

**FINAL REPORT**  
**QUALITY GRAINS ADVISORY COMMITTEE**

January 1991

AUTHORIZATION

The Quality Grains Advisory Committee was established pursuant to House File 59 as enacted in 1989 by the Seventy-Third General Assembly. The Committee is an advisory committee charged to develop recommendations to assure that Iowa agricultural producers receive the actual market value of above quality grain when sold to buyers and to establish a market which encourages the development of markets for above standard quality or special quality grains.

After conducting numerous public hearings around the state, the Committee submitted its initial recommendations to the 73rd Iowa General Assembly in February 1990. The recommendations are attached. The Committee also adopted a resolution. Versions of the resolution were sponsored by the agriculture committees in the Senate and House of Representatives. Attached is a copy of a resolution sponsored by the House Agriculture Committee.

The Committee met in 1990 to make its final report to the 1991 General Assembly.

APPOINTMENT AND ACCEPTANCE OF MEMBERS

In 1989, the Legislative Council appointed legislative members and accepted members submitted by the Iowa Secretary of Agriculture which were selected by organizations interested in quality grain issues to serve on the Committee. Members of the Advisory Committee are:

Senator Leonard Boswell, Co-chairperson  
Representative Robert Fuller, Co-chairperson  
Senator Jack Hester  
Senator Kenneth Scott  
Representative Bradly Banks  
Representative Jane Svoboda  
Mr. Tim Ennis, National Farm Organization  
Mr. Tom Feldman, Iowa Institute of Cooperation  
Mr. Patrick Delanty, Iowa Soybean Association  
Ms. Denise O'Brien, National Farmers Union

Ms. Emily Waund, Iowa Farm Bureau Federation  
Ms. Betty Westmoreland, Iowa Corn Growers Association

### STUDY COMMITTEE CHARGE

The charge of the Committee as restated by the Legislative Council in the 1990 interim provides as follows:

The Advisory Committee was established in the 1989 Interim by the Secretary of Agriculture to develop recommendations for legislation to assure that Iowa agricultural producers receive the actual market value of above standard quality of special quality grain when sold to buyers and to encourage the development of markets for above standard quality or special quality grains. The Advisory Committee shall investigate the feasibility of expanding the special quality grains electronic bulletin board, various methods of assuring the fair market price is paid for grain delivered to buyers in above standard condition, and the impact a quality grain program can have upon Iowa's competitiveness in the marketplace. In its research of grain marketing, the Advisory Committee shall conduct a public hearing in each of Iowa's Congressional Districts (6 public hearings). Staffing is provided by the Legislative Service Bureau. Initial recommendations were reported in February 1990, and the Advisory Committee will report to the 1991 General Assembly.

### ADVISORY COMMITTEE PROCEEDINGS

A summary of public hearings conducted by the Committee during the Summer and Fall of 1989 is filed with the Legislative Service Bureau. The Committee held its final meeting of 1990, on September 21, 1990. The Committee heard from a number of persons, including the following:

Dr. Charles Hurburh, Iowa State University  
Dr. Ravindra Datta, Iowa State University  
Mr. Dan McGuire, Interstate Agricultural Grain Marketing Commission  
Mr. Larry Kallum, Iowa Institute of Cooperation  
Mr. Steve Ferguson, Department of Agriculture and Land Stewardship

The Committee considered a number of issues related to quality grain. The Committee reviewed pending legislation in Congress providing for improved grain quality which, according to testimony, may be incorporated in the federal 1990 Farm Bill. The Committee heard that Congress continues to consider establishing a position of Grain Quality Coordinator in the United States Department of Agriculture, requiring greater standards of accuracy in testing of grain by elevators,

imposing stricter requirements for foreign material in grain, authorizing the Federal Grain Inspection Service to determine if grain is unfit for normal use, and requiring the Federal Grain Inspection Service to cooperate with the Food and Drug Administration.

The Committee studied the relationship between grain quality and the use of grain to produce ethanol. The Committee found that ethanol may be produced from any grade of grain. Committee members concluded that developing the ethanol industry may increase markets for lower quality grains, leaving grains of higher quality for export markets. Members of the Committee noted the importance of ethanol production to the state's economy, environment, and security.

