

**CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)
FERTILIZER INSPECTION ADVISORY BOARD (FIAB)**

**CDFA
2800 Gateway Oaks Drive
Sacramento, CA 95833
Room 101**

**October 12, 2016
9:00 a.m.**

MINUTES

MEMBERS

Andrew Godfrey
Brad Baltzer, Chair
David McEuen
Doug Graham
Melissa McQueen
Ron Naven

MEMBERS ABSENT

Gary Silveria
Jake Evans
Steve Spangler

CDFA

Amadou Ba
Barzin Moradi
Brittnie Sabalbro
Dale Woods
Doug West
Elaine Wong
Kris Gulliver
Lisa Montanez
Lubna Durrani
Luz Roa
Mark Cady
Maria Tenorio
Nirmal Saini

INTERESTED PARTIES

Daren Stemwedel
Kim Hensley
Mark Brady
Rachel Kubiak
Steve Beckley

INTRODUCTIONS AND ANNOUNCEMENTS

Mr. Brad Baltzer, Chair, called the meeting to order at 9:13 a.m. Self-introductions were made and a quorum was established. Mr. David McEuen arrived at 9:24 a.m.; Mr. Gary Silveria, Mr. Jake Evans, and Mr. Steve Spangler were not in attendance. Chair Baltzer announced his retirement with J.R. Simplot Company, and his end of service with the FIAB, effective October 14, 2016. Dr. Amadou Ba presented a resolution to honor Chairperson Baltzer for his 19 years of service on the board and to extend CDFA's appreciation for his guidance, feedback, and commitment to the fertilizing industry.

APPROVE MAY 11, 2016 MEETING MINUTES

Chairperson Baltzer requested the board review the minutes from the May 11, 2016 FIAB meeting.

MOTION: Ms. Melissa McQueen moved to approve the minutes; Mr. Ron Naven seconded. The motion passed unanimously by all board members present with a vote of 5 - 0.

DEPARTMENT, DIVISION, AND BRANCH UPDATES

Dr. Ba reported Mr. Rick Jensen retired at the end of June 2016, with 41 years of state service. Ms. Natalie Krout-Greenberg, previously the Special Assistant for Inspection Services, was appointed as Division Director. Ms. Carla Sanchez, previously the Special Assistant with the Office of Environmental Farming and Innovation, was appointed as Special Assistant for Inspection Services.

Dr. Ba stated the Medical Cannabis Cultivation Program (MCCP) conducted eight public scoping sessions throughout the State in September 2016 to provide the public an opportunity to discuss environmental impacts and future regulations for MCCP.

The Food and Drug Administration's (FDA) Food Safety Modernization Act (FSMA) also impacts the Division's Feed Inspection Program; the Feed Program received an Animal Feed Regulatory Program Standards (AFRPS) grant for \$450,000 to assist the program and industry prepare for FSMA.

CDFA was recently awarded a five year cooperative agreement in the amount of \$11.7 million for state-level implementation of the Produce Safety Rule under FSMA. The Department's Inspection and Compliance Branch will be implementing the Produce Safety Rule in California. The multi-year plan to implement an enhanced produce safety system emphasizes education and outreach; inspectional program development; infrastructure development; collaboration with the federal and local entities; and annual work plan development training.

Assembly Bill (AB) 1811 and AB 2511 were signed into law by the Governor, effective January 1, 2017. AB 1811, pertains to organic input material (OIM) inspections, provisional registrations, and allows the Department to promulgate regulations for a revised registration cycle. AB 2511, initiated by the Governor's Office of Planning and Research, pertains to biochar. Biochar is now defined as a fertilizing material, requiring product label registration and mill assessment payment. A Budget Change Proposal (BCP) was sent to the Department of Finance requesting one Environmental Scientist position for the Fertilizing Materials Inspection Program (FMIP) to focus on product registration, review biochar, and set standards for biochar product label requirements.

Senate Bill (SB) 27, funded by general fund dollars, created the Antimicrobial Use and Stewardship Services (AUSS) program. The new law was passed to address the issue of medically important antimicrobial drugs used in animals. The Feed program received

\$550,000 in general fund for fiscal year (FY) 16/17 and 3.5 positions, and the program submitted another BCP for five additional positions for FY 17/18. The program is advertising the positions to begin implementing the AUSS program.

