got a 4.1. Well, we're only adjusting fees by 5 percent. A 4.1 is a huge increase on -- and when you saw our categories. Our largest cost category is salaries and benefits.

This year's President budget --

presidential budget request is 5.2. So you can see, a 5 percent increase wouldn't even cover the COLA alone. Not even talking inflation, or any of the staffing that has occurred that's going to be paid full-year next year, some of those items. So that's one of the challenges we're dealing with.

And as I wanted to show again, is -- here's our salaries and benefit category, and this is the percentage that that category is of our total obligations. These years, again, we have assisted by offsetting some of those costs with CARES Act funding or available appropriated resources where staff can be rebalanced. Any questions on this one?

And -- and also, our -- we have payroll distributors for TSD, FMD headquarters, the two branches of that, the director's office, PPMAB, and then the office of the deputy administrator. So we also look at those to rebalance if we can.

The rate fee categories. I wanted to

show these. What are the challenges in our fee reviews. So the -- so the rate, fees, revenue categories. We have our hourly rates to recover direct costs. Those unit tests and service rate types and our metric tonnage. As you can see, in '22 our hourly onsite and applicants facility is 64 percent of our revenue to cover our costs. Sixty-four percent comes from our contract and non-contract onsite hourly rates.

One percent is for our other -- other hourly rate category, which is where we're doing testing, not an applicant's facility. That would be for, like, the labs here where they have an hourly rate. It only makes up 1 percent. So of our revenue, 65 percent of it is all just from hourly rates.

Then we have our unit and service types. Which is our services per carrier, which is your weighing per carrier, stowages per carrier, those kind of fees. As well as aflatoxin texting. Grading factors like a factor -- factor only, board appeals, appeals, et cetera. As well as export registration. The -- that component in 2022 was 6 percent of our revenue resource.

And then our direct amount reimbursement. Those are services like travel, mailing costs, et cetera. Those are our straight hourly reimbursements. Not hourly. Actual cost reimbursements. That only made up 1 percent of the revenue resource.

Metric tons. For our national and local tonnage, that brings in 28 percent of our revenue. So our two largest revenue components is the hourly onsite, contract and non-contract, and our tonnage rate. The rest of those units are not -- they don't bring in the revenue resources as those other two components. Just wanted to break that out on where the revenue has to come from to cover a lot of the costs. Any questions on this? Yes.

DR. HURBURGH: How does the COLA percentage that you listed there match with the actual wage settlement changes with your employees? Are the -- are the employees' salaries going up at the -- does that reflect the increase in the employee salaries, or are they going up faster than -- than what you are allowed for COLA?

MS. RUGGLES: The COLA is our -- our cost of increase. That's what everybody makes. That's what we get.

DR. HURBURGH: Okay. So that's an actual number?

MS. RUGGLES: That's an actual number.

DR. HURBURGH: Okay. All right.

MS. RUGGLES: When they publish our new salary tables on January 1st, it has those -- whatever's been approved, and all of -- everybody's wage table increases by that amount. And then we have a little bit of locality pay adjustments.

DR. HURBURGH: All right.

MS. RUGGLES: Any other questions on this?

So here was our period review

scenarios that we talked about earlier. The scenario one, the scenario two, three, and four. I -- and I put down below to -- I don't know if I killed the little thing here -- where the scenario would bring the operating reserve, and the number of months the scenarios do.

So here's where we were in '16 again. Here's where we are right now at '23. Here's that scenario one, where we had that team that came together, said here's what it costs us to do this business. This is what our, you know, unit -- our equipment is, our maintenance agreements, our consumables, and then we increased it for all the components that we need to assist with that. So -- such as staff like Ed's group, the director's office administrative staff to do TNAs, et cetera, all that stuff. We adjusted that and inflation.

Scenario two was the one and a half. Taking the regular rate calculation, applying one and a half, and two to the holiday. So you can see, 60 times 2 is 120. This is the contracted.

And then scenario three, we -- we changed it to be one and a quarter versus one and a half. And then scenario four is -- unmodified, this is what the AMS formula calculated that the hourly rate should be to -- to recoup our costs.

So as you can see here -- and then I'd put in a comparison for the low program and -- the low program and the high program are the AMS programs. Where they are right now, today, compared to FGIS on these scenarios. If we implemented scenario one, the reserve would still be at a negative $1 million, with less than .3 months. We wouldn't even get out of the hole that we're going to be in when we close '23.

Scenario two would bring the reserve up to 2.8 million, or only .9 months. Scenario three would bring us up to .3 million, or .1 months of reserve. And scenario four would bring us completely out of the hole, and put us at 13.7 million and 4.4 months. So that was the scenario that -- to do it all at one time, in one year. And it actually only would be, like, nine months of the fee adjustment, because you know, we can't get the fees in place October 1st. So we would lose, though, that busy season of October, November, and December. So this is a nine-month increase. Any questions on these scenarios?

Okay. So also, in the same scenario basis we did the tonnage rate. What would the tonnage rate be on each of those scenarios. So as I explained earlier, about how the actual payment is always based on a component of local versus national. So here's what the published rates were in '16. Here's what the fees are currently in place. Right now, as of April 1st, the national is 3.3. This was the calculated rate for League City with that 5 percent increase, plus the national. This is what the League City customers pay for national -- or their tonnage fee, regional tonnage fee. Here's what you'd pay in New Orleans. Here's what they pay at Pacific Northwest. And here's what they pay in Toledo, currently.

Scenario one. This is what it

calculated to be. Scenario two, the same thing. Scenario three, and then scenario four. Scenario four would be bringing the rate -- so we would get the full four, almost four and a half months of reserve. This is based on the five-year rolling average of the tonnage and what we're anticipating the costs are going to be for the national and local amounts. So this is following the similar process of the calculation of the tonnage fee and the five-year rolling average.

So there really is no change between these three scenarios on the tonnage rate if its tonnage rate change is here. And that's to dig us out of the hole and bring us to the full, almost four and a half months of reserve. Any questions on that?

MR. FRIANT: Sorry, Denise. I need to go back to the previous slide. I wasn't able to catch up with you. Can you explain -- well, I -- I have two questions.

MS. RUGGLES: Okay.

MR. FRIANT: One question, two parts,

Arthur.

MS. RUGGLES: Okay.

MR. FRIANT: So my first question -- so you -- the -- you've got the proposed change. The one-year contract, regular Monday to Saturday, 6 a.m. to 6 p.m.

MS. RUGGLES: Correct.

MR. FRIANT: And then, the -- the proposed overtime change. So my question is, if -- to Arthur's point, we've been working people 12 and 16- hour shifts. So -- so if a person works, for example, a six to six shift -- 6 a.m. to 6 p.m. shift, they'd get eight hours regular time and four hours of overtime?

MS. RUGGLES: So you would assume that, but we have three different scheduling components. So some people can be first 40. So then they don't -- they don't get overtime till that. And then we have -- Andy or Arthur probably could explain some of those other ones, but we do have, like, three different scheduling items.

We are removing -- so right now, you would pay -- so if we had a person work 16 hours, the industry pays eight hours at the regular rate, and then they pay the next eight hours at the overtime rate. That's what it is right now. We're looking to move to a time of day, not the person specific.

So whether -- so meaning, you wouldn't need to worry about Billy working 16, versus Billy working eight, and Tommy working eight. You know, you're only -- you're going to pay based on a clock. We are also moving Saturday to become a regular day, which right now, it's not. Right now, it's an overtime day. So anybody working anytime on Saturday is automatically overtime right now.

So we're looking to move to more -- to automate, so -- to automate the process where the system is calculating based on when somebody is working, not who the person is, how much time they've already worked, to calculate the rate. Does that make sense what I'm trying to say, Nick?

MR. FRIANT: Yes --

MS. RUGGLES: We're trying to move so that in our online system for service requests, you would be able to see what that's doing in calculating your bills, based on a clock.

MR. FRIANT: Yeah. Okay. That -- that makes more sense now. And then, based on what you just said, regardless of the time of day, Sunday is overtime?

MS. RUGGLES: Correct.

MR. FRIANT: And then holiday is --

MS. RUGGLES: Holiday.

MR. FRIANT: -- also separate?

MS. RUGGLES: Correct.

MR. FRIANT: Got it. Thank you.

MS. RUGGLES: Yep.

So we took these scenarios, and we gave -- we picked one, and we picked scenario three. Scenario three is the one we picked. It's going to leave us at the end of '24 at the .3 million reserve, with .1 months. We picked that scenario and we forecasted going forward.

So this is an outlook of what we think would happen if we implemented that. So here's where we are right now. And where -- what we've estimated we think this year's going to look like when we close. I am still addressing the rebalancing of the appropriated, 'cause I -- we're still trying to figure out what resources we have available right now. So we're still doing that.

So this could be lower. And then, of course, revenue could be higher if something were to suddenly change that I -- you know, we suddenly get a lot of ships all at one time, we don't know. And then with the reserve amount. So this is that calculation -- what we're anticipating this year's going to be. Estimating, to implement the -- the scenario three, with the hourly rates and the unit rates and the tonnage rates. Which we didn't share every unit rate. There's a lot of them.

What -- what it would bring in for the

reserve for the nine-month increase that we would be implementing. We would bring in this much revenue. This is what we're anticipating our obligations are going to be with the 5.2 cost of living adjustment that's in the President's budget. If we were to get something less, of course, that adjusts our costs. It totally changes the forecast. And then, what our surplus would be, where our -- we would end at the .3 for million reserve, with the .1 month reserve.

If we continued on the next year for the rates, with doing a minimal increase just for cost of living of 2.9 percent, and holding the rates, we were looking at this amount. We would be at three months, and then we would be at 5.5. That's holding, only getting cost of living raises of only those amounts. If they're less, we would have to implement something different. But this was just a outlook, to see how it would look, looking forward. Where would we -- so it would take almost two years to get back to where we needed to be.

MR. SINNER: Denise, what did you do with tonnages -- projections?

MS. RUGGLES: We held them.

MR. SINNER: Okay.

MR. NEAL: But when I -- when I've said this -- we left the tonnage fee calculation alone. So whatever the -- whatever the result from the tonnage fee formula is, we didn't manipulate it.

MS. RUGGLES: Yeah. The five-year?

MR. NEAL: Right. Using the five-year rolling average. We didn't add on any operating costs reserve recovery. We didn't add on any cost of living increase. We didn't do anything like that. We just let the calculation be what it is for tonnage fee.

MS. RUGGLES: So this is what the rates would look like for those scenarios. For scenario three, if we did it in the out years. So this does have the 5 percent increase for the hours, and we held the 5 percent here. And then we held the tonnage with the calculation for those two years.

MR. FRIANT: And -- and that's just the straight calculation?

MS. RUGGLES: For scenario three.

MR. FRIANT: Yeah. Not -- not taking the calculation and adjusting it up? That's scenario four.

MS. RUGGLES: We adjusted for the 5 percent, 'cause we know we're going to be under, so we're going to do a 5 percent for the hourly. But that was it.

MR. FRIANT: But not the tonnage. Sorry -- I meant --

MS. RUGGLES: The tonnage is calculated based on what we think the five-year rolling average is, and what -- and we were holding the cost for the -- the administrative tonnage -- the national tonnage rate and the local fees. We were -- we were holding them, except for the 2.9 percent increase. And then we held them. We didn't adjust them again.

'Cause if we'd allowed them to adjust

again, 'cause we know we're going to be in the negative here. 'Cause we're still going to be under the four and a half. If we adjust the tonnage rates again, it -- it would be way too much. See how we're going to -- if we hold them, we're going to be at 5.5. But again, this is assuming, you know, the 5.2. If we don't get a 5.2 and we get less. If we get more than 2.9. Those things can affect it.

MR. FRIANT: Yeah. Okay.

MR. NEAL: One thing I'd like to share, too, for consideration. So our current reserve target is four and a half months. Other programs have a six-month target or a year target. And it's to help them deal with these wide swings in volume. Because to -- to let people go if we don't have enough to cover shifts in -- in export volume, it's hard to get people back. And I just wanted to -- you know, as we think about ways to move forward, you know, are there opportunities to adjust the -- the reserve target? Or -- 'cause we continue to monitor it closely. We'll just have to keep making these type of shifts to -- to ensure that we don't exceed it, or have less than enough to cover our -- our goal.

MS. RUGGLES: Yes Chris.

MR. FREDERKING: Yeah. Chris Frederking with Zen-Noh Grain. So certainly appreciate the background and -- and all the information that -- that has led to these different scenarios that were proposed. And I guess, as I'm sitting here thinking of probably being the tip of the spear as far as shouldering the expenses from the industry side, even scenario three, in a average year, probably for a regular export elevator, specifically down in the Gulf is probably somewhere in the neighborhood of a million dollars of extra expenses at the elevator level.

So as we're looking at length of time to -- to get these new fees added in, or to right-size that operating reserve, sounds like you're projecting more of a three-year approach, versus what I had heard, maybe with the rice industry, was a five to six-year timeframe. And just, maybe a little bit more perspective on what's the urgency with this scenario, or the scenarios proposed here, with the three-year versus a longer-term six-year -- five or six-year?

MS. RUGGLES: So the rice, we implemented quickly. They had two rejection years, and then went increases really quickly -- the opposite direction. That industry is like our third-sized program, or second-sized program when you look at our expenses. The grain is the bread and -- you know, it's our biggest program. It -- it's very large.

So just -- a little bit of cost increase, really, it's -- it affects us significantly, because it is such a large program. $33 million, you know, is this program. Where the rice isn't that large.

MR. NEAL: And the other thing, too, Chris. This is a proposal, like I said, we are anticipating tolerability. What can -- what could industry tolerate. Well, not what can. What will they tolerate. We're trying to propose a way forward that is reasonable. We're not trying to recover all, knowing that the costs could be -- the expense that you have to carry would be far greater.