The Committee heard testimony that quality has become an extremely important competitive factor in marketing grain. This, according to the testimony, is the result of the two following factors:

1. There are more competitors ready and able to provide grain to world markets. In the 1970's one-third of the world supplied grain to the other two-thirds. By the end of the 1980's two-thirds of the world supplied grain to the remaining one-third. This competitive environment has made foreign buyers increasingly sensitive about the quality of grain they receive.

2. Promotion efforts have been very effective at creating foreign markets. However, United States suppliers are not equipped to assure that the United States will be the first source to fill demand for quality grain.

The Committee considered the argument that the quality of United States grain compared to grain produced by competitor nations is a major factor in making United States producers a residual supplier of quality grain. The Committee considered testimony emphasizing the need to improve the quality of grain. According to this perspective, reform in the grain production and marketing system will not only increase demand by quality-conscious customers, but also by traditional customers seeking the best bargain in a competitive market. The Committee considered the need to market premium quality grains through the development of networks.

It was noted that the Committee has performed a tremendous service of maintaining a focus on and providing a direction toward improving grain quality.

The Committee reviewed progress being made by the grain industry, and in particular grain cooperatives. Initiatives by cooperatives include the following: studying the relationship between quality feed grain and efficient livestock production; demonstrating the practicality of isolating high value corn and soybean

at local elevators; and analyzing the future benefits of testing and merchandizing quality grain on an identity preserved basis at local elevators.

The Committee reviewed initiatives by the Department of Agriculture and Land Stewardship. The Committee discussed the Department's recent mission to Mexico to establish and maintain a coordinated marketing program with Iowa's and Mexico's grain industries.

The Committee reviewed the Department's progress in establishing an electronic bulletin board. The Department has initiated a trade lead servicing system, and developed a sellers' data base. The Department plans to expand this system. The Department emphasized that it looks for advice and direction from the Committee in developing initiatives such as the bulletin board.

### RECOMMENDATIONS

The Advisory Committee discussed testimony and information presented for consideration. There was a consensus among members of the Committee that it is in the vital interest of Iowa to ensure that producers and marketers of grain be supported in delivering to customers the highest practicable quality of grain. Members expressed the view that Iowa must remain a principal rather than residual supplier of grain. Members agreed that Iowa is capable of producing the finest corn and soybeans in the world; and that programs must encourage practices among producers and marketers which promote the delivery of grain which enhances Iowa's reputation as a primary source of quality grains. The Committee agreed that each sector of the grain system is essential, and that each sector must be encouraged and supported rather than isolated or coerced into improving grain quality.

The Advisory Committee affirmed its role as a unique body composed of policy makers and industry experts representing diverse interests and sharing a wide spectrum of perspectives. The Committee expressed the belief that through continuing examination of issues and ongoing dialogue between interested parties, issues related to quality grain production and marketing can be better resolved.

The Committee approved the following recommendations:

1. The state should support alternative uses for grain, and especially off-grade grain. Ethanol production offers the most promising alternative. The state should support expansion of the ethanol industry. The state should encourage the federal government to adopt creative programs to enhance ethanol production (e.g., connecting farm program payments to the use of corn dedicated to ethanol production).

2. The state should support development of seed corn varieties which serve specific end use purpose.

3. The state should support educational efforts directed to ensuring that proper procedures are followed when producing, harvesting, storing, handling, and transporting grain.

4. The state should consider establishing an official responsible for coordinating activities related to quality grain.

5. The state should support efforts by the Department of Agriculture and Land Stewardship to build trade relationships with Mexico. Associations interested in agricultural production, including state promotion organizations, should be encouraged to actively participate in this process.

6. The state should consider monitoring grain shipments to Mexico. The monitoring should include accounting of the amount of grain and inspection of the quality of grain transported to Mexico.

7. The state should consider incentives to promote the ethanol industry.

8. The state should work to promote higher grain quality standards.

9. The state should consider forming agreements between the state and producers interested in marketing quality grain products.