Dr. Ba announced FMIP has currently two vacancies. Our Senior Environmental Scientist (Specialist), Dr. Marja Koivunen accepted a promotional opportunity in the private sector, and Environmental Scientist, Dr. Shari Lo Grossman accepted a promotional opportunity with the California Department of Public Health, Medical Cannabis Regulation and Safety Act. The FMIP is in the process of advertising and filling both vacant positions. Additionally, Ms. Ellana Reyes was recently hired as a seasonal Agricultural Aide in replacement of Ms. Adrienne Belvedere, who accepted a promotional opportunity as an Office Technician (Typing) with MCCP.

FUND CONDITIONS / BUDGETS

Dr. Ba reported as of July 1, 2015, the beginning combined balance for FMIP and OIM was \$4,981,915; revenue was \$8,582,764; expenditures were \$5,188,137; and there were \$657,503 in encumbrances; ending balance of \$8,376,542. The adjusted combined ending balance as of June 30, 2016 was \$7,719,039. As of July 1, 2016, the beginning combined balance for FMIP and OIM was \$8,376,542; revenue was \$1,923,477; expenditures were \$847,619, and there was \$1,177,868 in encumbrances; ending balance of \$9,452,400. The adjusted combined ending balance as of September 30, 2016 was \$8,274,532.

The Fertilizer Research and Education Program (FREP) had a beginning balance of \$2,990,211, as of July 1, 2015; revenue was \$2,416,331; expenditures were \$2,332,766; encumbrances through FY 15/16 were \$1,368,419; the ending balance was \$3,073,776. The adjusted ending balance was \$1,705,357. As of July 1, 2016, the beginning balance was \$3,073,776; revenue was \$678,916; expenditures were \$548,081; and encumbrances through FY 16/17 were \$1,676,274. The ending balance was \$3,204,611. The adjusted ending balance as of September 30, 2016 was \$1,528,337.

Dr. Ba reviewed the mill assessment trends for FY 14/15, FY 15/16, and FY 16/17. Comparing FY 15/16's first two months of revenue to FY 16/17, there is a \$1.1 million decline. Data must be monitored to determine a trend in the decline.

Dr. Ba reviewed FY 15/16 expenditures, highlighting there was approximately \$2.4 million of salary expenditures for the Fertilizer Program, which is slightly more than the program projected. This is attributed to the revised bargaining contract which increased scientific staff's salary and allowed staff to cash out a portion of their vacation hours.

Overall, the revised Fertilizer Program's budget was still in-line with the approved budget.

The program presented a revised budget for FY 16/17 and a proposed budget for FY 17/18. For FY 16/17, operating expenses were decreased due to OIM inspection cost savings based on AB 1811 passing. However, with salary increases, the revised budget increased from \$4,940,450 to \$5,154,356. The OIM Program's FY 16/17 budget was not revised.

The proposed budget for FY 17/18 for the Fertilizer Program is \$5,198,620, and \$955,866 for the OIM Program. Overall, the programs' budgets are in-line with the programs' objectives and the budget will continue to be aligned with the Governor's budget.

Dr. Ba stated FREP's FY 16/17 budget was not revised, highlighting the budgeted salary exceeded the approved amount for salary expenditures by approximately \$40,000; however, overall program costs were less than the approved budget.

The proposed budget for FY 17/18 for FREP is \$2,816,940. This includes \$1,750,500 in research contracts, staff salaries, and operating expenses.

MOTION: Mr. David McEuen moved to approve the Fertilizer Program's revised FY 16/17 budget and the proposed FY 17/18 budget for the Fertilizer, OIM, and FREP programs; Mr. Doug Graham seconded. The motion passed unanimously by all board members present with a vote of 6 - 0.

FERTILIZER MARKET TRENDS

Ms. Melissa McQueen presented current data for fertilizer market trends affecting the program's planning and budget. Various trade publications were the source of information and are available online. Ms. McQueen reported a one-year trend in pricing illustrated a significant decrease; Nitrogen, Phosphorus, Potassium's (NPK) have declined from 35 - 50 percent over the past 24 months. The decline is due to supply and demand.

New American production, offshore production, and updated US plants producing products such as urea, Urea-Ammonium Nitrate (UAN), phosphate, and potash have created either an increase of supply or oversupply, causing a decrease in price demand. Additionally, low commodity prices impacting growers is negatively affecting the supply and demand. Ms. McQueen stated the trend seems to be decreasing for at least 2-3 years due to oversupply.

