

**CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (Department)
FEED INSPECTION ADVISORY BOARD (FIAB) MEETING**

**Embassy Suites by Hilton Monterey Bay Seaside
1441 Canyon Del Rey
Seaside, CA 93955
(800) 362-2779**

**January 15, 2019
1:00 – 4:00 PM**

MINUTES

MEMBERS

Dan Rice
Doug Stabelfeld
John Walth, Chair
Marit Arana, Vice Chair
Michael Koewler
Paul Parreira
Shay Rambur
Tim Riordan
Tom Prokop

CDFA STAFF

Amadou Ba
Angelia Johnson
Brittnie Sabalbro
Casey Dykier
Chris Hansen
Jenna Leal
Jessica Lugo
Josh Davila
Killeen Sanders
Maryam Khosravifard
Mike Davidson
Natalie Krout-Greenberg
Rachelle Kennedy
Samantha Moran-Defty
Ted Bert

INTERESTED PARTIES

Beatrice Pardo
Chris Zanobini
Jeremy Banducci
Stephen Silva

INTRODUCTIONS AND ANNOUNCEMENTS

John Walth, Chair, called the meeting to order at 9:03 a.m. He informed the interested parties that per the Bagley-Keene Open Meeting Act, they are not required to sign in or identify themselves. Self-introductions were made, and a quorum was established.

Dr. Amadou Ba announced the deadline to apply for the upcoming board vacancies is March 15, 2019.

APPROVE OCTOBER 18, 2018 MEETING MINUTES

Chair Walth requested the board review the minutes of the October 18, 2018 FIAB meeting.

MOTION: Michael Koewler moved to approve the meeting minutes; Dr. Marit Arana seconded. The motion passed unanimously with a vote by all board members present of 9 - 0.

DEPARTMENT / DIVISION / BRANCH UPDATE

Natalie Krout-Greenberg announced that Karen Ross was reappointed as the Department Secretary on January 9, 2019 by Governor Gavin Newsom. Karen Ross' continued leadership will be beneficial to the Department.

Recent outbreaks of food safety have the Department primarily focusing on the Produce Safety program with the Food and Drug Administration (FDA) and the industry in closely identifying ways to implement practices on further advancing environmental assessments and strengthening other areas.

Dr. Ba reported that the proposal to remove the January 1, 2020 sunset for the Safe Animal Feed Education (SAFE) program is set to move forward. Per the current Food and Agricultural Code (FAC), the provision to fund SAFE via the feed license fee will end in 2020. The proposal would remove the 2020 provision date and retain a \$600 maximum feed license fee.

Senate Bill (SB) 623, regarding a Safe and Affordable Drinking Water Fund, is recycled. The Governor's Office offered \$4.9 million to allow the State Water Resources Control Board and the Department to begin program implementation. SB 623 may convert into a trailer bill July 1, 2019, if it advances.

Dr. Ba announced the appointments of Environmental Scientists Valerie Brott for the Antimicrobial Use and Stewardship (AUS) program and Sadia Naseem for the Feed program. Rob English, was promoted from Agricultural Aide to Office Assistant with the Branch Office Support Staff.

FUND CONDITION / BUDGET / PROGRAM STAFFING

Jenna Leal reported, as of July 1, 2018, total funds for Feed and SAFE were \$4.7 million. Revenue was \$1.4 million; expenditures \$446,311; and encumbrances \$5,571. The ending balance presented as of September 30, 2018 versus December is due to the State's FISCAL reporting system transition for better data transparency. The adjusted balances for Feed and SAFE were \$5.7 million with total Animal Feed Regulatory Program Standards (AFRPS) recoveries of \$43,979. The Tissue Residue (TR) contract ended in August 2018; therefore, there will no longer be any TR recoveries.

Jenna Leal presented the feed tonnage and asked for board discussion on feed tonnage projection in future years.

Paul Parreira stated that the December tonnage report data is an anomaly and advised the Feed program to determine why the data is high.

Chair Walth recommended that the Feed program gather information including the revenue source, such as specific feed products and the method of revenue collection, to help the board's decision making on feed tonnage projection in future years. Jenna Leal stated the tonnage reporting form submitted by industry to the Department has a category with a general breakdown of species such as poultry, cattle, aquaculture, vitamins and minerals, etc. However, is "optional" not required for tonnage reporting.

Michael Koewler stated each quarter's first two months are balanced from a tonnage revenue standpoint; however, there is a significant drop with the 3rd month of every quarter in FY 16/17. He asked the Feed program the cause of the significant drop and if it is due to the change in billing cycle. Angelia Johnson commented that the cause might also be due to firms reporting late.

Jenna Leal stated the Feed program will look into the anomaly, and continue to monitor the quarterly tonnage reports and track when payments including late fees are received through the database.