10. The Quality Grains Advisory Committee should be reauthorized to meet in the 1991 Legislative Interim in order to further study issues related to the production, inspection, storage, transportation, processing, and marketing of quality grain. If reauthorized, the Advisory Committee will maintain focus upon these issues, provide direction to interested agencies and organization, and serve as an advisory body to the General Assembly.

-  
INITIAL FINDINGS  
QUALITY GRAINS ADVISORY COMMITTEE  
SUBMITTED TO THE 73RD GENERAL ASSEMBLY  
January 1991

ADVISORY COMMITTEE FINDINGS

The Advisory Committee makes the following findings:

1. Iowa's grain marketing system is permanently integrated within the United States' marketing system. Iowa must take action to ensure that its grains are produced and transported with the highest possible quality. However, the state is not well positioned geographically to independently ensure that its products are delivered free of defects.

Iowa must assume a leadership role to improve the current system which is an interdependent structure composed of producers, local grain dealers and warehouse operators, cooperatives, terminal operators, associations, shippers, export companies, Iowa state agencies, other state governments, the United States government, domestic and foreign buyers, and foreign governments.

2. Three basic perspectives are expressed regarding the issue of providing increased prices to producers delivering quality grains, including the following:

a. Producers expect a premium price to be paid for delivering grain of a higher quality than the market standard.

b. Local grain merchants, including grain dealers and warehouse operators expect that a market for quality grain must be readily available before the merchant may pay a premium for quality grains.

c. Large grain marketing companies assume that the current system is responsive and fair within current grain marketing conditions.

3. Iowa must avoid favoring any one group. This state depends upon warehouse operators and grain merchants just as it depends upon producers. State action should assist persons in improving the current system rather than mandating action which isolates and alienates a necessary component of the state's grain marketing system.

4. The blending of grain performed at the local level is an institutionalized part of business which benefits local grain warehouse operators and dealers. Blending practices also often benefit producers. However, blending reduces quality and the practice, as often performed at terminal ports, increases the risk of adulteration. Adulteration of grain through blending should never be profitable.

5. Grain handling practices cause deterioration in quality. Many handling practices can be improved during production, storage, and transportation.

6. Most complaints relating to quality are received from foreign buyers reporting an unacceptable level of broken grain, foreign material in grain, or grain damage.

7. There are indications that markets exist for grain above standard quality. However, the size of the market is unknown. Delivering high quality or special quality grain is sometimes not cost effective due to handling or transportation costs.

8. Producers are capable of delivering quality grain. However, producers may be reluctant to improve production and storage practices until economic benefits are received from improved on-farm practices.

9. Technology is rapidly evolving to permit measurement of many quality characteristics (e.g., protein content, oil content, starch content, hardness of kernels), and grain users are increasingly demanding special characteristics in the grains they purchase. Substantial premiums can be expected for varieties of grains that contain special characteristics. There is a need to change the existing marketing system to provide producers and small grain dealers and warehouse operators with economic incentives for segregating food grain and preserving quality.

10. Iowa is in an excellent position to produce special quality and superior quality grain for which substantial premiums can be expected.

#### RECOMMENDATIONS

The Quality Grain Advisory Committee makes the following recommendations for consideration by the Legislative Council and the 1990 General Assembly:

1. The state should actively support public research and education programs. The programs should promote practices and strategies designed to improve the production, handling, storage, marketing, and transportation of quality grains. The support should represent a public-private partnership to accomplish the following:

a. Increase production and consumption of grain-based products, including alternative fuels, livestock and poultry feeds, biodegradable products, and human foods.

b. Improve grain quality, by developing and measuring better seed varieties, special quality characteristics, and intrinsic value.

c. Determine the extent and location of market demand for premium grains, including world market demand for grain having specific characteristics or superior quality.