INSPECTION AND COMPLIANCE UPDATES

Dr. Woods reported through September 2016, CDFA completed a total of 247 OIM inspections in California and its surrounding states. CDFA is required to inspect all OIM manufacturers internationally, which is 316 for calendar year 2016. The program completed 78 percent of OIM inspections as of September 2016. The program anticipates the remaining inspections will be completed by the end of the year. Ecocert completed 127 inspections in the US and 54 internationally - conducted mostly in Mexico and Canada.

Dr. Woods provided an administrative penalty update, stating since May 2016 penalty revenue received for conventional and OIM were due to registration issues or failure to meet guarantee requirements. Additional Notice of Proposed Actions were filed with three out-of-state facilities for OIM and conventional violations for either misbranding, adulteration, registration, or delinquent mill assessments or tonnage reporting. The program will continue to prepare administrative penalties for significant violations.

PROGRAM UPDATES

Ms. Luz Roa provided label updates. A total of 6,681 conventional labels have been approved and 298 new label applications are pending review; 1,244 OIM labels have been approved and 132 new label applications are pending review.

Ms. Roa stated a Certifier Outreach Meeting was held on July 20, 2016, which allowed the Department to host a webinar based resource to certifiers. The webinar provided information on how to differentiate between approved organic products versus conventional fertilizers, and how to utilize FMIP's public database. The program received positive feedback from the webinar.

Ms. Roa informed the board in August 2016 the program was internally audited by Oh Oh Organics to ensure compliance with International Organization for Standardization (ISO) 17065. In September 2016, the program was audited by the USDA for ISO compliance. The audit will be completed once lab samples are received. The accreditation auditor stated the program is in a good place in terms of the OIM registration program. The program will continue working on areas that need improvement; the final audit report will be complete in November 2016.

The Fertilizer Workshop will be held November 2 - 3, 2016 in San Diego, California. The workshop is intended to address the registration process and to answer questions regarding manufacturing processes.

A National Organic Standards Board (NOSB) Meeting will be held November 16 - 18, 2016 in St. Louis, Minnesota. Dr. Woods will be in attendance.

Mr. Andrew Godfrey provided an update on the Product Registration Working Group. The goal of the working group was to address the lag time in the pending review status of registration renewals and to add provisional registration status language, to allow firms to continue doing business while their products are under review.

Dr. Woods presented two proposals of revised registration cycles - a rolling cycle and a staggered cycle option. A rolling cycle is when product registration for each product expires two years from the approval date. For the staggered cycle, firms would be split into four groups and product registration would expire biannually. The registration cycles will remain two years in length. The program sent an informal survey of both proposed registration cycles to four large firms and three registration consultants for feedback. The majority of the surveyed individuals favored the staggered cycle. To assist with the transition period of changing the registration cycle, a provisional registration was signed into law in AB 1811, and will be effective January 2017. For renewals, firms must still pay the fees and submit their application on the database, and then the program will have the option to grant provisional registrations. After the new labels are reviewed, registration staff will then review the labels in the provisional status. The program only plans to use provisional registration status as needed, which will likely be only in the transition period during 2018.

Dr. Woods provided legislation and regulation updates. AB 2511 included biochar as a fertilizing material, and defined biochar as an Auxiliary Soil and Plant Substance. AB 2511 passed and becomes law January 1, 2017. CDFA anticipates product registrations, modifications of existing label registrations, and new claims of biochar.

Dr. Woods stated AB 1811 also passed, which eliminated the mandate of annual inspections of all OIM manufacturing facilities. The program will continue to conduct high risk inspections for products that have over three percent liquid nitrogen, and additional inspections at a reduced schedule. This bill also allowed CDFA the authority to use a provisional registration status for registration renewals. A limit on the duration of the provisional status may be clarified in regulations, and provisional registrations will only be used as needed. It also allowed CDFA the authority to revise the registration cycle, which is anticipated to be implemented in January 2018.

Dr. Woods stated the Department started a rulemaking process related to fertilizing material standards and labeling, and inspection protocol. The Initial Statement of Reasons and Proposed Text was published on May 13, 2016; the 45-day public comment period ended on June 27, 2016. A public hearing was held on July 5, 2016 for additional comments. The Department published a 15-day notice on October 11, 2016

to allow the industry to comment on the revised proposed text; the comment period ends October 25, 2016 at 5:00 p.m. Additionally, General Provisions were revised to be in-line with federal requirements and proposed Association of American Plant and Food Control Officials recommendations.

Chairperson Baltzer and Mr. Godfrey agreed to a doodle poll for a follow up meeting in February 2017 with the product registration working group.