The other thing, too, is the approval process we discussed. How do we make sure that we're taking something forward through the briefing process that has to get approved by the Secretary, that seems to be reasonable to him as well. So we're -- we tried to balance it. You -- you may have other thoughts of how we should approach it. We're just sharing with you what we think we can go forward with to potentially get us into a better place.

MS. RUGGLES: And one of the other areas that I heard all the other presentations talk about, you know, staffing challenges. We have vacancies. As those get filled, you know, it does affect costs. QACD being at their full level now. Some of those resources we've been using, we won't have those available next year. And also, updating technology. You know, the cost involved in updating technology. We're investigating technology as well. So some of those resources won't be available.

CHAIR GROVE: John, I'm going to have you hold your question. In keeping with the schedule that we have -- and we have some very specific timeframes we need to meet this afternoon because of online speakers, we are going to go ahead and break at lunch at this time.

If you have questions, write them down. We still know there's a lot of people who want to talk about this. And we also then have an industry issue that attaches to this. So I would like to make sure everybody -- again, bring your questions yet.

But we're going to break for lunch. And we have a very specific schedule at one o'clock. We have somebody coming on and presenting for fumigation. So when we come back from lunch, one o'clock, we will start regardless of who's in the room. We're not -- because we have somebody online, and then after that -- and then that discussion, we will come back and start again with user fees. Okay? So gives you lunch to mull over some other questions. So again, at this time, online, gallery, and -- and committee, we will break and be back in here to start right at one o'clock with our online presentation.

(Whereupon, the above-entitled matter went off the record for a brief recess.)

CHAIR GROVE: All right. We were going to start with Dr. Walls here at one o'clock, but he's not on yet. So what we are going to do --

MR. NEAL: He's on.

CHAIR GROVE: Oh. Okay, so he is on. So we will -- we will have Dr. Walls present. And then we will go into Chris presenting with the fumigation piece. And after that, we will then move back to any other questions we have for

Denise. And then, into FGIS user fees that Nick will present. If everybody's fine. So our AV team -- if you want to go ahead and bring up Dr. Walls.

DR. WALLS: Hello. Can you guys hear me?

CHAIR GROVE: Yes, we can. Do you have a presentation to share?

DR. WALLS: I -- I really don't have a -- a presentation to share. I, you know, was asked to revise Table 3 of the FGIS manual. And it was my understanding that -- that that's what we were going to be reviewing. I'd be happy to do so.

MR. NEAL: Yeah. Thanks, Dr. Walls. This is Arthur. I don't know if you can see me. So this may be a great opportunity for us to kind of let Chris kind of give a summary of the -- of the fumigation issue brought to the Grain Inspection Advisory Committee.

Chris, you think you're ready to do that? And then after that, we can turn to Dr.

Walls.

CHAIR GROVE: Okay. So if -- AV team, you want to bring up Chris's policy that he submitted? Can we do that side-by-side? Okay. Chris, you go ahead and go. We do -- we do have it --

MR. FREDERKING: Yeah. Absolutely. Thank you. So recently, because of changes with phytosanitary certificate requirements for -- in the country -- designation country of Japan, we -- we have ran into a bit of a nuance issue with fumigation practices, and what is required to get proper fumigation per the fumigation policy handbook. To get a clean phytosanitary certificate on bulk shipments.

So specifically, this applies to scenarios where the cargo depth is between 12 and 20 meters, which a lot of times can be -- can result in a slack hold situation. That slack hold situation is a -- creates some -- some risks, some dangers for fumigators accessing the top of that cargo. So getting down into a hole to apply subsurface fumigation in accordance with the handbook Table 3 creates those safety challenges. Additionally, because of the destination -- the issues at destination with having holds tubed for recirculation. Having to dispose of those tubes at destination is creating a real problem for customers. So they just are not equipped for it and aren't prepared to -- to handle the amount of tubing that is coming their way.

So that is, in turn, making us uncompetitive, which of course, brings extra scrutiny to the Table 3 in the fumigation policy handbook. So specifically in that table, I wanted to open it up to the Committee, and certainly up to review on fumigation practices. The difference between surface versus subsurface application for those holds with cargo depths between 12 and 20 meters. Is there really a difference in efficacy of the fumigant, with -- with those cargo depths.

And then also, the transit time from

the U.S. to Japan, typically, is going to be much greater than the 18 days listed on the -- on the Table. So is there a possibility to also review and discuss the -- the possibility of having additional transit time windows added to the table as well. So with that, entertain any questions, or certainly turn it over.

MR. NEAL: Thanks, Chris. And so what we've done -- kind of, ahead of the meeting, we started partnering with Agricultural Research Service, who helped the Federal Grain Inspection Service draft the original fumigation handbook policy. And Dr. Walls was so kind to spend his time looking at the handbook, the specific Table 3 as it pertains to fumigation application rates and slack hold applications.

And so I'm going to turn it over to Dr. Walls. I think you all have seen the proposed, or draft changes. So he can walk us through his thought process for recommending or proposing what he's done.

Dr. Walls, we'll turn it over to you.

DR. WALLS: Thank you so much. So my understanding that -- that the audience is -- has the revised Table 3 in front of them? Or am I supposed to share?

MR. FRIANT: Arthur, I don't believe we've seen it. What's posted on the website is the current Table 3.

DR. WALLS: Okay. Well then, let me request to share screen. Okay? Are we -- are we sharing the Table 3?

MR. NEAL: Yes, sir.

DR. WALLS: Okay, great. All right. Well, thank you for the --

CHAIR GROVE: But you rolled it up just a little bit.

DR. WALLS: I'm sorry?

CHAIR GROVE: Okay. No. You're fine.

DR. WALLS: Okay. Yeah. Well, thank you for the very brief introduction. Yeah, I was -- was given a call. And you know, kind of unfortunately, over the years, the USDA's post-harvest treatment group has kind of shrunk. I'm

-- I'm out in Fresno, California now. Kind of handle the whole -- handle the whole country. And you know, phosphine fumigations have -- have changed quite a bit in the last, I would say, decade or so. And I really kind of relish the opportunity to take another look at this table. This actually dovetails very nicely, too, with some recent work we've been doing for USAID, and kind of reevaluating the verbiage and the recommended -- the phosphine application parameters.

So when I first set out to do this a week or two ago, you know, the first place I go is -- is to industry, and try to gauge and gather as much information as possible about the problem. And one of the things that we recognized was exactly what the gentleman before me had said. You know, there's a safety issue going in and doing subsurface trenching in certain applications.

And then also, there were some key target markets that were -- were actually requesting that recirculation tubes were -- were not in place. And so what we tried to do was accommodate that, and -- and make this revised table as much as -- or embrace business-as-usual as much as possible, while making these new accommodations.

And as I -- as I went around to various industry members, I think one of the first things that -- that leapt off the page was revising in -- in each of the far left column. The verbiage with respect to how much phosphine was applied. In the former table, you simply had metal phosphides. And that's very confusing. And so we clarified that in this revised table, by -- by referring just to the amount of phosphine per thousand cubic feet. So I think that that's an improvement.

Another thing that -- that became evident, was that the fumigation service providers wanted to make the decision on whether or not it would be surface or subsurface. And you know, that's a -- that's a choice where I think the fumigation service providers, you know, they can look at the label, and they can -- they can, I think, best gauge the particular scenario. The hazards and the -- and the safety factors associated with that. So instead of having two headings -- one for surface, and one for subsurface -- we simply combined those. So you can do either a surface or subsurface application.

So in the top column. I guess, the surface or subsurface application -- 45 grams of phosphine per thousand cubic feet. As we're reading left to right, basically hold depth in meters -- the only box that is effectively changed from the last table, is the 12 to 20 meter. We are now allowing surface applications of phosphine in those holds. This basically addresses the situation in Japan. Which, at least from my perspective, was one of the -- one of the -- the issues that kernelized this -- this revision. We're still not allowing them in greater than 20 meter hold depths -- surface or subsurface applications, without recirculation.

The next -- the next row down. Surface or subsurface application with recirculation. This is, again, kind of business as usual. Thirty-three grams of phosphine per thousand cubic feet. None of those times have -- have changed at all.

And then, finally, as we go down to surface or subsurface application with recirculation, we have greater than or equal to 45 grams of phosphine. The increase, basically, a dose of phosphine -- applied dose of phosphine -- it should, in fact, direct, or -- or would say, achieve the same amount of efficacy in a shorter period of time. This also allows to accommodate with the -- the new USAID recommendations of -- of 60 grams of phosphine per thousand cubic feet. Okay. So if you go with the higher rate in recirculation, you can reduce the treatment times required for efficacy. Incentivize, so to speak, if you have that ability to do so.

Okay. We also looked at the -- added a double asterisk. Fumigant quantity is calculated by total volume of the empty cargo hold. As it turns out, the fumigators were basically using that calculation anyway. Even though the old, or former Table 3 had calculations of -- of hold, basically, volumes based on the amount of commodity in there. And that's really not how we do things in the fumigation world. We -- we keep it to the volume of the geometry that you are fumigating, and you -- you don't calculate hold geometry. Which the speaker before me indicated is sometimes a very difficult to do anyway. So we're just going with hold -- empty hold volumes as the -- the index for -- for application rates.

The first note recommended that the -- the hold remain closed during the entire voyage. There's no modification to this. We did put in a note that when possible -- and it's not always possible -- but when possible, recirculation methods are recommended. And I -- I think that this was important to include. And not -- not so much from -- from a safety perspective. 'Cause again, that -- that's going to be first and foremost in the hands of the fumigation service providers. What really, the FGIS manual and -- and ARS research, and -- and really, research abroad, has -- has shown that the recirculation method -- you know, taking the time to distribute the gas as -- as quickly and as homogeneously as possible, is the route towards a better fumigation. And -- and that's generally the message that we're trying to -- to convey here.

And then, there was another note that was included. For dosage rates greater than 45 grams, a dual fan recirculation is recommended. And this really just builds upon the previous statement by saying, you know, if you're going to go for reduced treatment times, which accompany a -- a higher applied dosage of phosphine, then the more circulation that you have, the better. Again, these are not requirements. There's a big distinction between requirements. These are simple -- simply recommendations.

And then finally, we've got -- we've got reference specifically to slack holds and slack tanks, saying that the surface or subsurface applications may be used as specified in the chart above. So that's - this line really just kind of links slack holds with -- with full holds, and -- and anchors everything to this -- to this table.

And I'm certainly happy to entertain feedback, positive or negative, but I -- I think this is a step in the right direction. And -- and I've -- I've talked also, too, about how -- how ARS would be willing to -- to engage, at least, in a -- in a -- a kind of quick overview, or take another look at the FGIS manual, to, let's say, update it and modernize it to -- to be consistent with current, kind of, fumigation practices.

With that, thank you so much. I'm -- I'm happy to entertain questions. And it was my pleasure to be here.

MR. NEAL: Thank you, Dr. Walls.

MR. HEIL: I've got a question here. Mark Heil, Prairie Central Coop. Was it -- what -- particular to the ag year -- was it a change in the label or best practices by industry, or was it a request based off things that had always been done from a international buyer that is creating this request for the changes?

DR. WALLS: As far as I know -- and again, I -- I was approached by this. I -- I -- I'm not AFIS or -- or FGIS. I -- I just do the research. I -- I was handed some -- some information about one of the importers on a key market, had -- had requested this change. And then also, the -- the language in the former Table 3, I guess, you know, was not -- was not accurate, in the sense that requirement of subsurface applications in slack holds just really doesn't make much practical sense.

MR. HEIL: I would agree with that. And then the -- the addition of phytosanitary requirements going into Japan really brought this all to a head for us in the Gulf, on needing to -- to meet those -- those requirements without tubing of vessel holds. Which they are very sensitive to those tubes being discharged -- or disposed of at destination.

CHAIR GROVE: Chris, do you feel that these proposed changes in this draft answer some of the questions to the proposal written and submitted, in answering the questions or concerns for you?

MR. FREDERKING: Yes. I feel like what has been proposed in this table certainly addresses the concerns from industry, as well as eliminates some of the gray area that we had seen in some of the variability on application practices in the Gulf from time to time. So this is certainly a great step forward. So would -- would love to see it continue.

CHAIR GROVE: Any questions for Dr. Walls?

MR. NEAL: Dr. Walls, thank you for taking time to join this meeting. I think that you've addressed all the concerns. We appreciate your effort in this space. Have a great rest of your trip.

DR. WALLS: Appreciate it. Thank you.

MR. NEAL: All right. Take care.

CHAIR GROVE: Thank you.

We definitely appreciate Dr. Walls taking his time from his trip in Alaska to join us to help us through this process. Obviously, this helps Chris with what you're looking at and proposing for the industry.

Do we feel -- I should have asked this to Dr. Walls -- do we feel this then also doesn't create any safety risk if we have this as a surface application -- it does say the -- the vessel needs to stay sealed, even if it is met that 18-day or greater requirement -- that table does say it needs to stay sealed. So are there safety concerns?

MR. NEAL: One of the things that he did mention to us is that surface application, you know, is permitted at some of the larger cargo hold depths. However, that's why the note about recirculation is recommended. Not that something will happen, but when you do surface application at those larger cargo hold depths, there's a higher probability for there to be, you know, fire because of the gases.

MR. FRIANT: So I -- it -- I think I would agree it appears that it -- it's addressing the questions and concerns that we have for fumigation of export vessels. Has, or when will AFIS be approached to see if this will still meet their requirements to issue a clean phytosanitary certificate?

MR. NEAL: It'll be after we come out of this meeting.

Hey, Chris, from a practical standpoint, without recirculation, do you move to the higher dose for the full holds?

MR. FREDERKING: I would assume that we -- we stick with the 45 grams. Yeah. So I guess, procedurally, if we're in agreement, what are the next steps as far as formal recommendation coming out of the GAIC, and then engaging AFIS? And then from there, how long will the process continue?

