

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

**Division of Inspection Services
Center for Analytical Chemistry**
3292 Meadowview Road
Sacramento, CA 95832
(916) 262-1434

**September 6, 2012
MINUTES**

MEMBERS

John Walth
Michael Koewler
Rich Hoch
Thomas Daly
Thomas Geary
Thomas Prokop
Tim Riordan

CDFA

Asif Maan
Gary Castro
Jenna Areias
Maria Hicks
Mike Davidson
Natalie Krout-Greenberg
Nirmal Saini
Rick Jensen
Stan Kobata
Vania Leonardes

INTERESTED PARTIES

Chris Zanobini, CGFA
Justin Oldfield, California
Cattlemen's Association
John Kauffmann, JD Heiskell
Kelly Covello, Almond Hullers and
Processors Association
Kevin Clutter, CGFA
Paul Parreira, Leo Parreira and Associates
Stephen Silva, E.B. Wakeman Company
Tad Bell, CGFA

INTRODUCTIONS AND ANNOUNCEMENTS

The meeting was called to order at 9:05 a.m. by Chairperson, Mr. Richard Hoch. A quorum was established and self-introductions were made. Mr. Michael Koewler and Dr. Asif Maan arrived at 9:20 a.m.

MINUTES OF THE LAST BOARD MEETING

Chairperson, Mr. Hoch requested that the board review the January 12, 2012 meeting minutes.

MOTION: Mr. John Walth moved to approve the January 12, 2012 meeting minutes as presented; Mr. Thomas Prokop seconded the motion. The motion passed unanimously.

DEPARTMENT / DIVISION / BRANCH UPDATE

Mr. Rick Jensen provided the board with a brief Department update, highlighting that the Fertilizer Research and Education Program (FREP) is developing a Certified Crop Advisor training and certification program for nutrient budgets and nutrient management plans. This will satisfy the regional water boards and the State Water Board regarding the use of nitrogen in fertilizer. Mr. Jensen stated that new Food Safety Modernization

Act (FSMA) regulations will be released soon. It is Secretary Ross' desire to host outreach sessions with industry after FSMA's proposed regulations are released. The Food and Drug Administration (FDA) will be invited to attend and participate in the outreach sessions. One session will be held in the Central Valley and one in the Sacramento area. Industries impacted by FSMA regulations will be invited.

Mr. Jensen stated the Strategic Growth Counsel introduced legislation in 2011 that allowed the Division of Inspection Services to create the Farm to Fork program. The two-year program is funded through a federal grant and will develop a descriptive list of agricultural items to assist producers to access developing regional markets. The program will also allow for smaller producers to participate in supplying goods for large produce purchases by the government. The Division announced two limited term positions for the Farm to Fork program.

Mr. Gary Castro provided the board with updates regarding the Feed Inspection Program (FIP). He stated that FSMA regulations will impact FIP activities because additional staff will be needed in order to comply with the enhanced inspection requirements. To minimize the impact, the program will explore adding two inspector positions: one for the Safe Animal Feed Education (SAFE) program and one for the FIP. This will enhance the food safety and compliance inspection capabilities of both programs.

Chairperson, Mr. Hoch requested details of FDA's countrywide protocols for testing salmonella in poultry feed. Mr. Jensen stated the FDA already conducts these types of inspections on fresh produce; voluntary recalls have occurred due to these inspections. Dr. Maan stated that the FDA will obtain samples at poultry feed mills; poultry feed samples will not be taken at poultry operations, unless it is an integrated operation. There will not be a large quantity of samples taken nationwide. Mr. Castro stated that testing protocols require the FDA to notify local feed authorities when a sample will be taken in their jurisdiction. Lab report response time for samples taken has not been determined. Discussion ensued regarding the FDA's countrywide feed sampling and testing for salmonella.

Mr. Mike Davidson commented that it would be helpful if industry informs the program when corn from the affected areas in the Midwest arrives in California. Mr. Tim Riordon stated there may be higher levels of mycotoxins in corn from drought stricken areas. Mr. Riordon stated a working group would be beneficial in order to stay apprised of upcoming challenges, including the drought in the mid west.

Dr. Maan informed the board that this is a national issue; the yields are low, therefore the availability of corn may be an issue. It would be beneficial to the Department if there was more coordination with the FDA, the United States Department of Agriculture (USDA), and the industry regarding this issue.

Mr. Tim Riordan asked if assays results for feed samples can be posted on the Department website or made available through the branch's database. Ms. Jenna Areias stated that Ms. Vania Leonardes, SAFE intern, is compiling data from 2011 and it will be posted on CDFA's website. Ms. Areias stated that the SAFE program does not have enough staff to compile and post this information routinely. Mr. Castro stated since the program has a template now, the program will try to keep the website updated.