PROGRAM UPDATES

Jenna Leal announced that the Feed program has started preparing for program strategic planning by asking program staff to identify the program's strengths, weaknesses, opportunities, and threats. She asked the board and attendees to identify program focus areas and to write their top three industry priorities.

Jenna Leal reported that since the last meeting, the Feed program renegotiated inspection prices and the number of inspections. The FDA approved an increase for the program's fee per inspection and total dollar amount, and a decrease in the number of Food Safety Modernization Act (FSMA) inspections from 58 to 43. The Feed program has modified their work plan in order to gain efficiency, allowing federal inspections to be used as routine state inspections, is continuing its focus efforts on food and feed safety type samples for higher priority feed mills and ingredient sampling to food safety. The Feed program has adjusted program staff placement to accurately reflect duties, including moving half of a position to the Fertilizer program and two personnel years (PYs) out of the Feed to the Livestock Drugs (LD) program.

Chair Walth asked if the LD revenue has improved. Natalie Krout-Greenberg replied that the Department of Finance (DOF) encouraged the LD program to secure federal funds when the AUS program was brought onboard. The LD program prioritizes their work accordingly by focusing on the most critical functions and ensuring those functions are accomplished and maintained. The Department's Executive Office will determine an appropriate time to address the funding issue in the law.

At the last meeting, the Feed program was tasked to parse out dedicated staff time for the program. Jenna Leal presented a breakdown of staff time spent on FDA, AUS, LD, Drug Residue, and other program work.

Samantha Moran-Defty presented the Feed program's 2019 work plan. The work plan breaks down the amount and type of inspection activities under the Animal Food Safety Contract (FDA) and the sample requirements for the Commercial Feed program. The number of samples collected and inspections performed will be based on priority firms. Priority firms are feed mills that either use type A drugs, high-risk minerals, or type B medicated feed; manufacture complete diets; or mix ingredients.

Jenna Leal stated the sample focus has shifted from label compliance to food safety and asked if the board wants to reevaluate the 60/40 split in the strategic plan. Jenna stated that to maintain the Feed program workload, an additional field staff will help offset the workload of the current staff; however, the program's challenge is obtaining qualified candidates with an agricultural background and experience. She stated summer program internships may be a route for the program.

Jenna Leal announced that the top three industry priorities written down by attendees at the beginning of the meeting are FSMA Compliance, FSMA Outreach & Education, and Traditional Routine Feed Inspection work (non-FSMA). She stated the purpose of the exercise was to lead the Feed program into strategic planning by identifying program focus areas.

Tom Prokop asked the Feed program where the biggest risk is to the animals fed in state. Jenna Leal responded stating aflatoxin in milk is the biggest threat to food safety. Tom Prokop noted that at least 50 percent of animal feed comes from out of state. Jenna Leal responded that California is 85 percent grain deficit. Tom Prokop stated the program's focus should be to minimize those risks.

Michael Koewler concurred that food safety is a priority and recommended that the Feed program push for a representative from the Department to advocate for California agriculture and maintain food safety compliance.

Tim Riordan agreed and advised that Michael Koewler's recommendation be a part of the strategic plan.

Chair Walth suggested the Feed program split label compliance and food safety and track the PYs and revenue separately. FDA FSMA inspections should be in its own column to show if it is cost or revenue neutral. He stated this information may help the board guide the direction of the program.

Jenna Leal presented the implementation plan to obtain staff over the next couple of years based on the anticipation of FSMA contract work. At the last FIAB meeting, the board requested scenarios of various staff options at different license fees and tonnage tax. The table was presented that illustrates the current feed license fee and tonnage tax based on the employees that the Feed program will hire over the next years. Additionally, a more detailed table was shown reflecting what the revenue would be based on the approved budget FY 18/19 of \$4.4 and \$3.9 million with recoveries.

Jenna Leal stated the board lowered the tonnage tax to maintain no more than a 50 percent reserve. She presented the bar graph illustrating the Feed and SAFE approved budget versus actual expenditures, highlighting that the programs typically spends less than what is approved. She advised the board to be mindful of the 25 and 50 percent required reserves for FY 18/19 and FY 19/20.

Chair Walth asked for the California Grain and Feed Association's (CGFA) assistance in moving forward the proposal to lift the sunset provision of the 2020 feed license fee. Chris Zanobini stated CGFA could assist with approval from the board, and he recommended that the legislative proposal be introduced as a spot bill.

MOTION: Tom Prokop moved to approve the sunset provision of the feed license fee; Doug Stabelfeld seconded. The motion passed unanimously with a vote by all board members present of 9 - 0.

