

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

**CDFA
2800 Gateway Oaks Drive
Sacramento, CA 95833
Room 267
(916) 900-5022**

**October 18, 2018
9:00 AM – 3:00PM**

MINUTES

MEMBERS

Doug Stabelfeld
John Walth, Chair
Marit Arana, Vice Chair
Michael Koewler
Paul Parreira
Tim Riordan

MEMBERS ABSENT

Shay Rambur
Tom Prokop

CDFA STAFF

Adriana Avalos
Amadou Ba
Angelia Johnson
Barzin Moradi
Brittnie Sabalbro
Maryam Khosravifard
Mike Davidson
Natalie Krout-Greenberg
Rachelle Kennedy
Samantha Moran-Defty
Stan Kobata
Ted Bert

INTERESTED PARTIES

Daniel Rice
David Meeker
Elaine Trevino

INTRODUCTIONS AND ANNOUNCEMENTS

John Walth, Chair, called the meeting to order at 9:04 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. Shay Rambur and Tom Prokop were absent.

Amadou Ba announced that per the Bagley-Keene Act, the meeting minutes will no longer include gender specific salutations, but only first and last name.

APPROVE JULY 12, 2018 MEETING MINUTES

Chair Walth requested the board review the minutes of the July 12, 2018 FIAB meeting.

MOTION: Doug Stabelfeld moved to approve the meeting minutes; Paul Parreira seconded. The motion passed unanimously with a vote by all board members present of 5 - 0.

BOARD VACANCY

Chair Walth announced that the Department received three applications for the one board vacancy; Daniel Rice, Quality Assurance Director of Western Milling, and David Meeker, Quality Assurance of Penny Newman Grain Company, were in attendance, and Jeremy Banducci attended the last meeting. Chair Walth asked the board for recommendations to the secretary.

Marit Arana asked that the two attendees explain their wish to serve on the board. Daniel Rice stated with knowledge of the feed industry, he would like the opportunity to give back to the industry and to the State of California by learning from peers, sharing ideas, and acquiring best practices to apply to the organization. David Meeker stated his involvement in the feed industry of six years started from delivering food by-products to dairies, to implementing and maintaining a food and feed safety plan. He added that he would like to contribute from an industry level and gain a better understanding of the regulatory process to influence decision making that impact the industry.

Chair Walth announced that Tom Prokop from Imperial Western Products (IWP), current board member whose term expires April 2019, does not plan to reapply. He explained the importance of having an IWP representative on the board and later announced that he is also not going to reapply next year.

Paul Parreira recommended the board move away from having two representatives from the same company serve on the board. He agreed stating that if Tom Prokop is not going to reapply for the board, there will be an opportunity for another candidate to apply and participate. He recommended having a representative from Penny Newman Grain Company for the current board vacancy.

Natalie Krout-Greenberg stated if it is Tom Prokop's intention to not reapply next year, the candidates are encouraged to reapply for the seat.

Chair Walth stated Daniel Rice, David Meeker, and Jeremy Banducci are good candidates to serve on the board. He advised that one of the two applicants, David Meeker or Daniel Rice, be recommended to the secretary.

MOTION: Marit Arana moved to forward the applications of the two candidates forward for the secretary to make a decision; Tim Riordan seconded. The motion passed unanimously with a vote by all board members present of 5 - 0.

DEPARTMENT / DIVISION / BRANCH UPDATE

Natalie Krout-Greenberg stated the structure of this meeting is for the board to approve the fiscal year (FY) 19/20 budget to develop the continuously appropriated (CA) packet to submit to the secretary. The Department has worked diligently to implement the 2013

strategic plan and seeks board advice on the type of program they envision for the feed industry and the State of California.

The Department has prepared transition documents for the next administration to better understand Inspection Services Division (Division) role within the Department, to be proactive on high priority areas, and to address potential changes with budget change proposals (BCP).

Natalie Krout-Greenberg announced the closure of the Department's Milk Pooling and Dairy Marketing Program left 40 employees out of work. Employees were required to file an options letter, to find a job elsewhere or exercise their bumping rights which was based on seniority. The Division initially had six staff affected by bumping rights but through the process of individuals finding new jobs, retiring, or being absorbed into other programs, the Division now has two individuals affected.