FREP UPDATES

Dr. Barzin Moradi reported 2016 Request for Proposals (RFP) included improving fertilizer input management, understanding soil-plant processes, and loss pathways. Three out of thirteen proposals recommended by Technical Advisory Subcommittee (TASC) included developing nutrient management in citrus, creating an online tool to allow growers to manage crops through user friendly modules for various crops such as almonds, tomatoes, and alfalfa, and evaluating Certified Organic Fertilizer and its role of providing nitrogen management plans.

Dr. Moradi stated the special RFPs focused on biochar, including the role of biochar in nutrient management in California, education and outreach, and addressing challenges and barriers to improving nitrogen management practices. In an effort to focus on biochar, FREP reached out to researchers to evaluate locally produced biochar and identify its characteristics and agronomic benefits, to solve issues impacting the agriculture industry.

Dr. Moradi reported a total of 15 special RFPs were submitted and only six proposals were recommended for funding by TASC. They include: evaluation of biochar for on-farm soil management; understanding influences on grower decision-making and adoption of the improved nutrient management practices; Nitrogen Management Training program "Train the Trainer-Phase 2", which allows growers to continue to certify their own nitrogen management plans. The Train the Trainer will build on last year's training, which certified more than 1,000 growers; it will expand the pool of trainers, modify curriculum and develop a continuing education program for certified growers. Other proposals included: determining the effects of soil amendment with biochar produced from different feedstocks to improve nitrogen and water management; expanding the California Fertilization Guidelines to support the nutrient management decisions for minor annual crops; and the improvement of the curriculum and trainings for the University of California Nursery and Floriculture Alliance Fertilizers and Plant Nutrition Education Program. Dr. Moradi stated TASC provided researchers with feedback on the proposals not recommended for funding, so they can be resubmitted for next year's RFP cycle.

MOTION: Mr. Andrew Godfrey moved to fund TASC's recommendations for FREP projects; Mr. Ron Naven seconded. The motion passed unanimously by all board members present with a vote of 6 - 0.

LABORATORY UPDATES

Ms. Elaine Wong reported from January to August 2016, the lab received 936 samples; the total number of assays requested was 4,494. Ms. Wong announced one lab staff retired, which delayed samples being processed in a timely manner. The Center for Analytical Chemistry is now almost caught up with the backlogged samples, and has improved their sample turn-around time.

BOARD AND TASC VACANCIES

The program offered the board three options for recommending appointments to the secretary. Options include forwarding all applicants to the secretary for her to decide which applicants to appoint; ranking the applicants and sending the ranking to the secretary for her to make the final appointment decision; or recommending three candidates to the secretary for appointment.

After review and discussion of board applicants, the board decided to recommend three applicants to the secretary for board appointment.

MOTION: Mr. Doug Graham moved to recommend to the secretary Mr. Jay Irvine, Mr. Steve Spangler, and Mr. David McEuen be appointed as board members; Ms. Melissa McQueen seconded. The motion passed with a vote of 5 - 0; Mr. David McEuen abstained.

Dr. Ba stated the TASC has three members whose terms has expired on September 17, 2016. The program received ten applications. Dr. Ba again provided the board with the three options above for making a recommendation to the secretary for appointment to TASC. The program also ranked the applicants based on background, education, and research. Based on the criteria, the program ranked five applicants for the board to review.

MOTION: Mr. David McEuen moved to recommend the five TASC applicants ranked by the program be forwarded to the secretary for her to make the final decision on appointments; Mr. Ron Naven seconded. The motion passed unanimously by all board members present with a vote of 6-0.

AGENDA ITEMS FOR FUTURE MEETINGS

Chairperson Baltzer asked the board for agenda items for the next meeting. Chairperson Baltzer requested fertilizer market trends and mill assessment trends be a standing agenda item for future meetings. He further stated Ms. McQueen will be interim chairperson for the next FIAB meeting, until the board votes to recommend a new chairperson.

NEXT MEETING

The next FIAB meeting will be February 7, 2017 at 9:00 a.m., in Sacramento, California.

MOTION: Mr. Ron Naven moved to adjourn the meeting at 12:00 p.m.; Mr. Doug Graham seconded. The motion passed unanimously by all board members present with a 6 - 0 vote.

Chair Baltzer adjourned the meeting at 12:00 p.m.

Respectfully submitted by:



Dr. Dale Woods
Environmental Program Manager I
Fertilizing Materials Inspection Program

10/12/2016

Date