

**CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)
FEED INSPECTION ADVISORY BOARD (FIAB) MEETING
Sacramento, California
June 21, 2007**

MINUTES

MEMBERS

Thomas Geary
Thomas Daly
Frederick L. Frost
Richard Hoch
Michael Koewler
Thomas W. Prokop
John Walth

CDFA

Asif A. Maan
Kent Kitade
Dale Rice
Mike Davidson
Natalie Krout
Nirmal Saini
Elaine Wong
Stan Kobata
Joanna Danquah
Davood Ghods
Reina Laroa

INTERESTED PARTIES

Rich Matteis, California Grain
and Feed Association
Gene Beach, Almond Hullers
and Processors Association

CALL TO ORDER

Chairman Thomas Geary called the meeting to order at 9:05 a.m. and a quorum was established. Board members Mr. Rob Gilbert and Mr. Jon Tollenaar were not present.

INTRODUCTIONS AND ANNOUNCEMENTS

Self-introductions were made. Chairman Geary thanked everyone for attending. Feed, Fertilizer, Livestock Drugs and Egg Regulatory Services (FFLDERS) Branch Chief Asif A. Maan stated that there were no special announcements.

APPROVAL OF MINUTES

Chairman Geary asked the board to review the enclosed minutes for the prior meeting on February 15, 2007. He noted a correction on the last page was made to state there was a laboratory tour after the meeting was adjourned. Dr. Maan confirmed the change.

MOTION: A motion was made by Mr. John Walth to approve the minutes for February 15, 2007 as presented. Mr. Frederick L. Frost seconded. Motion passed unanimously.

VOTE FOR VICE-CHAIR OF THE BOARD

Chairman Geary recommended Mr. Rob Gilbert for Vice-Chair of the Board. Mr. Gilbert has previously served as Vice-Chair.

MOTION: A motion was made by Mr. John Walth to recommend to the Secretary to appoint Mr. Robert Gilbert as Vice-Chair of the Feed Inspection Advisory Board. Mr. Thomas W. Prokop seconded. Motion passed unanimously.

DIVISION/BRANCH UPDATES

Dr. Maan reported that Inspection Services Division Director Nate Dechoretz could not be present due to meetings with the United States Department of Agriculture in Washington D.C. In his absence, Dr. Maan gave the department and division updates. At the department level, Mr. George Gomes, formerly the administrator of the California Farm Bureau Federation (CFBF), was appointed Undersecretary to replace the retired Undersecretary, Mr. A.J. Yates. Effective August 1st, Mr. Richard Matteis will replace Mr. Gomes as the new administrator of the CFBF. There were no changes at the division level. At the branch level, the Feed, Fertilizer and Livestock Drugs Inspector exam process was just completed, providing a pool of candidates to fill field staff vacancies. In addition, after leaving briefly for Human Resources, Mr. Dale Rice has returned to the branch as an Agriculture Program Supervisor I, to oversee the branch's administrative functions and support staff. Ms. Reina Laroa has transferred from Division and provides support to the branch.

Dr. Maan introduced guest speaker, Agency Information Officer Davood Ghods to give a PowerPoint presentation outlining the department's Information Technology (IT) Plan, its current and future state.

Mr. Ghods informed the board he joined CDFA's IT in September 2006. Per his recommendation at that time, the department hired the consultant, Gartner Group, to evaluate current IT practices. Based on Gartner Group's 250-page report, the current state of CDFA IT was found to be decentralized and very reactive. Gartner Group's bottom line recommendation for 2007 is to begin centralizing IT, placing the following functions within IT: Portfolio Management Office; Project Management Office; Application Development; Enterprise Architecture; Support Services; and Account Management. Centralizing IT is a 3-5 year plan, going division by division. Mr. Ghods concluded his presentation by sharing his vision for the future of CDFA: To become a service oriented, value organization, where customer service is the number one goal of IT.

Chairman Geary thanked Mr. Ghods for the presentation and asked the board if they had any questions. Some concerns raised by board members included monitoring of projects, training and specifically, the timeline for on-line licensing and registration for industry.

Chairman Geary presented Mr. Rich Matteis with a "Certificate of Appreciation for his Valuable Contribution to the Feed Inspection Advisory Board and the Feed Inspection Program" awarded by the department for his commendable dedication, enthusiasm and commitment. Mr. Matteis gave his thanks and appreciation to the board and department.