In 2015, the Division prepared a succession plan through data collection, and with upcoming retirements, the Division is using this information to determine where gaps are and position current staff to retain inhouse knowledge. A workforce plan was created for recruitment, retention, knowledge transfer, and succession planning focusing on retaining staff's knowledge and expertise for future growth and leadership, including continuity, as well as short-term and long-term initiatives.

The Division is in discussion with the Department's Executive Office and the Office of Information Technology (IT) Director, to transition IT to new functional technology for software, coding and programing. The Department ensures IT components, direct or indirect charge, are transparent in every budget.

The Division and FFLDRS Branch met with the California Department of Resources Recycling and Recovery (CalRecycle) and the California Association Sanitation Agency (CASA) regarding Senate Bill (SB) 1383, signed by the Governor in 2016. Regulations for SB 1383, regarding short-lived climate pollutants, will be released in January 2019. The regulations for the bill affects the feed industry and the work of the Department's Feed, Fertilizer, and Livestock Drugs Regulatory Services Branch. The Division and Branch staff are working with CalRecycle to understand the baseline data needed for the Feed tonnage reports. The Feed program (Feed) will look into collecting specific tonnage data so that the coproducts that are diverted to animal feed can be easily identified as part of the overarching goals.

Chair Walth stated some feed industry members are concerned about losing their products traded to CalRecycle and suggested outreach to feed traders in California. Giving a breakdown of the quantity of tonnage being reported as almond hulls or cottonseed will help gather information and prevent the loss of a feed source.

Natalie Krout-Greenberg reported that Feed has worked on a voluntary application to collect tonnage data, because firms are not required to report the quantity of coproducts, including almond hulls. The food waste recycling survey handout will also obtain voluntary information from feed licensees. This information will be resourceful in future discussions with determining if regulations need to be in place. Additionally, the Rendering Program created an outreach document for feed licensees to understand the diversion of products and identify which agency is responsible as a composter or digester source. The data will be beneficial to show the amount of tonnage in animal feed and determine consistency with the Environmental Protection Agency's hierarchy and waste reduction goals of the state.

Rachelle Kennedy stated the purpose of the survey is to capture the amount of byproducts currently diverted away from landfills and the location of where the products would go if they do not go to animal feed, and to determine the various alternative methods of disposal. Chair Walth suggested the California Grain and Feed Association (CGFA) lead the survey with the assistance of the Safe Animal Feed Education (SAFE) program.

Natalie Krout-Greenberg stated SAFE can work with CGFA on an educational campaign to industry alongside the CalRecycle regulations and voluntary surveys to collect data. The program is working on a contract on food labeling and food waste, which will allow the Department to create feed talking points that share the feed industry's contribution towards the food system and diversion of food waste.

Elaine Trevino, President of the Almond Alliance of California, advised that CGFA facilitate a uniform survey to show industry pride on their byproducts and coproducts. Elaine recommended CGFA to lead the effort and help with the uniform study to the Department's point to be proactive in creating the Department's position before it is created for the feed industry. Paul Parreira advised the trade organizations, cotton gin or almond alliance, assist in the effort.

Amadou Ba announced that the SAFE program has a sunset date of January 1, 2020; however, due to the driving force of the Food Safety Modernization Act (FSMA), the Branch has proposed the removal of the sunset language and for SAFE to become a permanent program.

SB 668, signed by the Governor, pertains to the feed administrative penalties. SB 668 provides a mechanism for Feed to assess penalties without having to go through the District Attorney's or the Attorney General's Office. The law change will be in place on January 1, 2019 and regulations will be developed. A BCP for Feed was approved requesting four positions for the Feed Safety Implementation Program; three scientific and one administrative support staff.

SB 844, regarding Agricultural Safe Drinking Water Fees, which would have impacted the Fertilizer program, did not pass through the Assembly due to the water purveyor's opposition to this bill. SB 844 may be recycled next year.

The regulations for the Antimicrobial Use and Stewardship (AUS) Program became effective August 16, 2018. AUS is currently working on an outreach plan before full implementation of the regulations. The Feed financial audit was assigned to the Department's Marketing Branch auditors. The auditors recommended that the Feed and Livestock Drugs (LD) revenue not be comingled, and concluded that it is not necessary to change the program's process of handling revenue. The final audit will be shared at the next FIAB meeting.