MR. NEAL: I think as soon as we confer with AFIS about the changes, it's really about us getting the word out and modifying the handbook. Shouldn't take extremely too long, because we're only updating the chart -- Table 3.

MR. FREDERKING: Yeah. The -- I would say to that end, we -- we should also ensure that key industries stakeholders have a little bit more awareness than just -- get notified that the handbook has changed. I think, particularly NGFA and NAEGA would appreciate some opportunity to at least review it, and check with membership, that -- that everyone's comfortable with it.

MR. NEAL: Makes perfect sense.

CHAIR GROVE: Any other discussion on this topic? Questions? Again, to make sure we have - - right now, the recommendations after this and agreeing to the new draft, engaging AFIS to look at this, but also in assuring key industry stakeholders have the information. Any other thoughts that we need to make sure to address?

MR. FRIANT: Well, and -- and I believe this has already been done. And I -- sorry. I just don't remember if Dr. Walls said it or not, but the major fumigation companies have had a chance to review and weigh in on this?

So for the record, Arthur is shaking his head "yes."

MR. NEAL: Yeah. He -- he has consulted with all the major fumigation companies.

CHAIR GROVE: So with that -- again, the same, I guess, notification that it has changed after AFIS has approved, you know, again, just making sure everybody has that communication. It is good to know that they were contacted ahead of time.

For those people that have the expertise in it, to be able to weigh in on, again, the safety and efficacy of this.

MR. NEAL: Yeah. And -- and that's just another thing to remember as things have evolved over time, people that were here back in the -- in the early 80s when this fumigation handbook policy was established are no longer here. And -- and expertise moves, and so I think the more we lean on people who have the expertise and space that are outside of, like, the technical grading and inspection work, I think that's -- we need to integrate them more into the business that we're facilitating. So that we don't find ourselves coming to FGIS for expertise that we no longer have.

MR. FREDERKING: Not sure if there's much more in discussion, but would just say thank you to FGIS for -- for getting ahead of this issue, and for dealing with it. And bringing it to the forefront and engaging the right people in such a timely manner. It is much appreciated by industry.

CHAIR GROVE: Okay, Chris. So if you'll go ahead and handle that for us, and you'll put that -- that revised proposal together. And then we can do that vote tomorrow. Thank you again, for the time you put into this and bringing that to our attention.

With that -- with no other questions, we are going to move back to any questions that we may have for Denise in the budget discussion. So questions for Denise that we put on hold. And then we will move Nick into your proposal, so if you want to be prepared to upload that proposal onto the screen for the FGIS user fees and budget, that would be appreciated.

John, did you still have a question?

MR. MORGAN: No, it was mostly a comment. So I -- I think it can wait for the discussion.

CHAIR GROVE: Again, specifically, any questions -- we do still have the presentation. We can go back to any slides, if there's anybody who had any other questions for Denise.

MS. RAMBUR: Hi, this is Shay. Just wanted to make sure that I understood that the volumes -- you used the five-year projection, and then you kept them steady for the three years?

MS. RUGGLES: So for the -- for the scenario we did, we did the projection, what we thought the five-year average, adding '23 to it for the '24 calculation. And then we added it for '25, and then we held steady.

MS. COOPER: While you're up there, Denise, could you pull up the slide that shows the different scenarios?

MS. RUGGLES: This was for the hourly. Or do want the -- what -- what the scenarios were comprised of? I think it's back here further where we talked about the different scenarios. Is that what the -- the text, where we talk about the group we got together, and the scenarios what they represented?

MS. COOPER: Okay. And then you -- in your analysis, it looked like you only analyzed scenario three?

MS. RUGGLES: Yeah. We only did -- so we had a recommendation from our administrator to take scenario three and provide that as a -- a forecast out for '25 and '26.

MS. COOPER: Okay.

MS. RUGGLES: So we only did scenario three.

MR. NEAL: So part of the rationale here -- go back, Denise, to the table with the scenarios and the -- and the operating reserve.

MS. RUGGLES: Oh, with all the scenarios? I don't think --

MR. NEAL: Uh-huh.

MS. RUGGLES: I don't think we did one with all the scenarios.

MR. NEAL: The figures, the fees.

MS. RUGGLES: We just have this. We didn't do all the scenarios for the --

MR. NEAL: You -- you have a table with the fees. Right there.

MS. RUGGLES: Here, we did the projection with hourlies, at the bottom, the footnotes say --

MR. NEAL: Yeah. Right.

MS. RUGGLES: Okay.

MR. NEAL: So this is the reality. We're negative $4.7 million in the hole. We got a shutdown potentially coming. How do we operate with no money? If we don't change fees, how do we operate for another year with no money? It's fiscally irresponsible. We can't do it. So what we were -- moving -- what we are showing to you in terms of a possible route forward, is one where we don't try to recover the entire operating reserve loss or deficit rapidly, so that we can at least be fiscally responsible in being in the black. Break even, so to speak. That's all we're really trying to do. So that we can operate. Otherwise, we have to explore some other options for how FGIS survives the next year.

MS. RUGGLES: So that's why we picked scenario three to do -- so we at least get out of the hole for '24. And then we bring us to the -- the minimum goal, and then we -- we should be around the four and a half. It's about five and a half right now, for the calculation for '26. By the end of '26. So just to let you know, these are at the end of those fiscal years at close.

MR. FREDERKING: I probably missed it, but when would the fee increase go into effect?

MS. RUGGLES: We're trying for January 1.

MR. NEAL: More realistically, you're talking about late February.

MR. FREDERKING: Again, at -- can certainly have an impact on marketing years, right? And sales that -- as this is -- can be a significant cost, right? For industry?

MR. NEAL: It -- it's not ideal. It's just not ideal. But we've got to take a step forward. And we're trying to -- we're -- we're suggesting a path forward to minimize -- and that's a loose use of that term -- minimize the impact as much as we can. For -- we're working inside of AMS now, to make sure we've got what we need to continue operations in case of a shutdown. But we're still going to have to plan to dig out of the hole we're in, in our forward years.

CHAIR GROVE: You know, while nobody in the industry wants to see fees go up, it's a reality of the business we do that all our costs are raising. Other -- you know, whether it's our inputs, other services -- those do raise. We know that's going to happen. I -- I appreciate that you were doing data- driven, instead of saying "Hey. We need to -- we just need to get to a number. Here's what we need to do." Looking at the true costs of all of your fees, to me, is important. That you're putting some true numbers behind what we need to charge for particular items.

You know, sometimes we -- we set fees and we put them in place, and those costs to ourselves -- those costs for the kits you are using, your person's time -- they all go up, and we don't readjust, and we don't do it in timely fashion. So hopefully, those are some things that we're reassessing sooner than nine years after maybe a last review of -- of fees. Or in 2016, 2015. You know, those are some things we start putting in place to -- to keep us more relevant on our costs. Appreciate a little bit that we're doing a three-year plan to try to catch up, versus -- it's all at once. But I think as we talked, that still, that's a very big raise. You know, and a -- and a hard one to stomach. So I think, again, as the industry -- I think it's going to be a bit of a shockwave. So maybe some things Nick's going to talk about -- how do we make sure, and for you, what can we help you with to ensure we don't get in this place again. And I do see some other lights on, so please go ahead.

MR. SINNER: I appreciate you looking at the -- the most conservative scenario. I -- I think that's -- I mean, obviously, we're -- we're worried about it. But I got to be honest, that I'm -- I'm concerned about the tonnages. And I know you've laid it flat. I -- I mean, with all the crushing of soy that's coming online, I -- I just don't see the -- the tonnages being consistent. Even with the rolling averages. And it's going to put us in a -- another compromising situation. So we may have to adjust this again next year.

MR. NEAL: The reality is that for every -- we have to do a annual fee review every year. Every grading program does. So there be some small adjustments every year. Not these big swings. What we were attempting to do -- we weren't trying to be negligent in making adjustments. We were trying to operate within the 5 percent threshold that we had. And the reality is that the 5 percent threshold just wasn't enough to cover the rising costs that we were experiencing in other areas, as well as facilitating full cost recovery. We also have statutory obligation to charge fees that recover the costs of providing a service. So it's a -- it's a -- like I said, it's a tough pill to swallow. I don't want to be in this position; neither do you. So the purpose of us having the conversations here today is to get input on how we think we could move forward in the most beneficial way.

DR. HURBURGH: Given the rather large variability of, kind of, just, across years, from -- over the last five years or ten -- very large variability -- this doesn't allow operation within that variability. That point one at the bottom of the graph that you just showed. That's effectively zero. What happens if -- if, at the end of FY24, that number's not zero, it's minus again? What happens?

MR. NEAL: It's a great -- great question. And it's a possible reality.

DR. HURBURGH: -- think so.

MR. NEAL: Like I said, ideally, we're supposed to -- we're supposed to aim for the four and a half month target of reserve. So what happens if we don't break even? You know, we're not there today. We will not be able to operate in perpetuity the way we're currently postured. So the question will become, will a review of our accounts take place by the government? Will we be deemed fiscally deficient? And they'll be other conversations to have. I think ultimately, we, collectively, have to decide on what we want to do to move forward the way we're supposed to. Now if we're negative next year, I can't say what's going to happen. Will there be a review of this program and its -- its effectiveness? I'd have no -- there's no other grading program operating like this.

DR. HURBURGH: Well, I was on this committee a number of years ago. And I can tell you that we went to that point of potential shutdown. In fact, shutdown procedures had begun. We don't want it. And I think this scenario is too thin to be -- it's my opinion, and I know that there are others that are having to pay the fees. I understand what the issue is. But this is too thin to have a reliable chance of success. My opinion.

CHAIR GROVE: Something, Denise, you said back on the slide about the challenges.

That the reauthorization act in 2015 only allows you to look backwards. It allows you to look backwards at last years, versus to be able to use projections and things going forward. So how can we affect that? Because all of us, in doing our day-to-day business, when we're doing strategic planning, you are projecting for the future. So if all you're looking at is the past, you obviously aren't able to make good decisions on that. How can we affect that?

MR. NEAL: You know, that's a great question. I -- I've consulted with all of the other grading programs, too, and they -- they also look backwards. Because none of us have access to what companies are contracting. We have no idea what the market is going to do. We could use mass data to project, but even that's got lags to it. So I'm not quite sure. There may have to be a -- a dialogue around how would projection look for us. But even those projections could be, you know, off significantly.

I don't know if there's a perfect fix, other than monitoring, well in advance, what the revenue and costs are related to the operating reserves. Taking action well before we've done now. We're being in communication about the status on a regular basis, so that we are aware. The other thing is -- you know, considering what do we need as an industry to facilitate trade. That's another option to consider. If -- if this is not a type of conversation folks want to have. Because we can't provide the service for free.

MR. FRIANT: Well, and I think, Barb, partially to answer your question, and I think maybe other than Charlie, I may have been the only other person in the room before this was done. The estimates that were used. So under the -- under the old process it was all notice-incumbent rulemaking. And the -- and the swings were massive in tonnage fees and other Schedule A fees. And it was because trying to do the projections was just -- it -- it was just too hard. Right? I mean, we -- we could use WAZDEE (phonetic). We could use whatever was out there and it -- I mean, it'd be off by millions of metric tons. And it's just a symptom of -- of the process. And so that's why the -- going to that five-year rolling average was implemented. A, it -- it gave the agency power to do something annually, instead of waiting five, or ten, or more years, and then -- and it gave them the power to make the changes outside of the full rulemaking process. So it provided some flexibility to the process. I did not know, Arthur, and that was interesting to hear that other inspection programs do the same -- well, or at least a relatively similar process. I would -- I would argue that the calculation for tonnage fee is working because we have seen overhead costs, or the national admin costs continue to -- to decrease. And so that is reflective in the tonnage fee being paid. I think the missing gap is -- and several folks have heard me say this -- it's all of the rest of the Schedule A fees, and not being able to adjust the -- particularly the contract and non-contract rates to be more -- more market responsive, they're coupled, and then subject to that -- that 5 percent cap. And I would be remiss if I didn't say that during the 2016 reauthorization, NGFA and NAEGA did suggest not having a cap. And you're -- and so I understand, Arthur, you weren't around for all this. Leadership at that time said "No. We need the cap to provide more stability to those changes." So believe it or not NGFA and NAEGA said "no cap." Which I -- I can't believe we did, but we did. So -- but that's what we're stuck with today. And so I think that's where we've got some opportunity.

MR. NEAL: I'm chuckling, Nick, because no cap is a -- is a thing now in urban culture.

CHAIR GROVE: Just because we don't want to keep her -- keep her on ice up here, any specific questions for Denise? 'Cause she's been up at the front of this room for a very long time today.

MS. RUGGLES: Well, the rule -- the rule that Nick's talking about, it was back in 2013. It was actually like a four-year, and it was the 80 million metric tons. And then that's when we skyrocket and we bring in hundreds of millions of metric tons. But yet the fees were set for 80 million, so we were booming. And that's what the operating reserve went crazily high, is 'cause we were -- we were gangbusters with tons.

PARTICIPANT: I do -- I'm glad that you reminded me, Barb, 'cause I do have question. Just -- and Denise, I think you answered this before the break, but I didn't quite follow. So if you can go forward to the periodic tonnage rate scenarios slide. One more I think. Yeah, this one.

I just want to understand. So I know that the fiscal '23 national tonnage fee, the 0.33 -- that was adjusted the 5 percent up. The next three -- scenarios one, two, and three -- the 0.58. That's based on the straight calculation of the five-year -- of the fees divided by the five-year rolling average. Not adjusted up or down by the 2 or 5 percent?

MS. RUGGLES: Right. That's --

PARTICIPANT: Okay. Scenario four --

MS. RUGGLES: And then scenario four was wide open, to try to bring us to the full four and a half months at one time. One year. The nine months.