PROGRAM FIELD ACTIVITIES

Mr. Davidson provided the board with program updates stating the program will continue performing California Good Manufacturing Practice (CA GMP) inspections at all firms that manufacture medicated feed using Type A drugs; this is the first tier of SAFE's three-tier approach. The focus of sampling will be on firms with high violation rates and firms with improper or no labels. Additionally, sampling of corn survey elevators that ship corn into California will be increased. Investigators will be checking on livestock drug registrations at firms that have restricted livestock drug licenses to ensure they are registered with the program and that licensees are maintaining up-to-date records.

Mr. Davidson stated a Bovine Spongiform Encephalopathy (BSE) positive California cow was discovered on April 24, 2012. CDFA worked closely with the USDA and the FDA/Center for Veterinary Medicine (CVM). It was determined the index dairy and feed suppliers were in compliance. The BSE positive cow was confirmed to have Atypical BSE; it was a mutation of prions in the brain.

Mr. Tad Bell asked how the BSE positive cow was found. Mr. Davidson stated it was discovered through USDA's routine random sampling of cows over 30 months of age. Discussion ensued regarding the BSE positive cow.

Mr. Davidson reported he attended the annual meeting of the Association of American Feed Control Officials (AAFCO) in Indianapolis, Indiana in August 2012. Mr. Davidson was asked to join the FSMA Alliance for the Animal Feed Subcommittee. The subcommittee was formed to utilize the AAFCO/FDA relationship to disseminate FSMA regulation information as rapidly as possible to states and industry members. The subcommittee is tasked with creating training materials for hazard analysis and preventative controls for animal feed mills and will provide guidance for small and medium size firms that produce animal feed. The main goal of the FSMA alliance for animal feed is to provide training materials for hazard analyses, and preventative controls and guidance for the feed industry, specifically for small and medium size firms with less than 500 employees.

SAFE ANIMAL FEED EDUCATION PROGRAM UPDATES

Ms. Areias stated the SAFE program has conducted 15 California GMP inspections, 6 quality assurance audits, 8 feed mill mixer profiles, and has distributed FSMA outreach

material to 20 entities. SAFE is collaborating with the California Grain and Feed Association (CGFA) to develop a FSMA compliance matrix. Ms. Areias highlighted that the program's goal is to have the industry compliant with Tier 1 (GMP audit) by December 2012. The industry should be compliant with Tier 2 (SAFE audit) by December 2013, and Tier 3 (hazard analysis and preventative controls audit) by December 2014.

There will be a SAFE workshop on November 15, 2012 at Harvest Hall in Modesto. Secretary Karen Ross has been invited to speak about feed and food safety. Mr. Matt Frederking, Ralco Nutrition, will be speaking about feed Hazard Analysis and Critical Control Points (HACCP) and FSMA compliance. Mr. Geoff Holland, Nuwest Milling, will be speaking about how mill managers can apply HACCP/FSMA principles in their feed manufacturing operations.

The American Registry of Professional Animal Scientists (ARPAS) provided a scholarship for Ms. Leonardes to work with the SAFE Program. She is compiling feed assays and other data that will be posted on CDFA's website. Ms. Leonardes' assistance in the program has been extremely helpful and is very much appreciated.

Mr. Chris Zanobini asked if ARPAS will continue providing the scholarship. Ms. Areias stated it has been a wonderful opportunity, but she is not sure if the scholarship will continue. Mr. Zanobini stated that CGFA may be able to coordinate with ARPAS to assist with a part time intern. Mr. Zanobini commended CDFA for preparing the California feed industry for the FSMA regulations. Discussion ensued regarding FSMA.

PROGRAM AND IMPERIAL COUNTY CORN DISPOSITION PILOT PROJECT UPDATE

Mr. Castro informed the board of the status of the commercial feed licenses (1,709), livestock drugs registrations (1,153) and restricted livestock drugs licenses (391).

Mr. Bell requested that the program track and report to the FIAB new commercial feed licenses to see how many grain elevators become licensed yearly. This is in reference to the June 11, 2012 Notice to Industry letter that outlined who is required to obtain a California Commercial Feed License. The program found that some licensees did not license their out-of-state grain elevators.

Mr. Castro provided details on the 2011/2012 FDA Bovine Spongiform Encephalopathy (BSE) and Tissue Residue (TR) contracts. Each contract calls for 100 TR investigations and 100 BSE inspections. The program fulfilled its TR contract obligations on August 31, 2012 and expects to meet its BSE obligations by September 29, 2012. For contract year 2012/2013 the program will conduct 100 BSE inspections and 110 tissue residue investigations.

