

# Grain, Grades and Weights Committee

## Report to the Board of Directors

### March 2024

#### I. Key Issues:

- FGIS User Fees Increase
- Grain Grading Technology Automation
- APHIS Karnal Bunt Program
- FDA Reconditioning

#### II. Committee Activities:

- A. FGIS User Fees Increase:** FGIS ended FY23 with an Operating Reserve (OR) deficit of a little over \$500,000 where the operating expenses exceeded revenue by almost \$3.5 million. The original projection for the OR deficit at the end of August was almost \$4.5 million. However, AMS provided \$1.9 million in emergency funding and FGIS was able to allocate \$2 million in appropriated funds to the OR. Moving forward in FY24, FGIS planned to keep the operating expenses at FY22 levels and will increase the hourly contract rate from \$39.20 to \$60.

According to FGIS Deputy Administrator Arthur Neal it does not appear that the full fee increase will take place immediately. FGIS will be publishing an annual user fee adjustment in the *Federal Register* by the end of February/early March. This will be a 5% increase in fees, rather than the much larger increase they were originally proposing. After they publish the *Federal Register* notice on the annual fee adjustment, FGIS plans to publish an interim final rule to raise the fees to make up the difference. The interim final rule process will likely take several months to complete. While this 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. NGFA and NAEGA are working with the FGIS to address the regulatory constraints on managing and adjusting fees in a more market-responsive manner, and will seek a solution that allows FGIS to remain viable while delivering service in a cost-effective manner.

- B. Grain Grading Technology Automation:** 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 recommendation to the NGFA Grain Grades and Weights and NAEGA Grades and Inspection Committee for their consideration.

- C. U.S. Karnal Bunt Program:** APHIS updated the wheat value chain, including NGFA, NAEGA, North American Millers Association and US Wheat Associates on the planned changes to the program buffer area in Arizona.

APHIS is planning to reduce the three-mile buffer area around Karnal bunt-positive fields to 0.2 miles based on an analysis completed by the agency. They determined that a reduced buffer distance of 0.2 miles will provide the desired level of phytosanitary protection from Karnal bunt. Since 2004, the regulated acres have decreased 94 percent. From an export standpoint, the only country that is actively monitoring the issue is the EU.

APHIS will continue with their National Survey Program that will impact domestic grain handling facilities. Specifically, 350 counties in 29 states participate and members will still be asked to provide samples for this study even though Karnal bunt has not been identified in their state/area since the issue began in the 1990s. APHIS stated the reason for the survey in low-risk areas is that grain could be potentially co-mingled with grain from high-risk Karnal bunt areas. NGFA has repeatedly asked APHIS to prioritize the survey in high-risk areas. At this point, it does not appear the National Survey will cease until there is no longer any Karnal bunt regulated acreage.

- D. FDA Reconditioning:** NGFA has been working to schedule a meeting with the FDA national office to discuss the significant delays that grain export facilities in the New Orleans area have experienced over the past several months regarding reconditioning plans after the FGIS has determined that the grain, e.g., corn, wheat or soybean is a Distinct Low Quality due animal excreta, e.g., deer droppings.

FGIS has also been having meetings with FDA to update and revise the FGIS/FDA MOU to allow pre-approved reconditioning plans for lots/sublots of grain that are found actionable for specific conditions. Unfortunately, FDA has not been very responsive in scheduling a meeting at the national level to discuss improving communication with the regional/local offices to expedite the reconditioning approval process and to make sure the regional/local offices have a better understanding of what the issue is when a request for the reconditioning of bulk commodity grain, determined to be DLQ, is made at an export facility.

NGFA is continuing to reach out to Capitol Hill staff in order to provide them an overview of the issue and to expedite the process in scheduling a meeting with the agency to further discuss.

### **III. Issues for Discussion:**

- A.** For elevators operating in the interior market, has FGIS been responsive to your request to: 1) revert to the use of your previous Official inspection agency; and/or 2) use a different domestic Official designated agency if your facility is not receiving timely service from its incumbent agency? What experiences, pro and con, are you having with Official agencies at either export elevators or domestic facilities?
- B.** Are there further suggestions on issues that should be addressed with FGIS?

#### **IV. Other Actions:**

The committee and NGFA staff also were engaged in the following activities from September 2023 – March 2024:

- Conducted a Regional NGFA/NAEGA Industry Workshop on Oct. 12 in Portland, Ore. These workshops bring together industry members and representatives of federal government agencies, including USDA's Animal and Plant Health Inspection Service and FGIS, the Food and Drug Administration and U.S. Coast Guard to discuss current industry issues and trends. These regional meetings have received high marks from federal and industry attendees. About 30 people attended the event.
- Met with AMS Administrator, Deputy Administrator and FGIS Deputy Administrator to discuss user fees and technology automation on Oct. 30.
- Attended the invitation-only Technology Innovation conference, Nov. 8-9 in Lubbock, TX that was hosted by the Agricultural Marketing Service (AMS) and Texas Tech University's College of Agricultural Sciences and Natural Resources. During the event representatives from USDA, academia, agriculture and the technology industry discussed challenges, opportunities and ways to collaborate in order to improve accurate, consistent and timely grading and auditing services in the changing marketplace.