PARTICIPANT: Yeah. Okay. Thank you.

CHAIR GROVE: Okay. And I'm going to take a question or comment from the gallery. If you could please make sure to state your name, spell it, and also then, who you represent.

MR. MCCLUER: Thank you for the opportunity to ask a couple of questions. So Jess McClure J-E-S-S M-C-C-L-U-E-R with the National Grain and Feed Association. So thank you for this very informative presentation. A couple of questions.

At the very beginning, when you talking about the increase in the -- the cap.

Right? The user cap and appropriations. When you were saying that request, was that made to the House and Senate Appropriations committees, or was that to the Secretary of Agriculture?

MR. NEAL: Good question, Jess. It's still getting cleared through USDA right now to go to Congress.

MR. MCCLUER: I got you. Okay.

MR. NEAL: Mm-hmm.

MR. MCCLUER: So you've made the request internally to raise the user cap from 55 to 60. Then once that is approved, that will then go to the -- that will then be proposed to the House and Senate Appropriations committees to then be included in the respective USDA appropriations bill for fiscal year '24?

MR. NEAL: That's the -- that's the game plan. That's -- I think the -- I think the approach may be as to in deciding what to send to -- to the hill. Because it's a two-part request. It's basically to decouple the cap from the other user fee accounts. That really should provide us enough space to operate.

MR. MCCLUER: Got you.

MR. NEAL: Without being concerned about expenditures exceeding the cap. So that's the first one. The $60 million increase to the cap would be the second thing they consider whether or not do we need it.

MR. MCCLUER: So the request is going to be the language to be included to decouple as we've been talking about. And then on top of that, that'll be the increase in the cap. And then as you mentioned, to the increase in the appropriations. Now just curious, too. It's a little late in the process for the fiscal year '24, isn't it?

MR. NEAL: And almost '25, too. But not necessarily for this change. It still can -- it still can be adopted. We've not seen the -- you know, we've seen drafts of approps language, but it still can be adopted.

MR. MCCLUER: Sure. Well, and that's very helpful to know. As you know, NGFA, we're located in Washington, D.C. area and work with Capitol Hill quite a bit, so that's good to know kind of what this process is, so we can kind of stay on top of that as well, on -- on how that proceeds moving forward.

The second question I had, then. So -- and I don't know if this is for Denise. I think it is for Denise. I think it's going to get -- it's goes back to pre-2015. Right? So I think, had -- and not very many of us were involved in this process. But what were the requirements then pre all the changes made in the U.S. Grain Standards Act. Right? What was the process then, if you came in a similar situation as far as reviewing fees, or something that we're currently dealing with right now? What was the process then?

MS. RUGGLES: Okay. So the -- the rule that Nick was bringing up about the 80 million metric tons. It was a full regulatory change rule. So we'd have to do a proposed rule, and we would put out sometimes three to four years of anticipated prices for effective dates in a table. So they would try to forecast out what our -- we were going to need for the program. When they did that last rule, which is what triggered the reauthorization, the calculations were done on 80 million metric tons. It was not going to change for those three or four years in those fee tables.

We -- so we -- proposed rule goes out. It has all of the fees for those multiple years. It's published. We get comments. We respond to the comments, and then it becomes a final rule, and it would show up in the federal -- the CFR -- the regulations. It would be posted in there for all those multiple years what the fees were going to happen. What they didn't anticipate was that the 80 million was way too low. So those fees being set based on it bringing 80 million in -- we were bringing in 100s of millions. So the tonnage rate being set for only bringing in 80 million, and we're bringing in hundreds, the -- the revenue was just coming in extremely high.

So that's when, during the reauthorization of 2015, it was requested by industry, and -- to put a pause, to stop that rule, and re -- change the process of how we were doing fees. Because it was taking -- we were doing it so many years. So there could be many years before we had a fee change.

For an example, for the commodity program. The fees haven't changed since 2001 for the commodities for one of the fee tables, and I think 2003 for the other fee table. It just takes a long time sometimes to get those tables changed and those fees done. So they were doing multiple years to try to head off, and be prepared for what was going to happen in the future, so you would be able to know what the fees were going to be.

So that's great if what we forecasted in those fee tables were accurate. You -- you hadn't -- you knew what your hours were going to be and what your tonnage work is going to be for contracts and stuff. But when you miss the mark, and it's not 80 million metric tons, it's hundreds of -- you know, a hundred -- I don't even remember what the first year was. Like 110, or something like that. I'd have to go back and look. You know, that's -- we just bring in way too much revenue. It was -- it was a large surplus of revenue.

MR. MCCLUER: And just to add what Nick said, too. The comments that NGFA and NAEGA submitted back in 2016 on the proposal to implement the changes on the 2015 reauthorization, wholly supported a periodic review of the Schedule A fees on an annual basis, without a cap.

MR. NEAL: Okay. That's good to know, Jess. I thought I could point my finger at NGFA for this problem.

MR. MCCLUER: Just -- is -- is that on the record?

MR. NEAL: Yes, it is. I just put it on the record.

MR. MCCLUER: Thank you for the

opportunity to -- I do have more questions. I could save it, though.

CHAIR GROVE: Are your questions for Denise, or are -- are they going to relate for the published proposal? Because then I would say, let's wait till Nick presents the published proposal, or industry issue. So you tell me -- or no -- is it to Denise or presentation.

MR. MCCLUER: No. I -- I was going to say. I just did have one other follow-up question for Denise, just based on -- based on the information up here. So -- so obviously, with the -- those -- the fees that you had described, for obviously, the -- the first -- the user fee cap, the appropriations. The one follow-up question I have on the appropriated funds -- where it's the -- I know the 23.5 versus -- I guess, that's what I just -- so there's authorized appropriated for 23 million. But I know we've had -- well, that was the appropriations is 20 million. So is the 23 million -- when was that -- I guess, that's the -

- I was just curious about that. Was that from this current year appropriation? Last year's appropriation?

MS. RUGGLES: So the 23 million was added in the 2020 reauthorization of the U.S. Grain Standards Law. When the -- when the changes were made to the -- the appropriated section became funding section, where it was separated out about how user fees could be used or could not be used. And that's when the law was changed to put in that we were -- the funding for authorization for appropriations was for 23 million. To start in 2021, through 2025, which is our next reauthorization period. We've not gotten that. So I brought it up to be clear that while it says it in the law, we're only getting 20 million in the budget appropriations.

MR. NEAL: So this -- this 23 million came a part -- became a part of the 2020 reauthorization as a result of dialogue with the hill concerning FGIS's needs. And so we talked about the need to innovate, the need to modernize, and the need to develop methodologies. So that we could explore the use of technology for providing service. So they authorized more funding so that we could explore what we're talking about here -- technology. And how do we also do more outreach, where industry concerning the marketing of agricultural commodities, such -- Byron mentioned -- we should do a lot of surveys with the U.S. Soybean Export Council, U.S. Wheat, and so forth, using appropriated dollars. We can't afford to do that anymore. And so then, we're trying to make authorizations so we continue to partner and facilitate trade through innovation. And that type of support.

MR. MCCLUER: So it's been appropriated, but you haven't receive it yet?

MR. NEAL: It's been authorized, but there's been no appropriation towards it.

MR. MCCLUER: Okay. Got you. All right. Thank you. That's very helpful. Appreciate it.

CHAIR GROVE: Thank you, Jess. Again,

anymore questions to what Denise has presented to us? If none, then Nick, I would give you the floor.

Thank you very much. Thank you for taking this -- this extra time. Again, being very thorough. And -- and that is kind of what we talked about ahead of time. Hey, let's go slow on this. A lot of information to digest. So thank you for being patient with us.

And Nick if you would want to then go ahead. And if you're able, to go ahead and pull up his industry --

MR. FRIANT: So I'll start by echoing Bob's -- or Barb's comments on -- you know, thank you for all the information. Thank you for the time, certainly. And I said it earlier today, we've been requesting more detailed data for a few years. And appreciate you sharing the more detailed information. And it helps us be able to do some additional analysis, and help figure out a way forward on this. So thank you for that.

So as far as for the advisory

committee, you can see here on the screen the -- the discussion paper, or position paper. A lot of this is, frankly, background here at the beginning, around what happened in -- in the 2015 reauthorization, and what was -- what was required with respect to official fees for official inspection and weighing. And the annual review -- the three to six-month operating reserve, with a -- with a target of four and a half months. And then the -- the tonnage fee being calculated using the five-year rolling average, and actual administrative costs from the previous year.

It goes on to talk about how those were implemented in the calendar year, beginning January 1st. But then points out -- and I think we saw that in one of the early slides that Denise presented -- that that operating reserve has been on a negative trend line since that time. Also pointing out -- and this I've shared -- I think I shared it earlier today -- we have seen the national administrative costs from inspection and weighing services be on that negative trend line. Which is something that industry has been pushing for, even before 2015. And so again, I -- and I've said this in other forums -- you know, I commend the agency for finding ways to continue to decrease those overhead costs, and certainly appreciate that.

Additional facts from -- from the position paper. It just talks about -- and we saw this in what Denise presented earlier today -- those tonnage fee adjustments have ranged from 5 percent decreases to 5 percent increases. And as we saw, it was a 5 percent increase over the last three years. What this paper does not talk about is the -- the distinction between the tonnage fees and the rest of the Schedule A fees. Which, certainly, I feel like we've got a much better understanding of now, today, after all of the additional information and conversation. But what the -- the question that raised, and -- and that we've really been talking about for this topic all day is, we've got decreased administrative costs, tonnage fees have been doing whatever they've been doing, and yet, the operating reserve continues to -- to be on the negative trend line. And so we needed this more in-depth review of tonnage fees. And -- and clearly, the rest of Schedule A fees, as we've learned and gotten more information. And so the -- the request -- part -- the request from this position paper so that the Committee could have further discussion and develop some recommendations is more in-depth information to be able to do some more of that analysis. And so I feel like we've got a lot more of that information today. We've had a lot of good conversation so far on the topic. And so I think it is leading us towards some sort of recommendation back to the agency. I'm not sure we know what that's going to be quite yet. But I think it's provided better opportunity for the Committee, and then interested stakeholders to provide some -- some more analysis and -- and recommendations.

And then if you can scroll just a little bit more, Kendra. The last piece was around the timeliness. And the importance for timeliness. So particularly, handlers, exporters can manage those changes. And that was, I think, well eluded to. And -- and again, I would thank you, Denise, for the -- for the explanation on why it's so difficult. Speaking for myself, I frankly had no idea that there was all the bits and pieces. So I actually feel like that portion of the request was -- was addressed.

So yeah. So I mean, that's -- I think maybe I'll just leave it there. That's what's in the position paper. And I guess we'll probably open for additional discussion or comment from the Committee.

CHAIR GROVE: So I am going to ask you something, Nick. You -- you just made a comment on, you know, bringing this to stakeholders, letting people have input. Arthur, just a few moments ago discussed that process, just to bring it into review and -- and clearance. So that does put more time on these projections if we're looking at a timeliness, a hope-to's. Denise said have this affected in -- in January, put in place in February. A timeframe of -- of bringing it to the -- all the industry stakeholders. And not that they shouldn't be aware. Everybody should be aware. What are you thinking of a review and comment from industry stakeholders? Because that does put this -- or does it? You can still start the process while people are commenting? I guess a question for either one of you.

MR. NEAL: Ideally, we'd like to have some sense. So say for instance, with the rice industry. Before we moved the proposal into the clearance process, we talked with the rice industry to gauge their -- their perspective on and response to the potential rates. We got feedback. We adjusted, we shared our adjustment, we -- you know, we came to a hesitant agreement to move forward before we moved forward with it. You know, it -- it -- they didn't want it. Yet, they also understood the business side of it, too. I mean, when you -- when you look at it, they were in a very similar position, such that they rates they were paying were less than what they were in 2019. You know, we're paying -- we're paying a smaller hourly rate than what we were in 2016 in grain. Realistically, nobody can stay in business that way.

And so we got that feedback, so we knew when they asked, what's industry's response to this, we could share that with truth, you know? And we could share that, you know, they're not necessarily desiring this increase. However, they understand. In this case, we're in a different situation. 'Cause we were in a negative posture with rice. We still had a positive operating reserve. And we were just trying to prevent getting to this point with the rice industry. Which we did. 'Cause the only two accounts we've got in the positive right now -- well -- we've got rice, and we've got -- we've got pulses. And you know, we were able to -- and

-- and then, the supervision. But we were able to -- to prevent this from getting here. Now we're at a place where we're operating at a deficiency, which raises a different type of alarm bell. 'Cause it's really -- I think it's -- Dr. Hurburgh said we should be shutting down. Literally, we should be shutting down. We should be laying people off. We should be shutting down our doors. But we're working within the agencies to make sure that doesn't happen. We -- we can't stay in that posture.

MR. FRIANT: Yeah. And -- and we certainly don't want that -- that to happen. I am not familiar with the process for how rice works. Or just, I'm not familiar with it. But I think Barb, to answer your question, we could probably get some -- get some understanding of what might be needed for the grain-handling industry, based on what happened with rice. You know, I can't -- I can't speak for other handlers in the room, but I mean, even just within Cargill, I've got key stakeholders that I need to socialize this with before we just -- see on January 1st that there's going to be a new rate change. I would like to think, as we bring together, you know, the key trade associations for the grain handlers, we can generally get comments, and get in front of the respective boards pretty quickly. So I think we've got time to do that, Barb. And especially to your point, Arthur, to -- to make sure the messaging is correct.