Amadou Ba announced that the Fertilizer Research and Education Program's (FREP) annual conference is in Seaside, California on October 22 – 24, 2018. He reported the Branch is still engaging with IT in the implementation process of the eCheck payment method to streamline incoming revenue. A survey was sent to stakeholders to identify current payment methods.

Tim Riordan asked for the percentage of time and costs IT spends on Feed, and if hardware is required before proceeding. Natalie Krout-Greenberg stated the program cannot quantify the time spent on the Feed program. An indirect fund source for hardware, is in the budget. Due to the unavailability of IT staff to maintain the program's existing systems, the Department has an external contract for system enhancement services for their ExtraView database.

Amadou Ba provided staff updates. Rachelle Kennedy, who has been acting for Jenna Leal, Feed Program Manager, is now appointed to Senior Environmental Scientist (Supervisory), as a first line supervisor of the Feed program. FREP's former Agricultural Aide (AA), Nicole Crouch, was hired as an Environmental Scientist. The Branch Office Support Staff hired Rob English, an AA.

Michael Koewler arrived at 10:15 a.m.

PROGRAM UPDATES

Mike Davidson reported the collection of organic non-genetically modified organisms (GMO) samples continues. The Feed program found adulterated imported canola with aflatoxin.

Rachelle Kennedy announced that the Feed program will start the regulatory process on the feed administrative penalty matrix. She asked for board direction to the program in the regulatory process and suggested setting up a subcommittee to review a draft penalty matrix and to present at the April FIAB meeting. Chair Walth commented that the penalty fines are too low.

Samantha Moran-Defty reported six field staff attended the Food and Drug Administration (FDA) Current Good Manufacturing Practices (CGMP) training. One field staff will attend the CGMP Regulator training and three field staff will attend the Preventive Controls (PC) Regulator training in October. The intention for SAFE program staff to attend the PC training is for staff to offer insight on the FDA requirements to better prepare firms. The remaining Feed staff will train next year. Samantha announced the PC Qualified Individual training was held in Modesto, California; 22 participants were in attendance. SAFE continues CGMP readiness inspections for remaining firms. Feed Safety plan consultations are available for firms interested in reviewing hazard analysis.

Rachelle Kennedy gave an AUS update. She reported AUS continues quarterly veterinary feed directive (VFD) data collection from manufacturers and distributors and annual visits to all firm locations on the FDA VFD letter of intent to not manufacture or distribute VFD feed. The FDA VFD Intent list is online and available to the public.

Beginning September 1, 2018, the Drug Residue Prevention Program Cooperative Agreement (DRPP-CA) replaced the Tissue Residue (TR) Contract. The primary objectives of the DRPP-CA are industry-wide education and outreach on-farm assessments, and best practice visits with a focus on outreach and assessment to TR violators. On October 1, 2018, the program replaced the FDA's Bovine Spongiform Encephalopathy (BSE) contract with the new Animal Food Safety Contract (AFSC). BSE inspections are performed in conjunction with the inspections listed in the AFSC. The list of locations for each AFSC inspection has not been obtained from the FDA. FDA's AFSC does not include VFD inspections; however, the program will continue VFD inspections under state authority.

Barzin Moradi reported that the Center for Analytical Chemistry (CAC) is making progress fulfilling the request of the board at the last meeting regarding the Near-Infrared (NIR) equipment and Neutral Detergent Fiber (NDF). This was due to collaborative efforts between the CAC, Paul Parreira, Elaine Trevino, and external labs within the state.

Maryam Khosravifard reported CAC received a total of 687 samples; 31 percent were rush samples. CAC performed a total of 2,991 assays, a 76 percent total from last year. CAC reported that 83.6 percent of samples met the 15 to 21-day turnaround time.