LEGISLATIVE UPDATE

Mr. Matteis reported the only legislation he felt would impact the feed program, feed sales etc. was the legislation regarding animal welfare. At first the bill was written to outlaw all kinds of cages (cap crates, emancipation pens) used in the cage layer industry, making competition tougher. Over time through opposition, that was reduced to only gestation pens. To the benefit of the poultry industry, the bill was killed a few weeks ago in the Assembly Agricultural Committee. At this point, no legislation is surfacing due to the melamine issue. Additional discussion on melamine ensued regarding legislation, additional regulations, and risk management.

Dr. Maan thanked Mr. Matteis for being a wonderful resource for the program. Mr. Matteis reinforced the need to maintain the special relationship between the department and industry by working closely with the California Grain and Feed Association (CGFA). Mr. Mike Davidson commented on the uniqueness of the state/industry relationship in California due to Mr. Matteis.

PROGRAM BUDGET FOR FY 2007/2008

Chairman Geary referred the board to Attachment #1 "*Feed, Livestock Drugs and Safe Animal Feed Education Program Budgets*". Mr. Kent Kitade advised the board they would be voting on the Feed Inspection and Safe Animal Feed Education Programs' Proposed 2007-08 Budget of \$2,597,605. He explained various budget line items. Dr. Maan clarified that the proposed budget is based on full staffing, cost of living raises, merit salary adjustments, vehicle and laboratory equipment replacement, and laboratory costs. Mr. Kitade referred the board to Attachment #2 "*Updating Feed Laboratory Equipment*" to provide a more detailed explanation of the laboratory equipment replacement costs. A discussion on the laboratory budget increase and laboratory equipment purchases ensued.

Ms. Elaine Wong explained that she gave a low estimate of laboratory costs the previous year. Adjustments had to be made for merit and salary increases, indirect costs and program services that weren't previously considered; resulting in an increase to the 2007/08 laboratory budget. She further explained that the Feed Laboratory would be performing analytical analyses for the Shipping Point Inspection (SPI) Program, and the cost of these analyses would be reimbursed to the Feed Laboratory.

Mr. Kitade added that the program would receive reimbursement in the amount of approximately \$141,253 from the United States Food and Drug Administration (FDA) for Bovine Spongiform Encephalopathy (BSE) and Tissue Residue Investigations contracts.

At the request of Ms. Wong, \$65,000 was added to the equipment purchases line item for the purchase of a Liquid Chromatograph (LC) for aflatoxin analysis to replace an out-dated model. Funds for replacing the extractor and computer have already been approved by the board.

MOTION: A motion was made by Mr. John Walth to increase the equipment purchases line item from \$135,000 to \$200,000 and recommend to the Secretary to approve the \$2,662,605 Budget as amended. Mr. Richard Hoch seconded. Motion passed unanimously.

REVENUE STATUS REPORT

Chairman Geary referred the board to Attachment #4 *“FINANCIAL SUMMARY, Feed, Livestock Drugs and Safe Animal Feed and Education Program (Combined), FUND CONDITION REPORT, AS OF APRIL 30, 2007”*.

Dr. Maan reported \$2,096,146 in revenue, \$1,828,039 in expenditures, resulting in an increase in cash reserves from \$849,013 to \$1,117,120. The increased revenue has been mainly due to an increase in reported tonnage that is currently exceeding 17.5 million tons.

Chairman Geary referred the board to Attachment #3 *“FUND CONDITION STATEMENT – FEED & LIVESTOCK DRUGS + SAFE ANIMAL FEED AND EDUCATION”*. Dr. Maan provided the board with additional details about the statement. Based on the 2007/08 projected revenue and expenditures the program’s annual reserve could possibly increase to approximately \$1.8 million.

LICENSE FEE/TONNAGE TAX

Chairman Geary reminded the board that the commercial feed license fee is currently set at \$100/year and the tonnage tax is set at \$0.14/ton. The revenue projections and budgets reflect those two fees.

Mr. Walth inquired about setting the licensing fee to \$300/year. Dr. Maan explained the department’s legal office advised the branch to adopt regulations for setting a specific license fee.

An alternative option to consider is to have the law amended exempting the (setting of the) licensing fee from the rulemaking process. Chairman Geary advised the board that according to Mr. Matteis, it would be difficult to get anything that addresses taxes through the Legislature because we’re approaching an election year. The board advised the branch to initiate the rulemaking process.