MR. NEAL: I'll also add, Nick, we don't want to -- so we can't sit on it for an extremely long period of time. And when I say "we," talking about us. What's reasonable? What's a reasonable timeframe? This is what -- September basically. I think if we could get this into the -- the clearance process by October, we'd be doing good. So if we got feedback by October, that -- that would be -- when I say -- really, by the end of September, that would be pretty -- pretty good. 'Cause we will all want to be experiencing the fiscal yearend closeout. It's going to be busy. We probably wouldn't get it up to the Secretary's office by end of -- end of the fiscal year. They probably wouldn't entertain it that soon. So I think that's -- that's reasonable from -- from our end. Because it's -- it's going to take us a while to probably get it cleared. Next year --

CHAIR GROVE: Pushes us -- pushes us back from the administration of it, or the -- the proposal of going into effect Jan-Feb.

MR. NEAL: Maybe. Maybe not. Maybe, maybe not.

CHAIR GROVE: Okay.

MR. MORGAN: Just a comment on -- on our experience with this process, Nick. It was basically proposed to us -- you don't want us to grade rice or not. I mean, that was pretty much how it was proposed. But the way we approached it -- it's a little easier, 'cause we're one commodity. You guys got multiple commodities to push through on your association boards. But we did get together at the lowest level of our committee, that -- our chair, and we -- we heard the proposals, we pushed it up, and we reported it to the respective boards and USA Rice, the federation, the merchants, the millers, and the producers. And kind of fast-tracked it that way. The initial -- the initial fees that were proposed versus what was -- came out was a bit of a compromise. However, would -- would I see even more compromise on this is, you guys are really pushing hard for the one and half and two times rates, 'cause that's how you pay your employees for the overtime and holiday rate. So it worked out fairly quick with us. We are still at rates that we did not see back in '18 and '19.

So -- my only -- my only -- what I didn't like about the process from the start to the finish was how fast they reduced our surplus over two years. Which was somewhat out of USDA's control, 'cause the office of management and budget was the one pushing it. But I would encourage that you find a more smooth transition from surpluses to negatives, potentially, in your

-- in those -- in those operating budgets. 'Cause we -- we had a drastic reduction. They cut our fees in half for a year. And then we're going back to where we were couple years ago.

So it's -- it would be nice if it was smoothed out a little more. Whether it was going up or down, it -- you know, it'd be smoothed out. So that -- that's my only part of the process that I thought was -- was tough. But we moved pretty quick. But we are one grain. So -- much easier for us to that than -- than you guys have to get all the grains on board. It's a little bit of a bigger challenge.

CHAIR GROVE: So in this -- with -- Nick, what you're looking for a possible proposal in very definitely wanting key stakeholder input -- is we would need from FGIS -- you already have the slides in place. But what is -- we would need that -- that verbiage, that good presentation on why. Because we -- we need to -- we need to state the why. So that was -- we would need that from you as part of our proposal.

I'm -- I'm assuming, so that we can bring that and get together industry stakeholders, and bringing back that communication as soon as possible. So we would need a good summary draft. And Nick, I'll let you say what pieces are going to be beneficial. I mean, Jeff's in the room so he's already heard it. So that helps.

MR. FRIANT: Well yeah. And -- and that's part of what I was going to say, is it might be easier said than done. But it's simple as Denise and/or Arthur are given some presentations to grain grades and weights committee, and grades and inspections committee. I -- I think -- you know, this -- I mean, Monday was the first time that the Committee even saw the proposal. So I -- maybe there's still folks on the Committee that need time to chew through it. And then some opportunity for all of us to share with our key stakeholders. I mean, certainly, timing is of the essence. We fully understand that. I guess I'm not prepared right now to say if the end of September is feasible.

It feels like it. But I would -- I mean, we get it. We -- we also -- the agency can't continue operating the way it is either. We know that, too. So --

MR. NEAL: This was the other I wanted to add. Next year is a big year for potential transition. So that affects everything, too.

CHAIR GROVE: So and again, it's a very, very important input on keeping this timely, so the possibility of getting this brought through. You know, as Charlie pointed out a number of years ago, the -- the process was being put in place to close the doors and shut down. Nobody wants that, 'cause what that does is, it totally affects all of our trade. It affects our businesses. And it does -- just -- just because official inspection may have to close the door, it -- it -- yes, there are private inspections. But do we think those rates are going to be cheaper. If that's the only option.

So we want to keep that in mind that

we have to have you solvent, because it still facilitates our trade and our businesses. It's a great affect to my business if I don't have somebody to -- to come take care of my shuttles. Come take care of my food grade cars, I don't have business if you're not there. So assessing and make sure, I think as -- as John talked about -- making sure this is a little more fluid, and we -- we are keeping a little more current, and not all the sudden, you know, watching that decline and not correcting it.

Aside from raising fees, you have given us a lot of good information today on some of your challenges. I think, looking at, again, all of those other expense -- everybody is always doing that. I know. What are our expenses? What can we change?

I'll go back to, you know, Ed's presentation on some of the technology pieces. To continue to assess those things are important. Those bring down costs, but still makes you efficient. Bring -- takes down some of that stuff out of your travel when you can do things virtually. We all like to see each other face-to-face, but sometimes bringing our expenses down is an important piece, too. So appreciate those thoughts and looks into that.

Nick, some other suggestions, or questions. Or anybody else to the group to Nick? Go ahead, Chris.

MR. FREDERKING: Yeah. Just -- and as Nick had said, it was a bit of a -- a surprise I think to most, to realize how coupled the tonnage fees were with the rest of those Schedule A fees. As far as some recommendation. With wages of the workforce being the highest percentage of your guys' spend, is there a way forward to decouple those, to allow for more consistency on -- on that per-hour rate versus the tonnage rate that should -- could fluctuate?

MR. FRIANT: Let me take your question a step further. Is there a way to decouple without going through notice and comment rulemaking? Based on how -- and maybe you don't know that answer today, but -- I think that might be the key.

MR. NEAL: So that's what that -- without changing the regulations to this periodic review, that's basically what we're trying to do with the fee adjustment. We changed the contract rates; we didn't touch tonnage. That's how I would project and try to see if we can move forward. How we'd do it? We'd have to assess that. I think the step one is to get -- let's -- let's get out the hole. And then we'll try to make modifications if we need to do rulemaking to make that change, we can definitely facilitate that. In such a way, there's -- there's no surprise to what we're doing, 'cause we're talking about it now. We know that the intent is not to try to generate more revenue for anything other than covering the operating reserve. So I think we can definitely explore that. But that's why we -- another reason why, when we project it out from the option three -- the projected years do not affect the tonnage rate. This is purely the calculation from the formula that's in the regulation.

MR. WILLIAMS: Arthur, I have a question. The -- the four and a half month operating reserve. Is that -- is that set forth in -- in U.S. Grain Standards Act? Or what -- where -- where does that rule come from?

MR. NEAL: And Pat's back there smiling. I just learned the history about the four and a half month reserve. It seemed like that was set by previous administration. We need to look at -- I think we need to look at the whole provision and change it. But that's -- that's my take.

MS. RUGGLES: It's -- to answer your question, Jimmy, it's in the regulations. It's in the -- the annual fee review. That four and a half is the trigger that's in there for the operating reserve adjustments. That's in the regulations.

CHAIR GROVE: Any other thoughts, questions, comments, on this? Nick, do you have some -- do you feel you have what you need at this point?

MR. FRIANT: I'll let you know tomorrow morning.

CHAIR GROVE: Part -- part C of question one. Is that where you're at?

MR. FRIANT: No, I -- I mean, I will talk with other members of the Committee, but I think pieces of a recommendation are coming together. Thank you.

CHAIR GROVE: Anything else from you, Arthur? You're fine with where we're at right now?

MR. NEAL: For the record, no, I'm not fine. But I think we've covered -- we've covered everything.

CHAIR GROVE: You know, that -- that was a long -- a long discussion and long-needed. Again, like you said, Nick -- you know, we took the whole morning session, really to talk about the budget and fees. So obviously, much needed for us. So thank you again for your time. And

Nick, for the -- the thoughts on this issue. I look forward what you're going to bring to us tomorrow morning.

I think then, at this point -- is Ryan ready? If Ryan is ready, we are going to move into lab scales. We had a little bit of an update on this last week to prepare us. Ryan, again, will come on and go ahead and present that issue to us again today.

THE REPORTER: What's Ryan's last name?

CHAIR GROVE: Seapy S-E-A-P-Y.

And whenever you're ready, Ryan. Go ahead.

MR. SEAPY: So as Karla mentioned earlier when talking about QACD, there've been some problems with lab scales being calibrated, then certified to either 1/10, or 1/100 of a gram. To correct this and align FGIS with NIST standards -- additionally, to consolidate regulations, we're proposing to update the requirements for lab, or more specifically, grading scales.

Currently, a requirement is that lab scales that are used for grading be certified to 1/10 of a gram, even though they display to 1/100. Given that the hundredth is actually used in the calculations to determine grade, the scales should be certified to 1/100 of a gram to comply with broader industry standards and specifically, NIST guidelines.

The -- the new standard that we're proposing would not apply to other scales used in the process of sampling and comparing the sample, but only for officially weighing small portions and separations, typically under 100 grams. This update is most important for smaller grains with tight tolerances. It's seen in the wheat -- specifically, in the wheat market is an area where it is pretty significant. For example, when you have a sample size of 60 grams and a separation of .1 grams, which might occur when picking heat-damaged wheat. The current scales have an allowable error range of .3 percent --

just over .3 percent. And the scales under the new proposal would be -- would have an error of .03 percent.

Given the breakpoint between a U.S. number one and a U.S. number three is 2/10 of a percent. Having an error of 3/10 of a percent in the scale is -- is significant. So it would be -- there would be a possibility for -- under the current standard -- for a U.S. number three grade be issued on U.S. number one grain, despite having a scale that's operating within its design specifications. We don't have evidence of this happening on a regular basis, but it's within this spec tolerance of those scales which is concerning.

By updating the scale standard, we can reduce the possibility of equipment-inducing grading error, and better align FGIS policy with NIST and general metrology standards. Many locations, as I mentioned, particularly in the wheat marketing areas where these small errors can have large impacts, already are using these proposed scales. It does create a problem when QACD is doing their reviews because the way that the guidelines are currently written, it would cause a write-up for somebody who's using more precise equipment, as Karla was mentioning.

Additionally, state agencies often require NIST standards be used across the state. And by trying to maintain a different standard for FGIS, there can be confusion in trying to meet two separate standards. The FGIS standard and the state standard, which is a higher standard if they're following NIST. And they can be mutually exclusive at times.

Lastly, with the proposed standard, we'd like to update the check test procedure and use ASTM Class 4 weights, instead of the -- the current standard weights, which are NIST Class F. Which NIST has discontinued using, in that they are no longer allowing them to be sold -- or new ones to be sold for use in legal-for-trade applications.

These ASTM Class 4 weights would be

appropriate based on the newly proposed standard, and would keep us in line with NIST, so that FGIS wouldn't have to maintain a separate weighing group to support a different standard. And we can defer to NIST on -- on matters of metrology. These changes would result in some increased costs to agencies. Because it would -- some of the agencies would have to buy new scales.

But if we give it a three to five-year transition window, as some of the scales that are currently in operation cycle out, we can reduce the -- the added costs to the official agencies. To -- and these scales, they do cost more than the -- the current 1/10 scales, but it's not exorbitantly more. So it's something to -- to keep in mind. But yeah, as -- as scales cycle out at the end of their useful life, if they're then replaced with these higher precision scales, we can significantly reduce the cost to the official agencies.

I believe Karla's going to pull up the memo and if there are any questions, we can discuss them, or go through any particular details in the memo. There were a couple of options in there. One being the full proposal that I just mentioned. One being just replacing the weights, and one being maintaining the status quo. Even maintaining the status quo would not be a -- would not be trivial, because there are disagreements between the regs, the handbooks, and NIST.

So we would need to rework the handbooks at the very least, to address those, even if no change is going to be made. The -- the kind of middle of the road option would be update the weight sets, but maintain the existing scales. It would allow for some improved precision and verification of the scales. But it doesn't bring us within compliance for NIST.

That's all I've got. The -- the memo -- or the abbreviated memo, is available at the -- at the GIAC site, so everybody should have that available to them. And if you all would like to discuss or ask any questions?

CHAIR GROVE: Okay. Now any -- any questions right now for Ryan? Any -- and then any comments or discussion that you have.

MR. WILLIAMS: I have a question, Ryan. Can you explain to the Committee how you arrived at the -- for option A -- how you arrived at the cost of $10,000 or less?

MR. SEAPY: Yeah. So what we did was we looked at the equipment list that's active across all FGIS and official agency sites. Because all equipment goes through a TRN check test procedure. So we pulled all the locations, and all of the equipment lists. Looking at the equipment, we can tell which equipment does meet the standard and which doesn't. And as I mentioned, not all scales would need to meet the standard.

So if a site has only one grading desk, and it has one scale of this -- of the higher standard onsite, then that site would not need to purchase any new scales. Some places have chosen to change out all the scales in the lab, both for sampling and grading so that they've got interchangeable replacements. But that wouldn't be required. So when you add up the -- the total number of sites, minus the total number of high-precision scales at those sites, you can get to a -- a rough -- I mean, it's not perfect, because we don't know exactly how many grading sites there are at each location. But in general, it's -- it's pretty accurate.

And you can work up the math for -- per official agency what the predicted cost would be to at least have one high-precision grading scale at each grading location. And then, assuming that a scale costs approximately $2,000, that's where the -- the average of $10,000 -- or less than $10,000 per official agency estimate came from. Obviously, the bigger agencies could have more.

Some of the smaller agencies might have, you know, only one scale that would need to be replaced. And some agencies have none, because they've either already replaced all their scales, just because they're in a wheat market and due to the nature of their market, it's important to have that precision. Or they do have a couple of those scales and they're -- you know, as long as they're at the correct sites, there would be no added cost.

MR. ENGEL: Ryan, Curt Engel. Question for you. Did you take into any kind of consideration what the onsite numbers look like and the number of scales that industry would have to acquire, particularly in the having two -- two scales onsite? On each particular site to have a backup for failures, what that expenditure would look like?

