

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Statement of Larry Mitchell, 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 discuss with you GIPSA's fiscal year (FY) 2014 budget proposal.

GIPSA plays an integral role in ensuring the economic viability of America's farmers and livestock producers, and, in turn, of rural America. GIPSA 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 through its world-renowned grain inspection and weighing system. Moreover, FGIS maintains the integrity of the grain marketing system by developing unbiased grading standards and methods for assessing grain quality.

P&SP is headquartered in Washington, D.C., has three front-line regional offices located in Atlanta, Georgia; Denver, Colorado; and Des Moines, Iowa; and 55 resident agents throughout the United States that are the eyes and ears for our compliance and regulatory presence on the ground.

FGIS is headquartered in Washington, D.C. with its National Grain Center located in Kansas City, Missouri; and 7 field offices, 3 suboffices, and 1 Federal/State office. 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 54 State and private agencies authorized by the Secretary 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, enacted 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 that continues today. The system provides a paperless (electronic) inspection and investigation case file environment hosted through USDA's Internet services. The system allows for P&SP agent workflow case documentation, tracking, and reporting from case inception to completion. The enterprise automation has allowed the P&SP to operate more efficiently and has strengthened its ability to manage case milestones and significantly reduced costs involved with performing investigations.

For example, in 2000, P&SP had 188 full-time employees, who worked to close a total of 579 investigations, resulting in a total of 13 formal complaints decided by an administrative law judge. By comparison in 2012, P&SP had 165 full time employees, who closed 2,545 investigative files, an increase of 440 percent over 2000. An additional 152 were closed that GIPSA had referred to the USDA's Office of the General Counsel, and 25 were closed after referral to the United States Department of Justice. Overall, the improved efficiencies and management capabilities resulting from the business process re-engineering have contributed to significant improvements in performance, and our front-line investigative operation continues to

improve the effectiveness of responding to individual complaints and demonstrate a presence at livestock markets around the country.

In carrying out our work, GIPSA works cooperatively with our sister agencies within USDA, particularly with the Economic Research Service, National Agricultural Statistics Service, Agricultural Marketing Service, and Food Safety and Inspection Service, and with the Office of the General Counsel, Office of the Chief Economist and Office of the Inspector General. We also collaborate regularly with the Department of Justice, Commodity Futures Trading Commission, and other State and local law enforcement agencies with their investigations.

GIPSA maintains a toll-free hotline (800-998-3447) to receive complaints and other communications from livestock producers, poultry growers, and other members of the industry or general public. The hotline allows callers to voice their concerns or file a complaint anonymously. 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 2012, the national inspection system provided over 3.2 million inspections on 280 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 \$43 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 the trade. To ensure that U.S. standards for grain remain relevant, GIPSA regularly reviews the standards and seeks public input. In 2013, GIPSA will finalize its review of the U.S. standards and testing methods for wheat 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 to provide a rapid test of gluten viscoelastic properties to predict how wheat will function as flour in baking or other final processing.

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 3.9 percent in 2012, over a five-fold increase. 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, GIPSA, in 2012, completed a comprehensive review of the policies and procedures governing official inspection and weighing services for grain exported in containers. 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 world 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. 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. During 2012, GIPSA personnel met with 36 teams from 24 countries.

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 transgenic events for grain. Today, 160 organizations—over 80 percent of which are located outside the U.S.—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 continues to experience success using intern programs to ensure the quantity and quality of our current and future workforce. Seventeen new and current employees 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 U.S. Individuals selected for the two-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 2013, FGIS anticipates that all interns will successfully complete the program to become Agricultural Commodity Graders responsible for a wide variety of grain inspection services.

2014 Budget Request

To fund important initiatives and address GIPSA's core mission responsibilities, our budget request for FY 2014 is \$40,531,000 for salaries and expenses, and \$50 million in spending authority for FGIS Inspection and Weighing Services. The budget includes additional funding to cover salary costs, for enforcement of the Packers and Stockyards Act, and for the Grain Program to purchase necessary grain testing equipment.

We are requesting additional funding to strengthen direct enforcement of the Packers and Stockyards Act and promote greater voluntary compliance with the P&S Act by offsetting past year staff attrition. If provided, those funds would supplement GIPSA enforcement staff with equipment, supplies, and other support expenses needed to successfully complete their jobs. P&SP relies on 55 resident agents and auditors, with assigned duty stations in their homes across the country 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 functions. By providing staff with resources to travel and the tools (computers and high speed scanners) needed to successfully conduct their work, GIPSA will be able to improve industry compliance, striving for full, 100 percent compliance levels and in excess of our minimal level of 81 percent industry compliance with the P&S Act, consistent with the projected FY 2013 compliance level established in our strategic plan. Industry compliance can vary because of the continued financial pressures the regulated industry is

experiencing, the uncertainty induced in the measure from external factors such as economic conditions, the limitations on enforcement in the poultry sector, and structural changes taking place in the regulated industry such as shifts from spot markets to contract markets. In summary, the funds will assist to offset staff attrition and provide the P&SP staff with the equipment, supplies, and other operating expenses necessary to effectively conduct field operations to achieve target compliance levels in the face of increased economic pressures that have tended to increase regulated entities' incentives to forego compliance with the P&S Act.

GIPSA is also requesting additional funding to purchase necessary scientific equipment for FGIS. To maintain our worldwide reputation as a leader in grain quality assessment, GIPSA is seeking the increase for equipment necessary to continue research, development and implementation of objective tests for use by the rice industry. One test in development would measure the amount of surface lipids in rice, a factor currently measured by the rice industry but for which no standard means of determining measurement consistency is currently provided by GIPSA. The factor may also be useful as an independent and objective measure of determining the degree of milling in rice, a measure for which the rice industry has expressed a strong market need. GIPSA has made major strides in the last fiscal year towards development of this test, and is in the process of initiating a pilot in FY 2013, with plans for full implementation in FY 2014. However, implementation of the test will require GIPSA to procure near infrared detectors to perform the test at field sites. Another test in development is a systemic process for determining the percentage of broken kernels in rice using optical scanning. These tests are needed to replace the current process of visual inspection used to determine these conditions. Replacing visual inspections with systemic, standardized means to assess these conditions would provide greater stability in determining these conditions, and enhance the overall marketing environment for rice.

GIPSA also seeks funding to refine and expand effective mycotoxin and pesticide residue testing and monitoring programs for U.S. grain exporters. These programs are essential for demonstrating that U.S. grain is wholesome and safer for consumption, thereby confirming the high value of U.S. grain commodities. Foreign governments are implementing more stringent controls on an increasing number of pesticide residues in addition to well established restrictions on levels of harmful mycotoxins such as aflatoxin.

Finally, GIPSA will submit legislative proposals to collect fees for the development of grain standards and to amend the P&S Act to provide authority to collect license fees to cover the cost of the program. These proposals are consistent with the overall effort to shift funding for programs to identifiable beneficiaries.

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.