



**CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE
SHIPPING POINT INSPECTION ADVISORY COMMITTEE MEETING
May 23, 2011 Meeting Minutes
Teleconference**

Members Present

Louis Pandol, Chair
Blaine Carian
Ryan Van Groningen
Jim Jasper
Randy Parnagian
Mark Reasons

Members Absent

Maria Alvarado
Drew McDonald
Dennis Parnagian

CDFA Representatives

Vickie Baker
Ed Brown
Sarah Cardoni
Rose Hoff
Rick Jensen
Ed Page
Randy Pritchard
Steve Thomas

Interested Parties

Mike Ratto, Almond Board of California

ITEM 1: ROLL CALL

The meeting was called to order at 10:05 a.m. by chairperson, Mr. Louis Pandol. Roll was called and a quorum was established.

ITEM 2: INTRODUCTIONS

Self introductions were made.

ITEM 3: APPROVAL OF MAY 4, 2010 MEETING MINUTES

MOTION: Mr. Blaine Carian moved to approve the meeting minutes for May 4, 2010, as corrected. Mr. Randy Parnagian seconded. The motion passed unanimously.

ITEM 4: BRANCH/PROGRAM UPDATE

Mr. Rick Jensen discussed appointments made within the California Department of Food and Agriculture (CDFA) Executive Office. Karen Ross has been appointed as Secretary, Sandra Schubert as Undersecretary, and James Houston as Deputy Secretary for Legislation and Public Engagement. At the Inspection Services Division level, the Director position has been vacant and is in the process of being filled. At the Inspection and Compliance (I&C) Branch level there has been no significant staffing changes.

ITEM 5: COMMODITY PROGRAMS UPDATE

Mr. Ed Page reported to the Committee on the almond and table grape commodities. In 2010, the two commodities generated \$6 million dollars in inspection fees, which accounted for half of the revenue generated for the Shipping Point Inspection (SPI) Program. The almond crop for next season is predicted to produce 1.75 billion pounds. Last season, SPI inspected approximately 1.65 billion pounds of almonds that generated a little less than \$4 million dollars. The Almond Pasteurization Program has slowed down due to the fact that three-fourths of all pasteurization units are now audited biannually. Approximately 100 audits were performed in 2010. The table grape crop production is estimated to be 95 million boxes. Table grape imports from Mexico could be affected due to frost. Last season, SPI inspected approximately 40 million boxes of table grapes.

Mr. Ed Brown reported to the Committee on federal inspections as well as the peach, cherry, pear, and kiwifruit commodities. Last year, federal inspection activities such as Terminal Market, Institution, Defense Personnel Support Center (DPSC), and 8e Import inspections generated \$1.6 million dollars in revenue. A continuing challenge for the SPI Program is keeping appropriate staffing levels regarding collaborator positions. Last year, SPI inspected approximately 420,000 tons of peaches. For the current cherry crop, two storms have caused some damage to fruit. Despite the rain during last season, approximately ten million equivalent packages were inspected. An accomplishment in the pear industry is that they have successfully automated their maturity testing with automated pressure testers, thus reducing subjectivity. Last season, approximately 200,000 tons of pears were inspected.

ITEM 6: COUNTRY OF ORIGIN LABELING PROGRAM UPDATE

Ms. Vickie Baker gave the Committee an update on the Country of Origin Labeling (COOL) Program. Due to federal budget cuts, there is anticipation that only half the number of reviews will be contracted to the SPI Program this year compared to last. SPI will redirect staff accordingly. A projected 480 reviews will be contracted this year. It is likely that the amount of reviews will increase next year.

ITEM 7: FOOD SAFETY PROGRAM UPDATE

Mr. Steve Thomas provided the Committee with an update on SPI's food safety programs. This is the fourth year of the California Leafy Greens Marketing Agreement (LGMA) Program. The United States Department of Agriculture (USDA) is working on implementing the National Leafy Greens Marketing Agreement and it is currently in the comment phase. How this will effect CDFA's LGMA Program is uncertain, but it is assumed it will be similar to what is being currently conducted. The food safety verification audits contracted through the California Tomato Farmers Cooperative is in its third season. This is the second successful year that they have used the harmonized tomato audit that was developed by United Fresh and the food services industry. This

year, USDA will implement a harmonized Good Agricultural Practices and Good Handling Practices (GAP/GHP) audit verification program. A trial run for the harmonized audit has been scheduled next month for a citrus handler in California. USDA and the Industry are attempting to meld numerous audit metrics into one, hence "Harmonized GAP audit." It is uncertain how the new harmonized audit will affect the GAP/GHP Program. In regards to the food safety audit verification component of CDFA, participation increases about ten percent each year and CDFA is viewed by colleagues in other states as the premier organization for food safety audits. This is a great accomplishment for CDFA and at the same time an immense responsibility.