MR. SEAPY: We didn't specifically look at having a backup scale at each location. Because we don't -- we didn't have data specifically on how many grading stations there were per facility.

MR. ENGEL: No, I'm asking about the onsite labs. The -- the industry onsite labs at customer's facilities.

MR. SEAPY: Sorry. I -- I might be missing something here. So we're talking, say, at an export facility?

MR. ENGEL: At -- at an interior facility.

MR. SEAPY: Okay.

MR. ENGEL: Train -- stations.

MR. SEAPY: So we -- we accounted for anything that is getting check-tested into ECT. So I -- I don't know the specific answer to your question because I don't know whether or not those -- the scales that you're referring to get officially check tested, and that data gets put into ECT and FGIS online. If it get -- if it's a scale -- a lab scale that gets check-tested and put into ECT, then we accounted for it.

CHAIR GROVE: So thank you, Ryan, for this information. You know, even though this was put in as an industry issue, this is one for us that FGIS is bringing to us for informational purposes, to let us know what's going on. So we don't have to write a proposal today, if this is something that we would like to further to another meeting so we can have that discussion. But we do have some time here if we want to look at -- he does have three options. Which, again, thank you for, instead of saying "Hey. This is what we want you to do." You put some proposals offered to us.

So to me, the toughest part is the piece where it says FGIS regulations are in a sense out of specs with both NIST and what state agencies or state regulatory has in -- has in place. So if we say "You know what? FGIS -- you just -- you just need to get in line." What it does is it automatically is saying "Okay. Now we're replacing everything." So putting a proposal together or having this discussion to say we want this to happen, you need to get in line, we can't be out of date. Especially if you're saying we're referring to an old handbook that is no longer the current standard. That has to be fixed.

And you know, in my opinion, I think

we need to look at not just lab scales, but again, all of our equipment -- do we have other places where we have this same concern that we probably are not meeting, you know, the -- the NIST standards or state regulatory. So that's something -- a food for thought -- that we don't want to look at just one piece. Again, all the equipment in general. Where are we not -- where are we not meeting up?

I was just looking at gram scales that we were doing, and -- and I think, I know, Kia, you had sent me what you guys were using and I think we have that anyway -- that can be set to -- to .01. But it depends on what its tolerance is for calibration. So what are some more thoughts on this in affecting our -- our industry and our trade?

MS. MIKESH: Kia Mikesh with North Dakota Grain Inspection. After this -- our initial meeting with this packet -- we -- Phil and I called a meeting with the AAGIWA, American Association of Grain Inspection Weighing

Agencies, to discuss -- to bring more information to the Committee on what type of impact it would have, both on onsite labs, but for the agencies. We feel that it is -- we don't want to be out of standards and everything like that.

However, we do feel that it is to industry, to bring forth recommendations on whether or not you guys feel it has an impact on your business. Heat damage was one of the, I would say, one of the biggest impacts it has. So a few different areas that we discussed. And there were, I'd say probably six, seven agencies on the phone call. So a sampling.

So some of the -- some of the areas that were looked at was -- and asked of agencies -- how many of your scales would you need to replace if it was just wheat immediately, since that's where the biggest impact is. There are a lot of agencies that primarily just do corn and soybeans. And even if they do some wheat, it is a lot of times done in the office in one area. And -- or maybe just one office of an agency.

So we then looked at how many -- if it were all of just your agency scales -- and then, also how many onsite labs -- lab scales would need replacing. We had a wide range, but there was, on average -- a few of them had noted their take before the agency, for only wheat, would be around ten to twelve scales that they would need to replace within their agency, so that would be the agency cost.

I did not look up every scale that was on the approved equipment list, but I did look at the one that we do currently use, and it's just a little -- it's a little bit over $2,000 to get everyone a -- a frame of how much that is. So the -- so you're looking at over $20,000 for, what I would say, the average of our sampling was. Then there were some that, if it were wheat, corn, and soybeans, they would have to internally, as an agency, replace 30 scales. But only if -- if it was only wheat, there would be two to three scales.

Then we have some that are completely

compliant. Some others that I believe are agency because we were a part of -- we were a part of the -- seeing that there was differences between the instructions, so we had actually been starting to do the switch anyways. I think we maybe have six or seven left that we need to replace. All of them would be regarding wheat.

But there is one of the agencies online, just internally as an agency would need to replace 50 scales as an agency, and upwards of 100 when you start including onsite labs. So -- and all of those are wheat -- have to do with wheat, from what I gathered. And we aren't -- it was made clear in the meeting we were only talking about grading scales. So that number would obviously be substantially higher if you talking about the technician scales, et cetera. So that -- that was made clear in the meeting.

And so we had some thoughts for you guys to just to consider -- is that there could be different options involving -- maybe it is wheat scales that are looked at immediately, and corn and -- corn and soybean scales from used for grading, would be grandfathered in, and when they're at replacement, then you just wouldn't be able to repurchase those. Then maybe having timelines for those that do have 50 scales. That two to three-year timeline is a very, very large sum of money. And that impacts industry as well, as agency costs go up.

So those were a few items that we thought about. Even just grandfathering. If you felt that it didn't have enough of an -- an impact, but we wanted to get onto having -- being in line with NIST standards. Maybe all of grading scales could be grandfathered in, and as replacement, you'd replace them as we go.

CHAIR GROVE: I think some -- somewhat if we look at -- gosh, was that in this proposal -- see about grandfathering -- grandfathering some in. Do you think that grandfathering some in to wait for replacement -- 'cause I tell you what, we have a lot of scales that may have been industry -- in the industry as long as I have.

You know, you -- you take care of them and you get them serviced regularly, they last a long time.

So do you think that puts us at an inconsistency? Versus, you know, we look at a plan that -- not necessarily about grandfathering, but whether it's a three to five, six to ten, whatever that is, it -- it could bring consistency sooner.

'Cause you are right. You know, onsite labs, as Curt mentioned. You know, our company has a lot of them that we would need to switch out. Now, I like what you thought about. Not all of them have wheat. All of our Kansas locations and some of our Nebraska locations. Even, like, Kansas Grain Inspection. They're going wheat, soybeans, corn, sunflower, milo. So realistically, they would -- they would almost need to change them all out in their labs to be efficient. You know, instead of "Oh, which desk do I sit at?"

Now our in house labs -- guess we're

buying that equipment -- I think some of them have already been replaced with those, just because we're going forward. So I'll go ahead.

Curt, what do you want to --

MR. ENGEL: I think one of the important things to acknowledge here is that once you start making this transition, for every one of these onsite labs, everywhere that -- that's in a remote location, you end up having to have two of the same pieces of equipment. Because you cannot fail. If -- if -- if she shows up -- train -- and your -- your fixed scale is down, you better have another one, or they're hauling all your samples back --. And you lose your -- you lose your shuttle incentive. You lose everything -- you know, everything that's providing the revenue stream for having that onsite lab.

So this isn't just a question of whether you get to buy one of these. You get to buy two of them. Every time that you upgrade. And it's -- and then the agencies and the offices all have the -- the luxury, if you will, of having multiple scales in one spot. So that if you do -- you know, if you do get something that is non-compliant, you've got a backup there to use. And that was the basis of my earlier question. About how does this affect industry. And you've got to have that.

And you know, in -- in my former life, we -- we were buying what the grain inspection used, and we were buying the test weights that the grain inspection were using. We were using everything that the grain inspection used, 'cause then it was no argument about the methodology.

And my -- so and you know, I look at this and I ask myself the question "What's the value proposition here? Is it about complying with NIST rules? Is it about more accurate information? What's the value prop here and who's the beneficiary of this expenditure?" And I'd like to have somebody give me a different way of thinking about that.

CHAIR GROVE: Again, very valid, Curt.

'Cause you're right. If you don't have a backup, you're -- you're in trouble. And a backup that they've already tested and certified prior. So -- so that is a -- a valid thought for industry. I -- I think, you know, Ryan had said "Yes, it can affect wheat." That's probably one of the bigger players, being a small grain.

But do we -- do we have statistics behind it? I guess that would be very interesting. And if -- and if -- that's again, something we don't have to say "Today we have -- or tomorrow, we have to have a proposal and voted on." If we need to look at this and say "This needs to be part of the next agenda item so we can get more data." Because if it -- if we don't have statistics on who's truly been affected, it could push you into number one, to number three -- have there been complaints about that, I guess, for FGIS. Has that been a concern that somebody contested grades saying "No. We're not getting number three wheat." But it's the tolerance of the machine. So do we -- find data.

MR. ENGEL: That -- that was going to be my next question. Does anyone have their hand in the air with a -- an example of where this has turned into something that this would be a remedy for a situation? It is my understanding about the wheat pieces -- we're talking about ones to threes, and it's about heat damage. If -- is that one sample in the thousands and one sample a ten thousand? You know, I -- I don't have that information, and that's why -- would like to see that kind of information.

I'm not against accuracy. I love accuracy. But accuracy for the sake of accuracy doesn't make a lot of sense to me, particularly when you start talking about hundreds of these scales needing to be purchased to do this -- this compliance piece.

CHAIR GROVE: So personally, as having happened? Yes. Have had that happen. That official origin weights and grades -- and we had, I'll say numerous cars -- not every car on the shuttle -- we started getting higher heat damage on the wheat. Did we contest it? We may have asked for a re-grade.

MR. ENGEL: Sure.

CHAIR GROVE: We'd ask -- yeah. Regrade the sample.

MR. ENGEL: You should.

CHAIR GROVE: And we did. We were still getting high. We didn't feel we had it. Thing is -- you know what? In -- in order to get the -- the shuttle done and on time, we dumped and reloaded. So how many times has it happened? Has it -- has it stopped trade and devastated us? I won't say not at this point, but if I'm keeping my grade in good condition, I don't have that problem.

MR. ENGEL: Having -- having suffered that same malady over and over and over again, but you don't know the difference about whether or not this spread would have -- would have cured your problem.

CHAIR GROVE: Right. Did they, Mark? You look like you had a comment.

MR. HEIL: Yeah. Just not sure if we wanted -- make the differential between the -- the wheat, the corn, and the beans. If we're going to go to the scales, go to the scales would -- would be my thought on that. But it is going to be a cost. I mean, not only in our situation. We're bringing, you know, about purchasing the new scales for our labs, but we also try to -- even in our other grain elevator sites and where we're -- we try to match that up as much as we can so we're consistent all the way across.

So there -- there will be added costs for this. If it was over a period of time "Hey, we're going to be, you know, making this change over a period of time." You know, that -- that seems reasonable. But doing it in all in one shot would -- would be a shock, at least from my perspective on it.

CHAIR GROVE: I just want to say, I do want us to make sure that we are considering "Yes. Nobody wants to have added cost." We are all watching our expenses. I know from my company's predicament -- I don't know if that's the right word. But we are second year of fairly widespread extreme drought. So of course you want to watch expenses.

But let's go back to moisture meters and in changing to the new technology. Did everybody in the industry first go "Uh. I've got a 2100b here. I've got a -- I've got a GAC 2, God forbid, sitting here on my counter, and it's still good enough." But when you start thinking about the operational pieces of moisture -- high moisture coming and it being wrong, using those same moisture reading meters for drying and over-drying, because you're not using technology that's giving you the accuracy.

Did grain inspection switch over to the new technology -- after proven -- that this was what was best for us per trade? Yes. Now did we all purchase brand new machines across the board in one year? No. We probably waited until an end user started affecting our trade, to who we were selling to. But the technology proved itself.

So keep in mind, whatever we choose, we've brought up many times "Let's look at technology. Let's do what's better and not just sit back and say we always have these and they're good enough." Make sure we're looking forward to technology, I think.

MR. HEIL: But I also wouldn't want to be too -- by half on something. Where is it, just -- is it the tenth, the hundredth or the thousandth, or whatever one you want to get out to, versus being the real world of is it just the sample itself. And -- and a lot of times -- most of the time, that's what it comes down to. Is it one in a thousand, one in ten thousand situations, versus complicating and financially having a potential impact back on industry. And no doubt, we all want to be correct. But there are consequences of these decisions back out in industry.

MS. MIKESH: Like I said, we had starting going through this transition about two or so years ago. And one of our main concerns was that at the time, we had been using the same scale for the technician functions, test weight, for -- as for the grading. And I want to say, in Ryan's report it said that prior to 2002, this was -- what they are proposing is how it was. Is that -- does everyone remember it correctly from -- okay.

So somewhere around 2002, it started changing. And if I -- if I remember correctly, it was blocked for that redundancy. If one went down, then you'll at least have one you could use for both functions. And so we started doing that for our onsite labs, because then it wouldn't hold you up when you're -- when you're loading your train.

And so as of right now, as we've done this transition, I will say it has not happened nearly as much as I was anticipating it to happen. Needless to say, it does. And it -- say your location is two hours away from our agency where we have the backup -- because your -- yours isn't going to work as our backup, because we haven't check-tested it. And those weights are also back at the agency, and we can't have multiple weights out everywhere, et cetera.

So it could upwards delay, a train being graded, approximately four hours. That, I would say, on most agencies, is on the higher end for shuttle trains. And then we'd be able to bring out a -- a backup scale. But that's something to consider with this. But like I said, we have essentially already gone through this transition. And it doesn't -- it does not happen frequently. But when it does, it could cause demerge. It could -- it could be very costly --

CHAIR GROVE: So Ryan or Arthur, or another member of FGIS, do you have any data or statistics on -- that you feel that this is happening? That you've had somebody contest that heat damage grade, to tell us statistically how often this is truly happening, to know -- you know, again, do I feel this is very relevant to say "We need to -- we -- we need to look at state. We need to look at NIST. We need to look at FGIS. And we need to make sure that our -- we're -- we're all on the same page." I still think that has to happen.

