



# FGIS Fees

**NGFA Board of Directors Meeting**  
**September 9, 2024**

# FGIS Operating Reserve/Fee Increase

- Effective April 1, 2024, FGIS increased Official inspection and weighing service fees by five percent since FGIS' operating reserve was below 4 ½ months of operating expenses by \$12,410,578.
- The OR at the end of fiscal year 2023 was a deficit of \$504,270, with a monthly operating expense of \$2,645,846. The target of 4 ½ months of operating reserve is \$11,906,307.
- This March 7, 2024, notice shows the five-year rolling average of exported grain for 2019-2023 along with the national and local export tons and fees. The five-year rolling average is 114,983,388 mmt even though the 2023 officially inspected tonnage was 96,609,360 mmt, a 22 percent decrease from 2022.
- The original projection for the OR deficit in FY 23 was almost \$4.5 million. However, the Agriculture Marketing Service (AMS) provided \$1.9 million in emergency funding and FGIS was able to allocate \$2 million in appropriated funds to the OR.

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- Subsequently, FGIS published the June 6, 2024, interim final rule to revise its hourly and unit fees and recover costs of providing inspection services. **The hourly contract rate increased from \$41.20 to \$65, and the non-contract rate increased from \$73 to \$93.30. The contract rate for weekends and overtime increased from \$49.10 to \$81.30. The non-contract rate increased from \$73 to \$116.60.**
- With the increased revenue, as well as the continued implementation of cost-saving measures, FGIS “projects” positive revenue and a positive operating reserve balance by the end of FY24. Without adjusting hourly and unit-based fees, FGIS anticipates a deficit in its FY 2024 operating reserves of nearly \$9 million. With such a shortfall, FGIS will not have sufficient revenue to meet obligations and will cease operations.
- Due to the fees changes through the interim rule, NGFA and NAEGA are concerned about the potential impact of promoting the marketing of high-quality grain to both domestic and foreign buyers based on the agency’s current financial status.

# FGIS Operating Reserve/Fee Increase

- While the fee increase will give industry a short-term reprieve on large user fee increases, a smaller-than-expected adjustment coupled with a projected decrease in export inspections will more than likely leave FGIS in debt for the second year in a row.
- Due to the fees changes through the interim rule, NGFA and NAEGA are concerned about the potential impact of promoting the marketing of high-quality grain to both domestic and foreign buyers based on the agency's current financial status.
- *Considering a continued projected decrease in exports, significant increases in fees paid by industry are unsustainable. FGIS needs to de-couple the other Schedule A user fees from the five-year rolling average for tonnage fees to make the fees more in line with the market rates. NGFA and NAEGA are willing to work with the FGIS to identify possible solutions that align with the current market rates and needs.*



# Grain Grading Technology

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# Grain Grading Technology

- FGIS strongly supports continued research and investment in grading technology that will help U.S. grain and oilseed exports maintain their quality and affordability for foreign customers. And is willing to work with industry and academia to expedite the process of identifying and evaluating effective products to help transition the current U.S. Official grain inspection and weighing increase the timeliness and accuracy in grading.
- Currently, the export market for U.S. grains and oilseeds is shifting. With a more competitive global marketplace, there is a continued projection over the next twelve to eighteen months of a decline in exports. Therefore, the agency needs to look at all options to minimize costs and expenses for both themselves and exporters in order to prepare for the decrease in user-fee revenue.

# NGFA-NAEGA Task Force

- The NGFA and NAEGA created a task force to develop an agenda and facilitate a meeting with representatives from the grain handling, officially designated and delegated inspection agencies, grain grading equipment manufacturers and the FGIS to have an open discussion on the needs of the industry in technology, including what is currently being used and what needs to be created or modified to improve grading efficiency.
- On Feb. 7 more than thirty representatives – both in-person and virtual and nationally and internationally– met at the Cargill office in Wayzata, Minn for a productive discussion and exchange of information. On Feb. 8 the NGFA-NAEGA task force met and identified the short, intermediate and long-term goals for consideration.

# Task Force Recommendations

**Primary Long-Term Goal:** Fully automated testing, sampling and grading processes that includes oversight with individuals to ensure integrity and increase foreign market access.

## Short-term goals

- Streamline sampling – Cut down sampling process/amount handled
- Adoption of auto kicker or other technology for official results
- TW – How do we use current instrumentation to make the process more efficient? Current available equipment is either NTEP or FGIS approved.

## Mid-term goals

- Wheat – HVK – Long varied results based on sampling/process
- Falling Number – Long varied results based on sampling/process

## Long-term goal

- Modify mycotoxin testing to eliminate liquid based process
- Visual imaging for damage



# Next Steps

- AGIWA and NGFA-NAEGA have agreed to focus on the short-term goals of streamline sampling, adoption of the auto-kicker and test weight.
- In addition, AAGIWA will work to create a directory of the equipment manufacturers, both domestic and international. This will be helpful in reaching out to the right groups to invite to discussions and ask for information on specific issues since not all the organizations are members or our respective organizations.

# Commodity Credit Corporation

- NGFA and NAEGA are also working with AMS leadership to potentially use Commodity Credit Corporation funding to assist with implementing “pilot projects” at export facilities in order to utilize the new technology to increase the effectiveness of FGIS’ Official inspection and weighing services.
- AMS is in the process of developing an outline, which will be shared with NGFA and NAEGA in the coming weeks for review and comments, which describes how the pilot program will be implemented. The goal is to submit the final proposal to Secretary Vilsack for consideration and approval before Oct 1.



# 2025 USGSA Reauthorization

## NGFA Board of Directors Meeting September 9, 2024

# 5 Key Proposed Priorities

- USDA Needs to Prioritize Improvement in Grain Grading Technology
- FGIS Must Modify Means of Calculating Schedule A User Fees
- Reauthorize and Modify the Process for Approving Members of the FGIS Grain Inspection Advisory Committee
- USGSA-Related Expenses Should Only Apply to the User Fee Cap
- Ensure FGIS Will Immediately Perform Official Inspections if Future Disruptions in Service at Export Port Locations Occur

# Other Issues to Consider

- Should FGIS be inserted in the biotech approval process, when it comes to new traits impacting compliance with the USGSA... e.g., Enlist, Moolec pork protein soybean?
- Explore Utilizing Third-Parties to Provide Official Inspection Services at Export Port Facility Locations through Agency and not Reauthorization?