Dr. Maan referred the board to Attachment #5 *“Projected Feed Inspection Program Cash Flow for FY 2007/08”*. The attachment illustrates a \$0.13/ton inspection fee scenario effective October 1, 2007. However, the change in revenue would not be realized until January 1, 2008. The projected revenue with the proposed inspection fee change to \$0.13/ton is \$2,683,000.

Discussion ensued regarding changing the tonnage tax and its impact. The board also raised concerns about surplus revenue.

MOTION: A motion was made by Mr. Thomas Prokop to recommend to the Secretary to reduce the tonnage tax from \$0.14/ton to \$0.13/ton effective October 1, 2007. Mr. Frederick Frost seconded. Motion passed unanimously. It was noted, cash status of the program to be reviewed by the board, at the next board meeting.

REGULATORY UPDATE

Mr. Kitade gave a PowerPoint presentation on emergency response; program capabilities; future problem solving; program needs; and expectations to the pet food recall, the melamine incident, mycotoxin sampling and ricketts in pheasants.

Discussion ensued on melamine, prioritizing laboratory samples, and the pet food recall. The program received compliments on their timely response to the pet food recall.

SAFE ANIMAL FEED EDUCATION (SAFE) PROGRAM UPDATE

Ms. Natalie Krout referred the board to the SAFE Programs insert, "Assessment of Mycotoxin Concentrations on Whole Corn in the California Feed Supply", and "Mid-Year Summary of Total Aflatoxins and Total Fumonisin" as she gave a brief overview of the results. Ms. Krout informed the board included in the meeting packets was registration information for the upcoming Feed Labeling Workshop (part of SAFE's outreach education) in Tulare on June 28th, 2007. In addition, next month the program will begin farm analysis samples coordinating with nutritionists in the field.

Ms. Krout reported she and Mr. Davidson in conjunction with a graphic designer developed a seal and logo for the SAFE program, which will be used on outreach and education material. The graphic contains corn, wheat and the SAFE acronym.

The program is coordinating with the branch's IT in the creation of a more user-friendly webpage.

Mr. Gene Beach shared his concerns regarding a conflict between the regulation and enforcement of aflatoxin. The board and staff advised Mr. Beach this issue was addressed at the Tactical Planning meeting. The answer is to change the regulation and the branch plans to pursue the process to collect the license fee.

Additional discussion regarding the issues and challenges with almond sampling ensued.

LABORATORY UPDATE

Center for Analytical Chemistry (CAC) Branch Chief Nirmal Saini thanked the board and staff. Mr. Saini acknowledged past issues at the CAC laboratory. He advised the CAC has taken a proactive approach to address and streamline these issues. Mr. Saini asked the board to share any guidelines or long-term plans for any issues. Ms. Wong thanked the board for the equipment budget last year. She stated that all CAC staff is very thankful for items the laboratory was able to purchase, which has been very helpful to them. The small grinder is being used regularly and extremely helpful in aflatoxin grinding. Ms. Wong stated that the new equipment for 2007/08 is going to enable the laboratory to be functional in emergency situations. Mr. Stan Kobata referred the board to the *“Feed Report 1st Quarter - 2007”* in their meeting packets and gave an update on the number of samples done by the lab. The laboratory analyzed a total of 335 samples for the first quarter of the calendar year.

Discussion on lab expectations and sample turnaround time ensued.

ADDITIONAL ITEMS/NEXT MEETING

Chairman Geary shared his appreciation with the two new board members, Mr. Daly and Mr. Hoch, for their participation. He referenced them to page three of the *“COMMERCIAL FEED LAWS AND REGULATIONS”* booklet regarding the Feed Inspection Advisory Board’s role and responsibilities, and strongly emphasized the board’s purpose to serve the public interest.

Chairman Geary asked the board for their views on rotating different locations for future board meetings. Dr. Maan advised budget meetings should be held in Sacramento. The chairman proposed to hold the next board meeting on Thursday, October 4th; possibly in the central valley. The next board meeting is scheduled to begin at 9:00 a.m. on October 4, 2007 in Fresno.

ADJOURNMENT

MOTION: A motion was made by Mr. Prokop to adjourn the meeting. Mr. Walth seconded. Motion passed unanimously. Meeting adjourned at 12:05 p.m.

Respectfully submitted by:

Asif A. Maan, Ph.D., Branch Chief
Feed, Fertilizer, Livestock Drugs and Egg Regulatory Services
Inspection Services

Date

AAM/rl