But is this a three to five-year, or is this a -- you know, it's godfathered in on the change. You know, when they need to replace it, it needs to replace with something. Knowing that there's statistics behind it makes a difference in that decision.

PARTICIPANT: Yes, it does.

CHAIR GROVE: I think it does. Yeah. If we know it's happening a lot. Yeah. Then, sure, maybe there's a little more say "Uh. Okay. We better get going on this." If we don't feel it's happening that much, or nobody has complained about it. If I haven't complained about it -- because we just went ahead and dumped and reloaded, just for the -- it was quicker than contesting the grade. Because I just needed to get the train out. Then -- then we don't know.

MR. NEAL: Yeah. So staff can correct me if I'm wrong. I've not heard this to be anything that customers are complaining about. I do know one issue that emerges from this. Our check-testing procedures for scales; that will need to change. Depending on the scale that an official agency or lab may have, some of the check-testing procedures that they may be using may not be appropriate for the scale. They might be using the wrong weights for the scale. So when an audit is being conducted, they're failing that component of check testing.

With respect to us bringing this issue to you, is -- you know, we found out there's a misalignment in terms of, you know, where we have these protocols specified in our regulation, as to compared to NIST. So we wanted to make sure that before we even, you know, made a change, we brought this issue to you to weigh in, to see how big of an issue is this for industry. Because at the end of the day, this -- this is your industry. We're working with you to facilitate trade. So we weren't going to make a decision to make a change unilaterally.

You will definitely -- you know, if this is something that we take action on, you'll have to take time to -- to take the issue back to your respective members that you represent just to get feedback, so that you can come back to the table, have dialogue on what you think we should do. And one of the options in Ryan's proposal is status quo. Do nothing. So we're not saying we -- we have to make the change. We're saying these are the things -- these are options we believe we have in front of us to -- to address this issue or not address it. But we do not -- I do not think we have statistics on how often this is occurring, if it is occurring on a regular basis, to help you make that decision.

MS. MIKESH: One thing we did also discuss, there was the second part about the -- whether or not to continue using the Class F weights. That does impact us as agencies, if they're not available for sale if legal trade, et cetera. And the one thing, too, that -- in that particular piece, I mean, the number is nominal. But you go from thirteen weights to four, and that -- that is good. And it -- I do believe -- I'm not the one that does the check- testing of our scales, but I have heard concerns that it's -- it's been hard to get some scales in line with the F weights. And I -- from the research we were doing, it seems like this switching over the weights to ASTM Class 4 could help -- help mitigate some of that.

MR. FREDERKING: I would just say it does seem significant if this is the only point in FGIS policies, handbooks, that does not follow NIST. To leave that hanging out there seems -- seems concerning. But having a plan in place to replace upgrade scales with end of life. So -- seems to make sense, opposed to forcing some arbitrary three to five-year compliance period. Is there something within -- that industry could come up with that would say, average scale lasts ten years. We have a ten- year window now to --

as you have scales reach end of useful life, as you find new ones that you're not coming out of pocket for whole new scales, you're just replacing the ones that you have already. Just to a higher standard. So -- would sure seem there would be a reasonable approach to become compliant with -- with NIST. Which seems to make sense.

CHAIR GROVE: Ryan, are you still there?

MR. SEAPY: Yes.

CHAIR GROVE: Yeah. So to -- I think we might have asked it last week. But to Chris's point, is -- is this the only section that doesn't align, or you haven't addressed others yet, you're just starting the review?

MR. SEAPY: Just starting the review. We've identified for this one. I -- I couldn.t tell you whether there are other places where FGIS policy deviates from NIST. And there was some conversation about corn and soy not being impacted as much. That is very much the case.

Partially, because the smallest portion size in soy or corn -- so I think it's 125 grams. Which gets you out of that really tight -- excuse me -- you know, small portion size, where a small error, it could make a significant impact. So the idea that, you know, this is really a -- an area where, say, sorghum or wheat are going to be impacted more than corn and soy is definitely the case.

CHAIR GROVE: Okay. Thank you for that input. Sorry -- I just -- we don't have to have a proposal this meeting. If this is something that we feel we would like a few more answer to, as Ryan is doing a review, say, how many other places do we not align with NIST. I think that would be some good information because I think this is important to align across standards brings to us an integrity of the -- the U.S. system. Somebody's questioning "Well, what are you using?" And -- and states have one thing. They hear NIST -- people go to NIST handbook to look at things, but FGIS is different. So I think that does have to be something that we are looking at.

I think we need to look at aligning and probably in wording not referring to a specific volume, like Handbook 44, which has now made our -- our handbooks and our regulations out of date. But making it a little more evergreen. And also, I think to give our industry a little bit of time, or give us a little bit of time to come -- go back to our own sector of the industry and say "Is this impacting us?" And I -- I like what you talked about, Chris, in saying we need to -- we need to figure out what is that lifespan plan. If it's not affecting us greatly, but really, it's a better alignment, how will this affect us?

So would anybody have objections to say this would be a topic that we can move to the next agenda? That a proposal doesn't need to happen at this time. But it is something we still want to consider looking at. And maybe instead of just lab scales, that is an updated instrumentation of the policy for the -- for the next agenda. Would you feel comfortable with that?

DR. HURBURGH: Realize that that's going to get into quite a number of more issues than just scales. I'm just thinking of moisture meters as an example. And Jimmy, you know that we go through this on the moisture meter taskforce with NIST. The standards aren't the same. And it can go both ways. That is, tighter, or less restrictive. Just recognize that there's a lot things if you make an open-ended statement like that.

CHAIR GROVE: Right. I just feel right now, from the comments, nobody feels strongly enough that this is something that we are ready to make a "Hey, let's go with A, B, and C. Or let's amend an A, B, and C." I'm not sure anybody feels that we're ready for that. So even if we just say -- stay with lab samples -- say we need to -- we're going to move that to an ongoing next agenda item so we have time to think about this more. And think about the impact, or get some information on what is that impact going to be.

MR. WILLIAMS: Well, Barb, in the very least, I would -- I think it would be good for folks to be able to go back and, like, really crunch the numbers. And I'm not being -- being critical of the -- of the estimate that FGIS came up with at all. But I strongly suspect that number is going to be greater than $10,000. So -- so again, I think it would be beneficial to give folks some time to just go back and truly see what the cost is going to be.

MS. MIKESH: Another piece of information that I think would be helpful for the Committee, would be a list of factors that it does make a statistical impact on. Heat damage is the one that has been used, and I -- it seems like probably has the biggest impact on. But are there other -- are there other factors that -- the list of factors that are in the 60 grams -- anything really below that 125 grams in the smaller grains. So you could see if those make a big impact for you as well.

CHAIR GROVE: So Arthur, I think that this is one -- actually, we can put a proposal together that we move this as an open -- keep this as an open agenda item, but we have asked of -- of FGIS. First of all, you know, so -- we'll -- we can bring tomorrow some -- again, lists of other factors. One factor doesn't seem as concerning that it's hurting the industry. But there are a lot of other small grades. So other -- other grains or factors that this is affecting.

And -- and then also -- that's not part of the -- the proposal, but the rest of us can go back and -- and look at what is that true financial impact. So we can be better prepared to look at some different options. And even amending some options that were given us.

Thank you again, Ryan. You know, thank you for your time last week, and -- and giving us a heads up to help us understand what this is. Again, the review today -- so again, those that are in the -- the gallery and online can help understand where this come from. So that can be something later. We'll look at agenda items for proposed next time.

If there are no other comments on this particular item?

I think we are prepared to move on. Chris, if you would like to present to us the -- the data standards.

MR. FREDERKING: Absolutely.

MR. FRIANT: Hey, Barb. Do we have room in the agenda for a quick break?

CHAIR GROVE: Yes. Yes, we do. We do have room. So if we would take a -- we can take a 15- minute break. Right now it is three o'clock. So perfect timing. Thank you, Nick. So 15-minute break. Be back at 3:15 and Chris will present to us.

(Whereupon, the above-entitled matter went off the record for a brief recess.)

MR. FREDERKING: Okay. So as part of our last meeting, we had talked about technology initiatives. Specifically around FGIS and one thing, certainly from the exporter side that seemed to definitely have some merit is how we can facilitate some of that technology growth and make the data that is being generated useful for industry.

So in the write-up, as many of you have read, there's a few discussion topics brought up that are relevant to this. Of course, we want to ensure that FGIS continues to improve and supply industry with data that is useful and facilitates grain trade by -- and it need to be accurate. It needs to be secure. And it certainly needs to be timely.

So how do we get that information out of a lot of these systems that are being used throughout the -- the Federal Grain Inspection Service and maybe official agencies as well -- out to industry. Out to end users in a -- in a useful manner, that again, helps facilitate that grain trade.

So with that, I know there's been some

work done, certainly within some different industry groups, but felt relevant to bring it up here to -- to the Grain Inspection Advisory Committee. So as far as discussion topics. Certainly, first and foremost, was cybersecurity being a concern with a lot of these systems at export houses being tied into plant controls networks. Just the inner workings of the facilities' security must be paramount.

And so working with FGIS and other service providers to ensure that vulnerabilities are evaluated. That all federal requirements are being met in order for this information that will be provided -- that there aren't new security issues brought about because now all of a sudden we're looking to share that.

Additionally, seeking industry's input would be another point that I'd bring up. To establish standards around data types. So what kind of information do we want to see, in what format. Giving away APIs, Application Program Interfaces, to allow for that data exchange between interested parties and official agencies. And then, just even taking the time to decide what that data package should look like. Whether that's for a barge. Maybe it's for a railcar, it's for a vessel. Whatever have you.

Additionally, on the AWMS side -- so the Automatic Weight Management System -- and a lot of export houses. As far as data handling is concerned, there's information going into those AWMSs to reduce the amount of data entry performed by FGIS personnel. But there's very little information coming out of those system. That, in turn, creates a lot of work for the people out in the field. Specifically, on barge certificates, vessel paperwork and whatnot. So are there ways to have that as a more secure two-way communication between systems, both on the AWMS and other -- other systems.

And then, of course, as we look to incorporate additional technologies, can they integrate to these accounting packages, these oversight packages, FGIS online, whatever have you. How can these new technologies talk to what's already out there to reduce keystrokes, and to ensure accuracy. So had a -- a few examples on that in the write-up.

And then taking the time to look at FGIS online and evaluating is that as useful of a tool as -- as we want it to be. And where and how should -- should the functionality improve to continue to meet shareholder needs. And then, of course, as we've been talking about all day, the funding to get all this done. So it's -- it's a lot of heavy lifting. I know a lot of this -- none of it comes for free. So how can we ensure that FGIS is dedicating dollars to standardization of data, the availability of it, ensuring that it comes to stakeholders in a secure and consistent way.

So with that, that's the background. The sketch and topics that wanted to bring to the Committee. And would certainly open it up to discussions, questions.

CHAIR GROVE: So Chris, I -- I think

last meeting, when you -- you brought this up as an agenda item, you were giving a few specifics on, you know, that -- that data transfer. Especially, I -- I'm going to say, probably with your AWMS system and your barge loading -- about -- and it revolved around having the data in a timely manner. Or -- weights. And I think it was specifically more -- again, with your -- the weights -- that sometimes you weren't getting that in a timely fashion back from the official system, for you to make determinations. Is that accurate?

MR. FREDERKING: Timeliness is certainly important. But what I would say more than anything, is that it's not coming to us in an electronic format. Right? It is getting printed out on a piece of paper, and then scanned and copied, and emailed over to -- to us as end users. So is there a way -- obviously, that -- that data is being generated somehow, someway in the system that already exists. Is there a way to ensure that those systems are talking to each other to where that data comes over automatically.

With that, of course, we need consistency across all systems as well, to where certain -- certain pieces aren't in place for specific locations or certain data streams, if you want to call it that. So, yeah. Not necessarily timeliness of getting reports. But getting those reports electronically is where I'd focus.

MR. MORGAN: This is John Morgan. Chris, I'm just -- are you guys also looking to potentially tap into the automation technology on the scales? Is that one of the things that you're looking at?

MR. FREDERKING: On bulk weighers, or grading scales?

MR. MORGAN: I mean, you -- you fought through scales. Now you're -- weights.

CHAIR GROVE: Yeah. So the -- the scales are monitored by the AWMS already. So that data is available. And actually, for -- for insight as to how that works, even at our facility, or AWMS will basically print out a piece of paper with all the relevant barge unload information. Then that barge unload information gets handed to a supervisor. And then that supervisor -- that FGIS supervisor will take that and then type it manually into FGIS's system.

So that sure seems like an extra step in there. How do we eliminate that extra step? It's where -- and for some facilities -- for the -- certainly, for the Gulf as a -- as a whole, that's thousands of entries a year.

MR. MORGAN: Is your scale data tied into your automation system for, like, opening, closing your gates, and --

MR. FREDERKING: Correct. Full -- full automation. Yeah.

MR. MORGAN: Okay. Yep.

CHAIR GROVE: So I'm going to bring in a little bit from the other side of it. From conversations I had with some official agencies at that AAGIWA conference here earlier this year.

And I presented on some things that, you know, maybe supped from the industry. Some things that we were seeing that, you know, could be better. Or we could have better asks from the official agencies.

And one of those was, you know, keeping up "Hey. It's -- they're not keeping up with shuttle times," and things like that. And -- and some scheduling. And sat down after the meeting with numerous agencies, and we sat there and chatted about it. And they brought up one of the same things that you were talking about.

Then from there -- and when we are sending some of the agencies our car lists, or weight, things like this -- I'm going to be emailing a pdf, or printing it out and here it is. So somebody's having to retype that into the system.

So I think some of the things that you're asking work both ways for efficiency, in that if we -- if we were going it at least electronically in some format, that we are making somebody's job more efficient. So I -- I think this is very relevant to me from both sides of the point of view.