2. Iowa should be identified as a state producing premium quality grains. The Committee has reviewed methods to achieve a high level of identification by state, including providing for shipments of identity preserved grain, establishing an organization to facilitate grain marketing (similar to the Nebraska Wheat Board), or providing for state certification of Iowa produced grains. The Committee recognizes that obstacles exist. Iowa should not be placed in a position of being identified with grains which are delivered in poor quality. The shipment of identity preserved grain is often not cost effective. Organizations created to facilitate the marketing of grains may become politicized or dominated by well organized interests.

The Committee expresses support in principle for the implementation of an "Iowa Certified Quality Grain" program in which the Department of Agriculture and Land Stewardship certifies that the grain sold satisfies quality standards. The standards could include factors not presently contained within federal grain standards, including aflatoxin levels, protein, oil or starch levels, and stress crack levels.

3. The state should encourage increased production and marketing of value-added products, including livestock, alternative fuels, biodegradable products, and foods and fibers designed for direct human consumption.

4. Marketing of grains should be based on practices which ensure quality. These practices include standards and procedures used to judge the quality of grains. The Committee stresses the importance of the federal government's immediate reform of grain standards. Changes in practices include the following:

a. Standards should incorporate factors not presently included in grade standards, including aflatoxin levels, protein, oil or starch levels, and stress crack levels.

b. Grain should be purchased on a zero defect basis excluding moisture.

c. Foreign objects and broken grain should be measured separately. There should be a low tolerance for the acceptable level of foreign objects.

d. Blending of grain should be restricted where adulteration of the grain is threatened or the blended grain is sold for a price in excess of the price that the same grain unblended would command.

5. The state should commit more financial resources to its agricultural sector. The Committee notes that agriculture provides the foundation for the state's economic well-being, but has traditionally been underfunded. To illustrate this point, the Committee notes that in 1989, total revenue produced from agriculture in this state equaled more than nine billion dollars while the state appropriated less than twenty million dollars to support the Department of Agriculture and Land Stewardship.



6. The state should establish an ethanol commission to cooperate with the private sector in developing and promoting ethanol as an alternative fuel source.

7. The state should work to harmonize efforts by organizations which facilitate trade between foreign grain buyers and Iowa sellers. The Committee stresses the need to develop a simple line of transmission in which buyers may communicate with a single or unified "voice" representing the state.

8. The state should support a delegation in Washington D.C. representing the state's interest to ensure that federal farm legislation better achieves the objectives contained in this report.

9. The state should encourage risk management strategies among small grain merchants engaged in marketing grains of special qualities or superior quality, including the formation of marketing pools. The state should provide seed capital to assist cooperatives in organizing in order to establish trading relationships with foreign customers interested in purchasing premium quality grains.

10. The Department of Agriculture and Land Stewardship should act with all deliberate speed to implement the electronic bulletin board established in House File 59 enacted last session to ensure installation of a computerized network capable of linking sellers of high quality grains to potential customers.

11. The state should require that grain warehouse and terminal operators complete continuing education classes each year and periodically pass an oral exam related to handling and storage practices designed to maximize the maintenance of grain quality.

12. The state should require that all grain testing and grading equipment meet established standards, and that equipment in operation be inspected and certified periodically.

13. The state should sponsor a convention of grain producing states in order to discuss grain quality issues and to reach a consensus with the goal of initiating coordinated action directed toward improving grain marketing.

14. The state should support Iowa's participation in the Interstate Compact on Agricultural Grain Marketing, including support of efforts by the interstate agricultural grain marketing commission to improve the marketing of grain, preserve the integrity of grain shipments, and to increase the marketing of premium quality grains.

15. The state should support in principle reforms contained in federal legislation introduced on November 11, 1989, by Senator Daschle and Representative Bond to amend the United States Grain Standards Act to improve the competitive position of the United States grain in international and domestic markets, to facilitate the communication of quality characteristics that

final buyers of grain desire, to provide certain incentives to producers of high quality grain, and to improve the quality of farmer-owned and federally-owned reserve grains stocks. A copy of the bill is included in the appendix.

