

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Statement of Alan Christian, Acting Administrator Before the Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies

Introduction

Mr. Chairman and Members of the Subcommittee, I am pleased to share with you the accomplishments of the Grain Inspection, Packers and Stockyards Administration (GIPSA), and to discuss the Agency's fiscal year (FY) 2013 budget proposal.

GIPSA plays an integral role in ensuring the economic viability of America's farmers, and, in turn, of rural America. GIPSA's programs directly and significantly impact three key sectors of American agriculture – the livestock, poultry, and grain markets. Our work ensures fair-trade practices and financial integrity for competitive markets, and promotes equitable and efficient marketing across the nation and around the world.

Our two programs are the Packers and Stockyards Program (P&SP) and the Federal Grain Inspection Service (FGIS). P&SP protects fair trade practices, financial integrity, and competitive markets for livestock, meat, and poultry. FGIS facilitates the marketing of U.S. grains, oilseeds, and related agricultural products by providing the market with terms and methods for quality assessments, maintaining the integrity of the grain marketing system, and providing for the national grain inspection and weighing system.

Currently, GIPSA comprises 715 staff years. P&SP includes a headquarters unit in Washington, D.C.; three regional offices in Atlanta, Georgia; Denver, Colorado; and Des Moines, Iowa; and a cadre of 55 resident agents that are our eyes, ears, and compliance and regulatory presence on the ground. FGIS, or the grain inspection program, has a headquarters unit in Washington, DC; the National Grain Center in Kansas City, Missouri; and 7 field offices and 1 Federal/State office across the country. These field offices are located in Grand Forks, North Dakota; Kansas City, Missouri; League City, Texas; New Orleans, Louisiana; Portland, Oregon; Stuttgart, Arkansas; and Toledo, Ohio; and the Federal/State office is located in Olympia, Washington. FGIS delivers official inspection and weighing services via the national inspection system, a unique public-private partnership comprised of Federal, State, and private inspection personnel. Our partners include 55 State and private agencies authorized by GIPSA to provide official inspection and weighing services on our behalf.

Packers and Stockyards Program

GIPSA's P&SP regulates businesses that market livestock, poultry, and meat under the Packers and Stockyards (P&S) Act. The P&S Act was promulgated in 1921 to promote fair and competitive marketing in livestock, meat, and poultry for the benefit of consumers and American agriculture. Under the P&S Act, P&SP fosters fair competition, provides payment protection, and guards against deceptive and fraudulent trade practices in the livestock, meat, and poultry markets. By protecting fair-trade practices, financial integrity, and competitive markets, GIPSA promotes marketplace fairness for swine contractors, livestock producers, sellers, and poultry growers for the benefit of all market participants

GIPSA's P&SP has seen significant improvements in its performance over the last 10 years. A significant component to that improvement has been a business process re-engineering

effort initiated in 2006 and subsequent management follow-up and refinement which continues today. The business process re-engineering effort was program-wide and involved developing workflow descriptions for all 12 major program processes and 22 sub-processes. All regional offices and headquarters divisions participated. Conducted in four phases, the final phase involved implementing the updated core processes in an automated information management system. The Packers & Stockyard Automated System (PAS) provides a paperless (electronic) inspection and investigation case file environment hosted through USDA's internet services. The PAS allows for P&SP agent workflow case documentation, tracking, and reporting from case inception to completion. The enterprise automation allowed the program to operate more efficiently and strengthened P&SP's ability to manage case milestones and significantly reduced costs involved with performing investigations.

For example, in 2002 P&SP had 162 full time employees who worked to close a total of 579 investigations, which resulted in a total of 13 formal complaints filed by the agency through the administrative law judge. By comparison in 2011, P&SP had 162 full time employees who closed 2,131 cases, an increase of 3.7 times the 2000 number. PS&P in 2011 also increased the number of formal complaints and stipulations to 114 compared to 94 in 2010. Overall, the improved efficiencies and management capabilities resulting from the 2006 business process re-engineering initiatives have contributed to significant improvements in performance. With continued management application of the data captured in the system, P&SP expects to achieve greater efficiencies with its allocated resources.

In carrying out our mission, GIPSA works cooperatively with our sister agencies within USDA, and particularly with the Economic Research Service, Office of the Chief Economist, National Agricultural Statistics Service, Agricultural Marketing Service, and the Food Safety and

Inspection Service. We also regularly collaborate with the Department of Justice, the Commodity Futures Trading Commission, and other State and local law enforcement agencies with their investigations.