Mr. Castro provided the board with a brief overview of the Imperial County Corn Disposition Pilot Project. Two farmers and two feed lots participated in the 2012 corn

harvest. Only one feed lot was used to sample and test the harvested corn for total aflatoxins. Field test results using the Neogen Accuscan aflatoxin test kit were not accurate when the results were compared to the Center for Analytical Chemistry's (CAC) results on the same samples. All field samples obtained were ground and split; one half was tested on-site with the Accuscan test and the other half were delivered to the CAC. The High-Performance Liquid Chromatography (HPLC) test results were compared to the Accuscan test to determine the effectiveness of the field test equipment. Of the 19 samples compared (quick test verses CAC), it was determined that the field test were not consistent. The 2013 corn harvest will be tested with a different field test kit in an effort to obtain accurate and precise results.

Mr. Justin Oldfield, California Cattlemen's Association (CCA) provided the board with additional information regarding the Imperial County Corn Pilot Project. Mr. Oldfield explained that the pilot project will continue through the 2013 crop season. Participants signed the CDFA agreement and fully adhered to the work plan. All corn was disposed of or fed to beef cattle based on HPLC results. The CCA met with CDFA prior to, and shortly after, the corn was harvested to maintain transparency throughout the project. It was agreed that the first 20 samples will require HPLC validation for all quick test results that are more than 100 parts per billion (ppb). The CCA concurs with the FIP that the field test results were inconclusive and did not produce the desired quick test results. Mr. Oldfield expressed the desire to explore and use alternative types of field test equipment for the next harvest. The CCA is seeking a quick test that produces results within 20 percent of the HPLC test.

Mr. Oldfield suggested limiting the 2013 corn crop to 7,000 tons in an effort to ensure the pilot project's objectives are met. Reducing the ton limit for corn between 20 ppb and 300 ppb will help control storage issues and prevent comingling of products.

Mr. Oldfield stated CCA is very concerned about the drought in the mid-west and the potential for aflatoxin in this year's corn crop. They feel it will have a negative impact on California's numerous feedlots. Dr. Maan stated the Department is concerned as well, and is working on developing an action plan to address this issue within the current legal and regulatory framework.

PROGRAM FUND CONDITION AND PROPOSED FISCAL YEAR 2013/2014 BUDGET

Mr. Castro reviewed the Feed and SAFE fund conditions with the board. As of July 1, 2011, the FIP had \$888,952 in the CDFA account and \$1,238,218 in the Bank of America account, for a total of \$2,127,170. There was \$2,397,671 in revenue and \$2,729,884 in expenditures. The ending balance on June 30, 2012 was \$1,794,957.

As of July 1, 2011, the SAFE program had a beginning balance of -\$10,445. There was \$400,000 in revenue and \$247,555 in expenditures. The ending balance on June 30, 2012 was \$142,000.

Mr. Castro presented the proposed 2013/2014 budgets for FIP and SAFE. The FIP budget is \$3,197,689, and the SAFE Program budget is \$306,904 for a combined total of \$3,504,593.

Program costs have increased due to the rent increase since moving to the Gateway Oaks location and because the State Personnel Board merged the Special Investigator and the Senior Special Investigator classifications, which increased personnel costs. The proposed budgets include the addition of two field inspectors who will assist the FIP and SAFE with the anticipated increased workload due to the upcoming release of Food Safety Modernization Act regulations in 2013. Mr. Castro recommended raising the tonnage tax from \$0.08 to \$0.10 per ton to ensure a positive cash flow and to stabilize the program's reserve.

Discussion ensued regarding the proposed budget and raising the tonnage tax and/or the license fee.

Dr. Maan stated that if the tonnage tax is not raised, the program reserve will fall below the required six months of reserve.

MOTION: Mr. Thomas Prokop moved that the tonnage tax be raised from \$0.08 to \$0.09 per ton effective October 1, 2012 and the license fee be increased from \$300 to \$400, effective July 1, 2013. Mr. John Walth seconded the motion; the motion passed unanimously.

MOTION: Mr. Thomas Daly moved to approve the FIP budget in the amount of \$3,197,689 and the SAFE program budget in the amount of \$306,904, for a combined budget of \$3,504,593 for FY 2013/2014. Mr. John Walth seconded the motion; the motion passed unanimously.

LABORATORY UPDATE

Mr. Stan Kobata provided the board with a laboratory update. He stated 708 samples with 4,023 total assays were performed between January and July, 2012.

Mr. Tim Riordon stated that last year's lab budget was approximately \$1.1 million, and there were 1,100 samples tested. That equates to an average of \$1,000 per sample. He acknowledged the critical work the CAC does but asked that the board be provided with an update as to how the CAC compares against other labs.

Mr. Nirmal Saini responded by stating there are often four or more assays tested per sample, so the cost per sample calculation is not the way lab costs should be determined. The CAC is unaware of lab costs at an outside lab, but wants to ensure that industry is properly served and that the lab continues to perform quality comparison analysis on the latest types of test equipment available, and on methodologies used so there are no questions raised regarding test results. The CAC attempts to stay competitive with outside labs while incorporating new technology.