MS. MIKESH: The thing I'd say we have -- I didn't see this previously when introducing myself -- but I'm a part of a company that does software development for grain inspection agencies. And we do different software platforms, just, to aid in efficiencies, basically. And one thing that is helpful when looking at -- I agree with you Barb -- there's -- it goes both ways for being able to enter in that data. And we are constantly, as an agency, and also on the software development, trying to find ways where we can lessen keystrokes for us and our customers because labor is not -- there's not an endless amount of it right now. And that's just one simplified way we can -- we can really work with that.

And from -- from my perspective, if we were to do something of getting in carless weights, the information from you -- from industry and vice versa, it would be nice to have it standardized. There are a lot of -- there are a lot of third-party software programs that official agencies use. So you're primarily with export, so you are going to be using FGIS online system, I would gather. Most internal domestic agencies -- agencies that are dealing with the domestic market -- are likely using a third-party software. And there are numerous out there.

And we have -- we have outputs -- it's the IDW directive. I can't remember the numbers. But we -- all the information that comes from our program has to go through a certain output into FGIS online. And so every single night our information has gone in there, and it's in a standardized manner. If there were ways that industry was wanting to input into other -- other software, it would be nice if it was standardized in that manner, so that industry didn't have to do it in multiple different ways depending on what the program was. Because that's something I hear currently, as well -- in this area, I need to send information this way, or I scheduled this way. And in this area, it's completely different. And I think that would be really helpful for industry, too. So just a thought as we're exploring these items.

CHAIR GROVE: From FGIS or official system, some input. You know, even from the -- the gallery back there on -- on thoughts of how this affects you.

MR. NEAL: I don't think it's new to us. I think before I came onboard, there was a desire to -- to modernize our -- our system such that we could warrant -- reduce the manual input of data. And it would be more useful to -- for us, as well as our customers and industry. But we didn't have money to keep that up. So -- so we had to stop that -- that project. We stopped it in two thousand -- I think twenty. Yeah. We stopped it around 2020. We didn't have the -- we didn't have the contracting dollars to keep it up. It could probably be picked up, but we'd have to have money for it. We decided to make sure we had money to continue operations.

Denise, you mentioned it earlier. I have no problem with what we're proposing to do. We just have to make sure we've got the resources to get it done. If we do that, we can -- we can, you know, develop a project plan and work with industry to prioritize what do we want to work on first. How does that look?

Definitely got to work out the kinks between communicating between both -- the systems and the cybersecurity component. So that's some things we'd have to work out. But I think it's a great goal for us. And we definitely need to do it. Should -- should be there. But we're not there. Once we address, I think, the biggest elephant in the room.

If we can begin -- say, for instance, if we could generate revenue such that we could be able to save some of the -- the revenue for these types of projects. That's another thing. If there's an agreement on how we could approach that, there are ways that we could do it. But ideally, the main thing right now is going to be resources to get it done.

MS. MIKESH: I -- I would agree with that. Even on the private side. Is -- I have everything outlined on how to automate a lot of our systems. How to go to electronic work records that automatically go into the certification program. All the way from scheduling to paying your bill. Everything along the lines and -- one.

But in order -- us, working on behalf of the USDA, we're constantly working to make sure that our costs are in line, so that we're not raising our fees as well. And so we've always been interested in knowing where is that prioritization from the agency standpoint of how much is that worth it to everybody, and what type of priorities would you want around that. So we have leaned towards really, the items that people talk about very frequently. You know, working with our system, working API, and things of that nature. Trying to make it so don't have as many keystrokes.

But there is so much more to bring it in line. It's just whether or not it works within the industry. So if -- there's definitely a desire there from, I think, all parties.

MR. FRIANT: And typically, Arthur, would IT-related funding -- is that typically appropriated funds that would go towards that?

MR. NEAL: It depends. So typically, they could be used for it. User fees could be used for it, with agreement. If it's enough of it. It -- it just depends, Nick. There's -- there's no restriction because it's all being deployed to provide direct service. Some agencies and some programs even within AMS, Congress will provide specific funding for them to -- to develop some enterprise system to facilitate trade. That hasn't been the case with FGIS.

I think what -- what had happened in the past, FGIS tried to, you know, use any excess appropriations that they had to fund IT projects.

I'm not sure what they used in terms of -- or what we used in terms of user fees. But I think they used appropriated funds. Am I correct, Denise? Yeah.

So -- so to try not to put a burden on the customers. But I think it's a -- it's a shared expense. It -- it could be shared across both, but we've got to be efficient in the buildout. We got to be efficient in the prioritization, the design, the buildout.

So I'll be honest with you. Contracting is very difficult when you're working in the federal government. Because there's so little control we have once we get them. So sometimes, their priority is not really, you know, helping us get to where we want to be the most efficient way. It's to keep us on the hook. You know, so it doesn't -- you know, keep -- keep taxing us and taxing us. And I think that's what happened.

So us -- if we work together in agreement, to figure out how to prioritize, how to build, design -- you know, not -- not spend anything until we're sure we -- this is the way we want to go, so that there's no confusion and no banter. I think we could get there, but we've got to address the, like I said, the elephant in the room first, and that's -- that's the funding of this organization and how we move in our out years.

MR. FRIANT: And I would certainly hope that there's some foundational building blocks that were established, as you eluded to, back in 2020 when it just kind of fell flat. And help in minimizing some of the financial impacts on some -- there may be some real low-hanging fruit that we can very easily address with minimal spend that -- through the dialogue between engaging industry and FGIS, maybe in a collaborative manner, we could -- we could make some real headway in a short -- short amount of time.

MR. NEAL: We're open. Not closeminded to it. Like I said, if there's -- if there's small, low-hanging fruit that we can address and pluck off the tree, to benefit the, you know, the whole system, let's -- let's figure it out. But let's do it where everybody's in -- in the know, and we agree this is what we want to spend the resources on. I have no problem with that.

Some of the -- some of what's mentioned in here is big stuff. Some may be small. It may be a little data package. You know, API situation. I'm not sure, you know, what data, specifically. I know some of it may be scaled information, but I don't know what's needed to make that -- that connection between our system so that you can grab it and use it the way you want to. But let's just -- let's just prioritize it and figure it out. And we can come back and say "Hey, this is possible. This is what we anticipate the costs will be -- or for us to handle this." Or how many people we may need to get it done. But I see no problem with us having those dialogues.

CHAIR GROVE: So I would be very

interested in -- and whether it's at this moment -- although we do have the time for it -- to -- or if it's something that maybe Kia could present to this group, that you've already said you have somebody that's doing some of that research. You're part of a -- a group and organization doing that.

Seems to me, first of all, you -- you do have, again, some studies, and some things about -- with -- with prioritization that we could look at. I think that's -- that's very good information to know and a good place for us to start. Cybersecurity, you know, in FGIS updates, there's -- that was mentioned a couple of times. You know, very important.

I look at it, you know, rural organizations, again, have been targeted -- targeted very heavily. And I know our company, when targeted with a ransomware attack, you know, it came in and it was thwarted very quickly. But it started because somebody was using old computers, old operating systems. Operating systems that were not current enough to be able to handle new virus ware protection.

So think of our industry facilities and computers we may be using, 'cause they get it done, in the -- in the rail-loading scale house. Let's put the old computer up there, or maybe we don't have to do it. Or at the scales that we utilize those things. Those are very important. You know, and you did, Chris, mention how can we do it securely. Assess that vulnerability. That is very important.

So I think in that, some standards would have to be put in place as Chris mentioned. You know, what are those vulnerabilities evaluated for cybersecurity -- you have that in place for us to -- to have that efficiency, and to say "Hey, let's our computers talk." Both sides, obviously have to have that in place. Where does that fit within your current budgeting of your department? That you have somebody working on that already, that's a big first step.

MR. NEAL: Yeah. I think it's -- it's

easy as identifying low-hanging fruit, establishing a goal, assessing it for reality. And then -- and then pursuing it with agreement. It's as simple as that. I don't think it's overly difficult.

The reality, too, is that every -- every elevator may be different. And so it -- that data standard, you know, what works for everybody, so that we don't have to have different versions for every -- every elevator. So that's another type of conversation. So for some people, they may be wherever they need to be for us to tap into, or for them to tap into the data. Others, there may be some growth that they have to do. They have to get there.

But it can be agreed "Now this is -- this is the approach. This is the standard that we want to set to facilitate this exchange of information or data." And we work toward it. And so I think that can be an easy topic to put on -- on the agenda, you know, for conversation. Such as, you know, what would potentially be low-hanging fruit? Something that we could set as a goal and strive for the next year or so. And we provide updates on it to see if we can get there.

MR. HEIL: Yeah. Mark at Prairie. So just -- just as I'm listening to the discussion, it just -- right in the middle of the stream here, we got an upstream and downstream. A lot of times, I'm not exactly what somebody may need to want to have up or down from me. And we just don't know.

And I just -- as I was thinking here -- is there -- has there been any pilot projects? Has there been any, you know, successes along the way that we, you know, we can just learn from that, or watch that? You know, before you try to take it across the whole system, let's just find somebody that's having success with it and just build on it.

MR. NEAL: And I think that's kind of why Chris is bringing it up. I know Chris has been talking to Lee Capper, our chief innovation officer, just about an exchange of information.

And I think Chris is bringing it to the Committee because he doesn't want it to be a one -- one-person benefit. But if we could think about something that could work, and we -- we do pilot it, establishing a standard for it, sharing that. You know, agreeing, is this something that we want to pursue for all -- make available to all. I think that's kind of where you're getting at. Right, Chris?

MR. FREDERKING: Yeah. Correct. It's -- it's universal and it's not just on the export side. It's not just on barges or vessels or railcars, or maybe even trucks or containers, whatever have you. Right? The -- I think the -- the overall driver is -- industry as a whole is -- is headed this direction. Right? And to be able to -- as far as data standardization, transfer of data. Easing that and having central repositories for all barge and load data. Right? That's something that I know NGFA has been working on. Having the processes of systems in place on the FGIS side to facilitate all that is going to be key for the success of a lot of those projects. So and you're -- yeah. Exactly right. There's -- there's probably a lot of things we don't know. So engaging all industry, as well as FGIS, to where nobody's working in a vacuum certainly would be a good action item going forward.

MS. COOPER: Seems like this is, you know, very much related to the technology discussion, generally. I think it kind of came out of that discussion. So maybe it's something that could be included in the technology summit? Or not. Something at least to consider. How -- how that -- introducing that efficiency in -- in the system relates to an overall effort to -- to improve efficiency.

MR. FREDERKING: And I -- I would add, there is real competency already within FGIS on a lot of these topics. And certainly like you -- you had mentioned, dealing with talking to Leroy and trying to come up with some solutions that aren't just isolated again to just one elevator, but rather to the system as a whole. And identifying that growth pattern, hopefully. There's a lot that we can lean on amongst the group already, within the FGIS team, to help develop some of this. And maybe that innovation summit, too.

CHAIR GROVE: Any other thoughts and comments on this?

I think, Chris, this is -- this was really, to me, again, well thought out. You're asking for industry input, you know. And you're also asking "Hey, FGIS, where can we look for it." So definitely a continued topic. Because we have to be able to gather the information to know where we can start.

If there's no other comments on this particular at this time. Do you feel you have enough to start to -- to look for something for tomorrow?

MR. FREDERKING: Yeah. I feel like I have enough to develop a recommendation, just on a path forward to, again, continue that conversation and try and prioritize, and engage industry. All that good stuff.

CHAIR GROVE: Okay.

We have checked in. We have no online industry comments at this time. But we are at a place in our agenda that we would accept any comments from the gallery. If you have input on -- yet, on any of these topics that we have had so far today.

Again, even if it's "Hey. On this data standard, you might think about this." So again, this is the time for you. We do have time allotted tomorrow morning if somebody mulls over this tonight and says "I think I have something we may -- may be able to add to you." So again, I'll give a last call for anybody with public comments.

All right. So no other comments. Again, we do have time starting at 8:40 tomorrow morning for public comment. And we do welcome those before we'd start discussing recommendations at nine o'clock.

So our -- our schedule for tomorrow. Again, looking about 8:40 to give us some time for some public comment. If there -- if there are none, we will move on to discussing the recommendations that we've talked about today. And giving and voting on final recommendations. We will have our officer elections. And definitely put some thought in tonight on discussing those agenda items for the next meeting. And keeping in mind that in setting our next meeting, you know, we did talk about, yesterday in a business meeting, and it was again mentioned this morning.

If we're trying to have two meetings this year, yet, you know, we're looking at probably a November, December. That's a very quick turnaround in needing a 30-day public notice. So these are things that we would want to come to the table with and be able to do our write-ups in a -- in a timely manner so Kendra can get that posted.

I -- I have been kind of keeping a

list of some things that we did talk about yesterday -- of some things. And a few things today that we're going to keep as open agenda items. We also need to keep in thought for next meeting, ideas of if we have some subcommittees that we want to officially make, we need to have that on next agenda. So if there are these topics, whether it's data, whether it's technology, that we need ongoing discussions from a smaller group, we want that on next agenda.

All right. Well, thank you for your time today. You know, we -- we really put Denise through the ringer today. Thank you for tolerating us and -- again, sometimes -- sometimes those things are very hard. None of us wants to see it, but we also know the value of what we have and we want to keep going forward.

So thank you for your time today. We will adjourn and convene tomorrow morning again at 8:30. Thank you.

(Whereupon, the above-entitled matter went off the record at 5:16 p.m.)

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C E R T I F I C A T E

This is to certify that the foregoing transcript

In the matter of: Grain Inspection Advisory Committee

Before: USDA

Date: 08-30-23

Place: Kansas City, MO

was duly recorded and accurately transcribed under my direction; further, that said transcript is a true and accurate complete record of the proceedings.

Neal R Gross

Court Reporter