16. The 1990 General Assembly should pass a concurrent resolution petitioning the United States government to improve practices, including federal grain standards and procedures for monitoring the handling of grains to ensure their integrity. A copy of the resolution is included in the appendix.

ggac  
da/mc/6

1                   HOUSE CONCURRENT RESOLUTION NO. 104  
2                   BY COMMITTEE ON AGRICULTURE  
3                   (SUCCESSOR TO HSB 615)  
4 A Concurrent Resolution to urge the Congress of the  
5 United States, the President of the United States,  
6 and the United States Secretary of Agriculture, to  
7 enact and implement legislation to ensure that the  
8 United States is the world's preeminent supplier of  
9 grains.  
10       WHEREAS, the state of Iowa is one of the major  
11 agricultural producing regions in the world, having  
12 33,500,000 acres of farmland, generating more than  
13 \$9,000,000,000 annually from the production of  
14 agricultural commodities, and exporting annually  
15 \$2,000,000,000 worth of agricultural products to  
16 foreign markets; and  
17       WHEREAS, Iowa and the upper midwest are naturally  
18 suited for consistent, cost-effective production of  
19 high quality grain, with Iowa having more cropland  
20 than 19 other states combined, and ranking first among  
21 all states in the production of corn and soybeans; and  
22       WHEREAS, foreign customers at times express  
23 dissatisfaction with the quality of grain received  
24 from the United States; and  
25       WHEREAS, premium quality grains deteriorate during  
26 shipment, which can be caused by mishandling, poor  
27 storage, and adulteration through blending of inferior  
28 quality grains; and  
29       WHEREAS, grain users are increasingly demanding  
30 special characteristics in the grains they purchase,

1 and competitor nations are becoming increasingly  
2 capable of delivering scheduled shipments of superior  
3 quality grains having specified characteristics  
4 demanded by foreign customers; and

5 WHEREAS, federal grain standards and procedures do  
6 not measure use factors, other than protein or oil  
7 content, economically important to customers, which  
8 result in foreign customers purchasing grains meeting  
9 only minimum grade requirements under their contracts;  
10 NOW THEREFORE,

11 BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES, THE  
12 SENATE CONCURRING, That the Congress of the United  
13 States, the President of the United States, and the  
14 United States Secretary of Agriculture enact and  
15 implement legislation to assure the United States'  
16 position as the world's preeminent supplier of quality  
17 grain; and

18 BE IT FURTHER RESOLVED, That federal reforms of  
19 current grain standards provide opportunities for  
20 measurement of as many quality characteristics of  
21 grain as practical and economical, which may include  
22 protein content, oil content, starch content, and  
23 kernel hardness; and

24 BE IT FURTHER RESOLVED, That technical and  
25 financial support be extended to producers through  
26 land grant colleges to assist in developing seeds for  
27 the production of grain to meet end-use demands of  
28 domestic and foreign customers of grains, to  
29 facilitate bulk merchandising of grains, and to  
30 minimize deterioration in grain quality, including

1 breakage and foreign material adulteration caused by  
2 mechanical factors; and

3 BE IT FURTHER RESOLVED, That Congress and the  
4 United States Federal Grain Inspection Service  
5 continue to review the current federal grain standards  
6 and procedures, to better maintain grain integrity and  
7 efficiency within the system which in turn will reward  
8 producers and handlers delivering quality grain,  
9 facilitate commercial transactions between marketers  
10 and foreign customers purchasing quality grains, and  
11 ensure the scheduled delivery of grain of a quality  
12 contracted for as a normal part of conducting business  
13 with United States suppliers; and

14 BE IT FURTHER RESOLVED, That the United States  
15 support uniform procedures and standards for grading  
16 grain quality among all grain exporting nations of the  
17 world; and

18 BE IT FURTHER RESOLVED, That copies of this  
19 resolution be sent by the Chief Clerk of the House of  
20 Representatives, to the President of the United States  
21 Senate, to the Speaker of the United States House of  
22 Representatives, to Iowa's congressional delegation,  
23 to the President of the United States, and to the  
24 United States Secretary of Agriculture.

25  
26  
27  
28  
29  
30

LSB 7721HV 73  
da/jw/5