Mr. Thomas provided the Committee with a synopsis of SPI's efforts towards attaining International Organization of Standardization (ISO) Guide 65 Program accreditation. Mr. Thomas stated that in the last few years, SPI staff has attended meetings with industry and one of the main issues discussed is the calibration of food safety auditors, training, and recognition as an entity in the auditing industry. The SPI Program is taking on the challenge of getting SPI's food safety auditors accredited through ISO 65, thus making CDFA more transparent and credible to major produce buyers, and will make the services CDFA provides more useful to the industry. Furthermore, becoming accredited will benefit SPI's internal operations because ISO 65 has an accountability structure requiring significant documentation and process improvement. Attaining ISO 65 certification is a significant undertaking for the SPI Program, but once again will place CDFA ahead of the rest of the Nation.

ITEM 8: FINANCIAL REPORT

A.) Approval of 2011/2012 Proposed Budget

Mr. Jensen provided the Committee with an overview of the 2011/2012 Proposed Budget and asked the Committee to make a recommendation to approve the request of \$13,791,411 in budget authority for the SPI Program.

Personal Services:

The SPI Program is requesting \$1,552,029 in *Permanent Salaries*, down \$311,641 from the 2010/2011 Proposed Budget, and requesting an increase of \$85,000 in *Temporary Help*.

Operating Expenses and Equipment:

There are no significant changes in this category. The *Consultant-External (JPA)* line item is the Joint Power Authority (JPA) Cooperative Agricultural Support Services Authority (CASS). The increase requested is due to increasing programmatic and activities by CASS personnel.

Intradepartmental:

These are the various overhead charges to the SPI Program. *Pro Rata* is the amount that goes to fund general government activities such as the California State Controller's Office, the Governor's Office, the California State Legislature, etc. *Indirect Cost - Division* is costs within the Division for division administration and the three branches within the Division share in that cost. *Indirect Costs – Exec/Adm* is funds that go to support the general provisions within the Department such as the Executive Office, Human Resources, Legal, etc. The *Direct Charge – Other WI Div* is the SPI Program's share of cost for personnel who work for all Branch programs. The *Direct Charge – Other Intradep.* is a contracted dollar amount to the CDFA Center for Analytical Chemistry Lab.

Total Program Cost:

Gas Tax is the Program's share of unclaimed gas tax that is redistributed and is an offset to expenditures.

Mr. Jensen provided the Committee with an overview of the Succession Planning Investment document. Mr. Jensen stated as SPI personnel continue to retire, there is a need to invest funds to ensure that SPI activities can continue with trained staff and that there is staff qualified to replace management positions. The Succession Planning Investment document shows the additional cost to the Program due to staff development. There are 11 seasonal positions targeted to become permanent positions and will be needed to provide baseline functions if SPI were to be staffed at the minimum level. The SPI Program is proposing that over a five-year timeframe, the 11 positions will cost approximately \$2.5 million dollars, which consists of \$1.9 million dollars for staff development and \$600,000 for required training. The annual cost of this is reflected in the *Consultant-External (JPA)* line item.

Mr. Pandol asked the Committee to make a motion on the 2011/2012 Proposed Budget after Mr. Jensen provided an overview of the Fund Condition Report.

B.) Fund Condition Report

Mr. Jensen provided the Committee with an overview of the Fund Condition Report document that shows the current year fund condition, which is the SPI Program's expenditure and revenue through March 2011. The year to date revenue collected is \$9,600,890 and total expenditures are \$8,855,928. The Ag Fund reserve has \$7.5 million dollars and the Ag Trust Fund has \$2.4 million dollars. In prior years, such as FY 2003/04 and FY 2004/05, the SPI Program had significant deficits. Since then, the program has restructured itself to become more efficient in operations and has turned the negative \$2.5 million dollars in the Ag Fund reserve to a positive \$7.5 million dollars today. The minimum reserve amount required is 25 percent of budget; however, a more realistic number to ensure that funds are available in the event of a significant shortfall,

such as crop disaster, crop closing, or program closing, is six months and that is approximately where the reserves are currently.