GIPSA maintains a toll-free hotline (1-800-998-3447) to receive anonymous complaints and other communications from livestock producers, poultry growers, and other members of the industry or general public. GIPSA responds to all received calls.

Federal Grain Inspection Service

GIPSA's grain inspection program facilitates the marketing of U.S. grain, oilseeds, and related agricultural products by providing the market with the official U.S. grading standards, as well as methods to assess product quality; maintaining the integrity of the marketing system by enforcing the U.S. Grain Standards Act (USGSA) and the Agricultural Marketing Act of 1946 (AMA); and providing for America's national inspection system, a network of third-party Federal, State, and private laboratories that provide impartial, user-fee funded official inspection and weighing services under the authority of the USGSA and the AMA. In 2011, the national inspection system provided close to 3.4 million inspections on over 310 million metric tons of grain. A testament to GIPSA's commitment to providing outstanding service to all segments of the grain industry is the grain market's usage of our terms, methods, and services to export over \$48 billion of grains and related products annually.

GIPSA's grading standards help buyers and sellers efficiently identify the quality of grain and grain products and provide a common language for trade. To ensure that they remain germane, GIPSA regularly reviews the standards and seeks public input on their relevance. In 2013, GIPSA will continue its review of the U.S. standards for wheat standards and testing methods to enhance the marketability of U.S. wheat by accurately differentiating the ability of

wheat to meet specific end-use needs. GIPSA, in collaboration with the wheat industry, is pursuing two major avenues to address the need for improved wheat functionality measurements. GIPSA is working to standardize Farinograph testing, the most popular method for measuring how flour dough will behave during processing, and provide a rapid test of gluten viscoelastic properties to predict how wheat will function as flour in baking or other final processing.

In 2013, GIPSA will also continue with a review of the barley standards. GIPSA initiated the barley standards review in 2011 by publishing an Advance Notice of Proposed Rulemaking in the *Federal Register* for U.S. Standards for Barley, inviting stakeholders to comment on whether the barley standards and grading procedures need to be revised. Comments are currently being reviewed to determine if there is a market need to amend the standard. If comments result in the need for rulemaking, GIPSA anticipates publication in the *Federal Register* of a Notice of Proposed Rulemaking for U.S. Standards for Barley.

To better serve the dynamic grain marketing system, GIPSA remains attuned to changes in movement of U.S. grain and related products. The shipping of U.S. grain exports in containers has increased significantly over the last few years and, as a result, official inspections of containerized grain increased from 0.7 percent of total grain officially inspected at export locations in 2005 to 3.6 percent in 2011. In order to accommodate the containerized grain trade, GIPSA has remained flexible with regard to sampling containerized lots and certifications procedures. To ensure that GIPSA regulations and service operations effectively address current and evolving market conditions, in 2011 GIPSA initiated a comprehensive review of the policies and procedures governing official inspection and weighing services for grain exported in containers, and proposed regulatory changes. GIPSA is developing outreach material for current

and potential buyers of U.S. grain to enhance understanding of the sampling, inspection, and certification processes for grain exported in containers.

GIPSA also continues to work with exporters, importers, and other end-users of U.S. grain around the globe to facilitate the marketing of U.S. grain in global markets. GIPSA helps resolve grain quality and weight discrepancies, helps other countries develop domestic grain and commodity standards and marketing infrastructures, assists importers in developing quality specifications, and, to harmonize international trade, trains foreign inspectors in U.S. inspection methods and procedures. During 2011, GIPSA personnel met with 25 teams from 19 countries. Also of note, since 2002, GIPSA has stationed employees in Asia for 1- to 3-months to work with Asian customers and their governments. These activities foster a better understanding of the entire U.S. grain marketing system and serve to enhance purchasers' confidence in U.S. grain. Ultimately, these efforts help move our nation's harvest to end-users around the globe. GIPSA has been able to address immediate and long-term issues in Asia, promote a better understanding and adoption of U.S. sampling and inspection methods to minimize differences in results, and develop face-to-face relationships with customers, USDA cooperators, and government officials. In September 2011, GIPSA placed one representative in China on a 2-week temporary duty assignment. The representative met with Chinese inspectors at several port laboratories to give presentations on U.S. grain standards and GIPSA's export inspection procedures and to observe their inspection procedures.