Stan Kobata presented CAC's almond hull analysis using the faster Fourier Transform Near-Infrared (FT-NIR) equipment. The lab analyzed 57 samples for crude fiber and NDF through calibration analysis. Almond hull samples are run on NIR for crude fiber, NDF, and moisture. NIR analyzed crude fiber that is greater than 15 percent is then run on ANKOM. The lab will build more data points on NDF using NIR and ANKOM. The lab tested 44 samples by NIR, initially analyzed by ANKOM, for crude fiber and vacuum

oven for moisture; crude fiber by NIR is 0.74 percent higher than crude fiber by ANKOM. The lab is now reporting crude fiber and NDF results by NIR on lab reports.

Paul Parreira suggested that samples be shared on an ongoing basis with the Almond Alliance of California for more data collection alongside the CAC information.

Tim Riordan asked the program if it is worthwhile to review the C-BASS preprocess procedure for process comparison. Barzin Moradi stated the lab's sample practices were evaluated and the results were similar and comparable in standard deviation of error and data sets. Barzin stated with various labs being utilized, it would be worthwhile to compare the sampling and sample preparation across multiple labs to check for consistency.

Discussion ensued regarding substantial differences in the lab's pre-processing procedures and sampling protocol.

Paul Parreira directed the program, in coordination with CAC and the Almond Alliance of California, to start the regulatory process of crude fiber to NDF. Natalie Krout-Greenberg stated a regulatory change must include supporting data in addition to feed industry support. Creating a proposed rulemaking packet will require a 45-day comment period; the rulemaking process can take from six months to a year.

Maryam Khosravifard reported the CAC's focus is modernizing equipment, training staff, and updating methods from wet chemistry to newer technology, to improve turnaround time and productivity. The CAC must comply with the new International Standards Organization (ISO) 17025 by 2020 and build a robust laboratory management system that would allow it to operate consistently in daily operations. The accreditation is a two-year cycle with seven goals highlighting that the CAC must focus on a risk-based approach. The CAC must identify areas in the lab processes that may contribute to error, mitigating undue stress to analysts by establishing structure and enhanced competencies of staff to ensure being accurate, timely, and consistent. The challenges faced by the CAC are outdated technology, insufficiently-skilled staff, and retiring staff. A two-year plan is in place to expand resources within personnel, facilities, and equipment, and develop a work flow for consistency with the new ISO requirements on expanding the elements of impartiality and confidentiality in their work process.

Chair Walth asked for the Feed percentage of the CAC budget. Natalie Krout-Greenberg stated it is 12 percent of the budget reporting that the lab spent \$9.9 million FY 16/17 and is on track for spending more this year.

Break at 11:35 a.m. – 12:13 p.m.

STRATEGIC PLAN FOLLOW UP

Rachelle Kennedy presented the technical review summary handout; she highlighted the recommendations of the FIAB working group were completed including the development of the program's strengths, weaknesses, opportunities, and threats. The presentation goal was to update the board on what the program had done since the last strategic plan discussion, including an explanation of the program's mission and the mandate of Food and Agricultural Code Section 14901 of ensuring a safe supply of meat, milk, and eggs.

The 2013 strategic plan was included and highlighted to show implemented program changes including personnel administration through the Branch's organizational chart. The Branch has expanded the program to fit industry needs while considering all external factors.

Feed received three Environmental Scientist positions and one administrative staff through BCP FY 18/19 to help fill the FSMA mandate. The other Feed positions are strictly for program support and tonnage taxes. There is a total of eight vacant positions under the entire feed program.

Michael Koewler stated he gave a presentation to the Rural County Representatives of California (RCRC) with a main emphasis of the organics rule. There was confusion on RCRC compliance with the new organic laws. All feed byproducts diverted from landfills or other disposal methods are now in question. He advised the program that the new hire actively participate with the board, rendering industry, and feed industry. All different industries need to be engaged to meet the 75% diversion rate. Pirating the diversion of dairy feed and rendering items to fulfill their mandates is an issue to be careful of.

Discussion ensued regarding feed byproduct diversion.

The Feed and Rendering program met with CASA to get feedback and identify the issues; the Department hopes that the communications contract beginning next year will create documentation to memorialize the value the feed industry contributes already.