Mr. Pandol asked that Mr. Jensen provide the Committee with an overview of the proposal regarding the fee schedule. Mr. Jensen stated that the SPI Program has attained a position where the reserves are adequate and appropriate and should not be further expanded. The SPI Program is making a recommendation for the Committee to consider a one-year ten percent reduction in fees. The fee types that will not be impacted are federal, mileage reimbursement, and overtime. For all other fees, including regular inspection fees, hourly rates, and any contracts that the SPI Program has with any specific commodity group carrying out regular program work, the SPI Program is proposing beginning July 1, 2011, and ending June 30, 2012, a ten percent reduction in fees which should result in a balance of revenue and expenditures.

Mr. Parnagian questioned if the ten percent fee reduction would result in a savings of exactly ten percent of the fees collected, which is approximately \$8.5 million dollars so far this FY, saving approximately \$850,000. Mr. Jensen stated that I&C expects a net seven to eight percent savings. Fees that will not be adjusted and are represented in the *Fee* line item of the Fund Condition Report are mileage reimbursement fees, which is approximately \$800,000 annually, federal fees, which is approximately \$600,000 annually, and over time fees, which is approximately \$100,000 annually.

Mr. Pandol asked the Committee for a motion to approve the proposed budget spending authority of \$13,791,411 for FY 2011/12.

MOTION: Mr. Mark Reasons moved to approve the 2011/2012 Proposed Budget as submitted. Mr. Carian seconded. The motion passed unanimously.

Mr. Pandol asked for a motion to adopt a one-year reduction in fee services that will be implemented on July 1, 2011, and will sunset at the end of FY 2011/12 on June 30, 2012.

MOTION: Mr. Jim Jasper moved to approve the one-year fee reduction for FY 2011/12. Mr. Reasons seconded. The motion passed unanimously.

ITEM 9: OTHER BUSINESS

Mr. Jasper asked Mr. Page to clarify what was being done in regard to the confusion last almond season between almond handlers measuring moisture and SPI inspections on incoming almonds coming into handlers. Mr. Jasper stated that the Almond Board of California is currently working with moisture meter companies to try to achieve more accurate specific actions for measuring almonds. Mr. Jasper asked that the SPI Program work with the Almond Board of California so that the problem could be resolved prior to the beginning of the next almond season.

Mr. Mike Ratto, a representative of the Almond Board of California, stated that the Almond Board of California is working with all the major meter companies to determine a gradient or a range so that all machines by company can be calibrated the same way. The Almond Board of California is waiting for information to come back from the University of California Davis and it is expected by this summer.

Mr. Page stated that it is generally accepted that machines are inaccurate at high moistures and the current SPI policy put in place, until a permanent solution is found, is that SPI will accept readings if machines have been verified and certified prior to the beginning of the almond season.

Mr. Jensen informed the Committee that within USDA, the Fresh Products Branch and Processed Products Branch will merge into one single branch in order to create efficiencies and to streamline the organization. CDFA asked that state programs that collaborate with the Agriculture Marketing Services (AMS) Fresh Products Branch are represented on the reorganization team to ensure that AMS and the Fresh Products Branch can continue to meet SPI Program and industry needs.

Ms. Sarah Cardoni provided an update on Committee vacancies and member terms. There are two voting member vacancies that consist of: one member who is a shipper of fruit and vegetables using the inspection certification services of the Department; and, one public member who is a resident of this state and not a producer, shipper, or processor nor is financially interested in any producer, shipper, or processor. There are eight alternate non-voting member vacancies. The following member terms will expire on December 31, 2011: Ms. Maria Alvarado, Mr. Ryan Van Groningen, and Mr. Pandol.

Mr. Jensen added that the only requirement to serve on the Committee is to be a user of the SPI Program services and that vacancies need to be filled. CDFA makes every effort to ensure through applications that there is geographical and commodity representation within the Committee. Historically, the traditional outlets for publicizing committee vacancies such as current Committee members, the California Grape and Tree Fruit League, Western Growers, Marketing Order boards and groups, were used. The Secretary asked that extra steps and measures be taken to ensure diversity within the Committee. Mr. Jensen asked the Committee to look within their industries and own organizations for potential outreach and education opportunities to broaden the diversity of this Committee. Additionally, the SPI Program will work with different groups that are working specifically in various regions with minority farmers to improve upon that diversity.

ITEM 10: NEXT MEETING

The next meeting will be in late April or the first week May 2012.

ITEM 11: ADJOURNMENT

MOTION: Mr. Van Groningen moved to adjourn the meeting at 11:02 a.m. Mr. Parnagian seconded. The motion passed unanimously.

Respectfully submitted by:

A handwritten signature in blue ink, reading "Sarah Cardoni", is written over a horizontal line.

Sarah Cardoni, Office Technician
Inspection and Food Safety Unit
Inspection Services