Paul Parreira asked that the Feed program complete a 5-year forecast to determine whether to pull the reserve down this rapidly. The long-range forecast will guide the board in adjusting the tonnage tax in increments by looking at recoveries. Jenna Leal stated the Feed program will complete a long range forecast for the board.

Natalie Krout-Greenberg advised that the Feed program plot out program expenditures while showing reported tonnage tax revenue up to 15 cents and look at the point of intersection to maintain the balance between two thresholds.

Discussion ensued regarding feed tonnage tax.

Mike Davidson presented taxation models highlighting who pays and who does not pay the inspection tonnage tax.

Chris Zanobini stated CGFA did not support the Texas Model when it was addressed in the 2008 FIAB meeting because producers might suffer the extra costs.

Tim Riordan stated using a taxation model in the strategic plan would allow the board to make a fair assessment and also gather more information.

Paul Parreira stated the difficulties in the calculation will be where to set the tax rate. He stressed the importance of maintaining high reserves for as long as possible.

Chair Walth advised the board to work on the legislation needed to move from 15 to 20 cents or to increase feed license fee, and then make that recommendation to the secretary for the change to be considered and in effect by July 1, 2019.

Discussion ensued regarding the feed license fee.

Natalie Krout-Greenberg stated there are three board recommendation options: remove the sunset provision, extend the sunset provision, or remove the sunset provision and increase the cap on the feed license fee or tonnage tax.

Tom Prokop stated he amends his original motion and recommends to extend the sunset provision from 2020 to 2025 and raise the cap on the feed license fee.

Tim Riordan stated if the board extends the sunset provision from 2020 to 2025, he advised raising both the feed license fee and tonnage tax.

Jenna Leal stated, the concern with raising the license fee in the past, is people go underground rather than pay the increased fee and program resources are used to track those activities rather than being spent on feed safety.

Natalie Krout-Greenberg encouraged the board to create a strategic plan workgroup. Workgroup reports will help in identifying a plan for future years and could also be used in cost justifications to DOF.

Chair Walth recommended a strategic plan workgroup and asked the board for volunteers to participate in the workgroup with focus on feed safety and label compliance, FSMA, and mandates. Dr. Arana, Dan Rice, and Shay Rambur were selected to participate on the strategic plan workgroup. The workgroup will meet with the Feed program and subject matter experts, including Chris Zanobini from CGFA.

Chair Walth asked if the board wanted to amend the original motion regarding the sunset provision of the feed license fee. Shay Rambur recommended an increase in tonnage tax from 15 to 25 cents per ton, and change in the feed license fee sunset provision.

Chris Zanobini encouraged extending the licensing sunset provision and raising the feed tonnage tax ceiling fee at the same time. He also noted it may be helpful in the justification to raise the license fee by showing that the Feed program is spreading the costs among all parties.

MOTION: Shay Rambur moved to approve a tonnage tax ceiling increase from 15 to 25 cents per ton; Dr. Marit Arana seconded. The motion passed unanimously with a vote by all board members present of 9 - 0.

Chair Walth asked if the board wanted to recommend to the secretary a tonnage tax increase for July 1, 2019.

Paul Parreira agreed with Chris Zanobini's suggestion to increase tonnage tax incrementally and recommended a tonnage tax increase to 12 cents.

MOTION: Michael Koewler moved to approve the recommendation to the secretary to increase tonnage tax from 10 cents to 12 cents per ton; Tim Riordan seconded. The motion passed unanimously with a vote by all board members present of 9 - 0.

Maryam Khosravifard announced that Stan Kobata, Senior Environmental Scientist (Supervisor), retired December 2018. The lab is looking to hire a replacement. Maryam reported the lab is in its second phase remodeling space and installing the Inductively Coupled Plasma Optical Emission Spectrometry and Liquid Chromatography Mass Spectrometry which will help with the transfer and consolidation of the lab's methodologies.

AGENDA ITEMS FOR FUTURE MEETINGS

Chair Walth asked the board for agenda items for the next meeting. Tim Riordan suggested a strategic plan follow-up and Michael Koewler stated a legislative update be an agenda item. Jenna Leal stated the Feed program will also add an agenda item for a CGFA and Almond Alliance update.

NEXT MEETING

Chair Walth proposed that the next meeting be held at the end of March or beginning April of 2019 in Sacramento, California. Members will be polled to select a date.

MOTION: Doug Stabelfeld moved to adjourn the meeting; Tom Prokop seconded. The motion passed unanimously with a vote by all board members present of 9 - 0.

The meeting was adjourned at 4:00 p.m. by Chair Walth.

Respectfully Submitted By

ORIGINAL SIGNED BY JENNA LEAL

01/15/19

Jenna Leal, Feed Program Manager
Feed, Fertilizer, and Livestock Drugs Regulatory Services

Date