Rachelle Kennedy explained the external non-program factors impacting Feed. The purpose is to streamline firm visits by having one feed field staff trained to perform and complete all federal and state mandated work in one visit versus having multiple inspectors, including those from other programs such as the State Organic Program (SOP), collecting the same sample from the firm or conducting further inspections. The average field staff time allocation is based on the Inspection Services Time Tracker system. The Time Tracker identifies the percentage of time spent in certain program areas for Feed, SAFE, LD, AUS, SOP, including Federal work through AFSC and DRPP-CA. Each percentage is billed to each program for each of the eight-existing staff. Currently, there are four vacant field staff positions; one-half position is allocated to AUS and three and a half are for Feed. A total of 12 field staff are necessary to fill in

the increasing workloads in all program areas. The program has 18 staff with the possibility of 26 staff if all vacant positions are filled in FY 18/19 and FY 19/20.

The four new feed positions received through BCP FY 18/19 are to supplement the federal work. The onboarding cost for four new feed positions (three field and one office staff) is \$291,486. The program has \$408,472 for FY 19/20 to maintain the four new positions to complete the FSMA work.

Rachelle Kennedy presented the Feed and SAFE approved budget versus actual expenditures. The Feed FY 16/17 approved budget was not spent partially due to the AUS implementation; and FY 17/18 actual expenditures reflects vacancies and lower direct and indirect operating costs. The FY 18/19 Feed/SAFE proposed revised budget includes full program staff and new position onboarding costs. The program proposed 45 CGMP inspections for FDA, but received less than expected from the federal contract.

Chair Walth asked for clarification on the FY 18/19 Feed/SAFE proposed revised budget and the projected program costs PowerPoint slide. Rachelle Kennedy reported that the FY 18/19 Feed/SAFE proposed revised budget is the \$4.1 million after the deduction of recoveries and the projected program costs do not include recoveries. Federal funding for the first three months of FY 18/19 is BSE and the remainder is the Food Safety Contract which will increase for FY 19/20. The FY 19/20 Feed/SAFE proposed budget increased due to a full year's salary/benefits of the additional staff, operating expenses, maintenance, indirect costs, and salary increases. The program can renegotiate more money with the Federal contract next spring. There is potential for more money through other funding sources including additional contracts or cooperative agreements with FDA to continue FSMA work.

Natalie Krout-Greenberg stated to apply for the funds, the request for proposal (RFP) likely will require a baseline work of AFRPS with CGMP and PC rule experience. The Department has heard a contract will roll out for a RFP to implement the PC rule for FSMA in 2019. The Department is looking at ways for the new body of work to be cost neutral by being mindful of the time it takes to onboard and train staff, and costs to include in future budget years.

Rachelle Kennedy presented the AUS and LD expenditures and budget. The LD budget will increase from the Drug Residue Prevention Program work; the AUS budget is steady.

Break at 1:30 p.m. - 1:40 p.m.

FUND CONDITION / TONNAGE REPORTING / BUDGETS – REVISED FY 18/19 AND PROPOSED FY 19/20

Amadou Ba reported as of June 30, 2018, total funds for Feed and SAFE were \$4.1 million. Revenue was \$3.58 million, which comes from tonnage tax, license fees and miscellaneous revenues; expenditures were \$2.96 million; and encumbrances \$54,792. The adjusted balances for Feed and SAFE were \$4.68 million with total AFRPS and

BSE/Animal Feed recoveries \$464,041. Amadou Ba reported the feed tonnage total of 22.7 million tons for FY 17/18 gave the program \$2.6 million revenue.

Amadou Ba stated program staffing influences the proposed budget FY 19/20. As mentioned earlier, the program received four positions through BCP FY 18/19. The positions may be filled upon board approval and guidance.

Amadou Ba presented program budgets highlighting the difference between the Feed's FY 16/17 and FY 17/18 actual expenses in total personnel services. Feed's FY18/19 proposed revised budget of \$1.879 million for personnel services accounts for the four new positions received through the BCP FY 18/19. The SAFE FY 16/17 and FY 17/18 actual expenses were reported with FY 18/19 proposed revised budget and FY 19/20 proposed budget to include the four new position salaries. The Feed and SAFE total FY 18/19 proposed revised budget is \$2.083 million in personnel services and FY 19/20 proposed revised budget will be \$2.364 million. Amadou Ba stated the trend in salaries will continue upward announcing that the proposed budgets reflect a fully staffed program accounting for all requested positions.