Mr. Thomas Geary reported that the FIAB performed a lab comparison analysis six years ago and found that charges from the State were higher than commercial labs. Sample prices were compared countrywide and the State lab adjusted their budget accordingly; the information is still available and can be reviewed.

Dr. Maan stated that the CAC feed lab costs cannot be compared to other labs because the feed lab is a dedicated lab that receives and analyzes samples on a flow basis and is able to provide quick turnaround time in order to meet the program's needs. Additionally, the lab maintains confidentiality associated with the samples. The turnaround time for the CAC has been 99 percent within 30 days since the board authorized the purchase of new equipment.

Mr. Riordon agreed with Dr. Maan and acknowledged that the CAC does great work and that confidentiality is an important factor to be considered, but with the state budget, it is important for the lab to periodically provide the FIAB with an assay cost analysis. He acknowledged that the improvements and the 99 percent turnaround times within 30 days have been beneficial.

Mr. Chris Zanobini commented it is important for the lab to go through the exercise of performing a cost analysis of feed samples and assays in order to show the industry the value it is being provided. There might be basic regulatory activities being conducted, but they do not contribute to the actual feed sample analysis. Mr. Zanobini stated he feels this information should be shared with the FIAB and the industry.

LEGISLATIVE UPDATES

Mr. Zanobini provided the board with a brief overview of legislative updates. He stated the *Conveyer Currents*, CGFA's legislative newsletter, has additional details. Senate Bill (SB) 592 passed; it was successful in putting banks, dairies, and the feed industry on the same page. There are several agricultural labor issues right now, including overtime exemptions and heat stress; these bills opened up more of a legal avenue for lawsuits.

Proposition 30 is proposing a significant income tax increase on higher earners, and would increase sales tax to 7.75 percent. This proposition is Governor Jerry Brown's proposal and it would have radical changes to the state's budget.

Proposition 37, the Right to Know Act, is a labeling proposition that proposes anything that is a Genetically Modified Organism (GMO), or biotech, has to be labeled. This would probably subject packaged feed to the same requirements; this is a big issue.

BOARD VACANCIES

Chairperson, Mr. Hoch stated there is a new process for board vacancies to be discussed. There will no longer be closed sessions; all vacancies will now be discussed during the open session.

Mr. Jensen stated that appointment recommendations were being handled differently per branch, and our legal office clarified that there are some exceptions under the closed meeting act, but appointments is not one of them. Vacancies must be discussed during an open session. Mr. Jensen stated the Secretary makes the ultimate decision after reviewing the board's recommendations.

Chairperson, Mr. Hoch asked if any of the applicants are present and would like to provide the board with a brief description of their qualifications and why they feel they would be a good candidate for the board. The applicants, Mr. John Kaufman, Vice President, J.D. Heiskell & Company; Mr. Paul Parreira, Leo-Parreira & Associates, LLC; and Mr. Stephen A. Silva, Managing Partner, E.B. Wakeman Company, provided the board with a brief history of their involvement in the feed industry and why they feel they would be a good fit for the board.

Mr. Koewler stated he believes the board is uncomfortable with discussing and recommending appointments with the applicants present. Discussion ensued regarding making recommendations to the Secretary for board appointments. The board reviewed all four applicants' resumes and qualifications and determined they all qualify to be appointed on the board.

MOTION: Mr. John Walth moved that all four applicants' resumes be submitted to the Secretary for her decision of board appointment. Mr. Thomas Daly seconded the motion; the motion passed unanimously.

ADDITIONAL ITEMS / NEXT MEETING

Mr. Zanobini stated that there are restrictions to the FIP that are imposed by the State including out-of-state travel, furloughs, and hiring freezes. He stated there is a provision in the law that allows the program to be run outside of the Department to the benefit of the people that are paying into it. The Feed Manufacturing Study Group and CGFA's board recommended that the FIAB look into alternative options to run the program. These restrictions would not be an issue if the program was run outside of the State. Mr. Zanobini requested this topic be on the agenda at the next FIAB meeting.

Mr. Tim Riordan requested that a working group be formed to discuss the future of the program. A working group was formed of Mr. Geary, Mr. Zanobini, Mr. Koewler, and Mr. Walth. The working group will report their findings and recommendations at the next board meeting.

The next meeting is scheduled for Wednesday, December 19, 2012 in Modesto, California.

MOTION: Mr. Michael Koewler moved to adjourn the meeting at 12:23 p.m.; Mr. Tim Riordan seconded the motion; the motion passed unanimously.

Respectfully submitted by:



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

9/6/12
Date