In addition, GIPSA works with global partners to develop scientifically sound methods for identifying biotechnology-derived grains. GIPSA's Biotechnology Proficiency Program, initiated in 2002, enables organizations to improve their accuracy in identifying genetically

engineered events for grain and oilseeds. Today, 160 organizations—over 80 percent of which are located outside the United States—participate in the program.

Our continued success in fulfilling our mission of facilitating the marketing of U.S. grain is directly attributable to our exceptionally skilled, experienced, and dedicated workforce. GIPSA's FGIS is having success using intern programs' individuals to maintain the quality of our current and future workforce. Eighteen individuals were selected in our first intern program that began in January 2011. Our interns were recruited from colleges and universities across the nation and reflect a cross section of the United States. Individuals selected for the 2-year internships work rotating assignments and participate in the full range of inspection work acquiring on-the-job experience to give them the necessary experience base. In 2012, FGIS anticipates continuing our success with the intern program utilizing the new OPM Pathways recent graduates program to welcome the next intern cohort. Each intern supplements on-the-job training by attending classroom training and individual development assignments throughout the country. After successful completion of the program, interns will become Agricultural Commodity Graders responsible for a wide variety of grain inspection services.

2013 Budget Request

To fund important initiatives and address the Agency's responsibilities, GIPSA's budget request for FY 2013 is \$40.3 million for salaries and expenses and \$50 million in spending authority for our Inspection and Weighing Services which would allow GIPSA to fully utilize user fees collected for Inspection and Weighing Services. The budget requests additional funding of \$2,511,000 above 2012 for pay costs, expanded enforcement of the Packers and Stockyards Act, and for purchases of necessary grain testing equipment. In addition, we will submit a legislative

proposal for user fees to recover about \$27 million for the costs of grain standardization and P&SP activities.

We are requesting additional funding of \$117,000 to fund pay costs. This increase will enable GIPSA to maintain staff, which is critical to achieving the agency's objective of facilitating the marketing of livestock, poultry, meat, cereals, oilseeds and related agricultural products and promote fair and competitive trading practices for the overall benefit of consumers and American agriculture. Approximately 75 percent of GIPSA's budget is in support of personnel compensation.

We are requesting additional funding of \$1,146,000 to strengthen direct enforcement of the P&S Act and promote greater voluntary compliance with the P&S Act by offsetting past year staff attrition. The funds will supplement GIPSA enforcement staff with equipment, supplies, and other support expenses needed to complete their jobs. P&SP relies on 55 resident agents and auditors, with assigned duty stations in their homes across the United States to conduct a large percentage of its front line regulatory inspections and investigations. These agents must travel at times long distances to conduct regulatory and investigative field work. Travel is an essential component of allowing GIPSA's resident agents to successfully perform their job function. Funding is also needed to provide all P&SP staff with the necessary equipment and supplies, such as computers and high speed scanners, to conduct their jobs. Providing staff with resources for travel and the tools needed to successfully conduct their work, will enable GIPSA to conduct 154 additional investigations and 134 inspections and compliance reviews and to allow timelier processing of producer complaints. The increased investigations and inspection will cover regulated entities that have an estimated customer base of 81,000 livestock and poultry sellers. To protect the livelihoods of livestock producers and others involved in the livestock markets, we

need to be vigilant in our enforcement of the P&S act. Given the difficult economic conditions many of the regulated entities face and the state of the industry, the requested increase is especially needed.

We are also requesting additional funding of \$1,248,000 to purchase necessary scientific equipment for FGIS. To maintain the Agency's worldwide reputation as a leader in grain quality assessment, GIPSA is seeking an increase for equipment needed to provide wheat producers and marketers with advanced assessments of wheat functionality and protein quality. GIPSA is also striving to refine and expand effective mycotoxin and pesticide residue testing programs for U.S. grain exporters. These programs are essential for demonstrating that U.S. grain is wholesome and safe for consumption, thereby confirming the high value of U.S. grain commodities. Additional funding will also allow GIPSA to replace aging instrumentation used to establish and maintain moisture and oil reference methods. GIPSA's ability to provide accurate reference methods is essential to ensure that moisture and oil testing equipment used by private entities operating under GIPSA's supervision are providing consistent measurements.

Conclusion

Mr. Chairman, Members of the Subcommittee, thank you for the opportunity to share some of the accomplishments of our dedicated staff and to highlight our future plans to facilitate the marketing of U.S. agricultural products and to promote fair and competitive trading practices for the overall benefit of consumers and American agriculture.

I would be pleased to address any issues or answer any questions that you may have.