Chair Walth referenced the strategic plan follow up regarding the cost of four new feed positions questioning if \$2.149 million in the Feed FY 19/20 proposed revised budget is enough to go forward with the strategic plan. Rachelle Kennedy clarified that the cost of 2.5 vacant Feed positions of \$305,744 is inclusive of salary increases for all staff plus the eight percent wage increase for existing staff. Rachelle confirmed that the FY 19/20 proposed revised budget of \$2.149 million is enough for the program.

Amadou Ba presented the program cost account of the Feed's FY 17/18 actual revenue highlighting the assessments of 12 cents and 10 cents (generating respectively \$1,960,802 and \$644,246), with a license fee of \$925,000 and a baseline of 1,850 licensees. Penalty assessment and late fee brought in \$11,900 and other revenue brought in \$44,205 with actual revenue of \$3.58 million aligning with the program's fund conditions. The SAFE revenue of \$391,168 and a reserve of \$4.25 million for the Feed program and total recoveries of \$512,638.

Chair Walth asked the program cost on recoveries stating if FDA pays the program \$20,000 through the Feed contract what is the cost of the program. Rachelle Kennedy stated the program tracks staff time through the Time Tracker system. The \$20,000 is BSE work and does not include FSMA work.

Rachelle Kennedy suggested the program present staff hours spent and the amount of money on federal contracts including staff time to the board at the next FIAB meeting. Natalie Krout-Greenberg stated the feed contract is based off time spent on past years by assessing the duration it takes an average inspector to complete the work and cost amount, adding indirect costs and review time.

Chair Walth suggested increasing the feed tonnage tax to 15 cents and license fee to \$600 or select another form of collecting fees to run the program and explained the importance of the program getting paid for staff time and work. With the amount and cost of each inspection, if tonnage tax continues at 10 cents and \$500 license fee, the board must decide whether the program go forward in spending all that money.

Chair Walth asked for board recommendation to increase the feed tonnage tax and license fee. Natalie Krout-Greenberg stated if the board proposed to change the feed license fee through the regular rulemaking process the proposed amendment will become effective after July 1.

Paul Parreira suggested a FIAB meeting be held in January to further discuss the program budget and strategic plan.

Discussion ensued regarding the increase in licensee fee and tonnage tax.

Paul Parreira asked the program to provide actual numbers if the 2.5 vacant Feed positions were brought onboard not including the four new feed positions to look at how long the program will sustain in future years. He added that the program present a realistic method scenario hiring two, three, or four positions and advised the program increase tonnage tax in increments up to 15 cents. Chair Walth stated Paul's suggestion will help the board/program determine which direction to go. He further commented on a different tax scheme such as the Texas model which is every company that touches feed, pays a portion rather than a few companies paying. Paul Parreira asked for additional research on the Texas model for the next FIAB meeting.

Chair Walth made a board recommendation to accept the FY 18/19 proposed revised budget and FY 19/20 proposed budget as presented by the program.

MOTION: Paul Parreira moved to approve the FY 18/19 proposed revised budget; Michael Koewler seconded. The motion passed unanimously with a vote by all board members present of 6 - 0.

MOTION: Paul Parreira moved to approve the FY19/20 proposed budget; Tim Riordan seconded. The motion passed unanimously with a vote by all board members present of 6 - 0.

AGENDA ITEMS FOR FUTURE MEETINGS

Chair Walth asked the board for agenda items for the next meeting. Rachelle Kennedy stated the breakdown of an increased license fee and tonnage tax. Chair Walth added that food waste and different tonnage tax payment methods be an agenda item. Paul Parreira added that the meeting focus strictly on the program budget and strategic plan.

NEXT MEETING

Chair Walth proposed that the next meeting be tentatively held in the afternoon of January 15, 2019 alongside the CGFA's Grain and Feed Conference in Seaside, California. Members will be polled to select a date in January. He suggested the alternative location be Modesto, California.

MOTION: Doug Stabelfeld moved to adjourn the meeting; Michael Koewler seconded. The motion passed unanimously with a vote by all board members present of 6 - 0.

The meeting was adjourned at 3:00 p.m. by Chair Walth.

Respectfully Submitted By

ORIGINAL SIGNED BY JENNA LEAL

10/18/2018

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

Date