

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 Committee on Appropriations, U.S. House of Representatives

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) 2015 budget proposal.

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

As you know, GIPSA administers two programs that are very important to American agriculture: 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 a 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 staff in three regional offices located in Atlanta, Georgia; Denver, Colorado; and Des Moines, Iowa; and 45 front-line resident agents, seven resident auditors, two market inspectors, and three resident agent supervisors throughout the U.S. who are the eyes and ears for our compliance and regulatory presence on the ground.

FGIS is also headquartered in Washington, D.C., with its National Grain Center located in Kansas City, Missouri. FGIS has seven field offices, three sub offices, and one Federal/State office. The 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. The sub offices are located in Moscow, Idaho; Beaumont, Texas; and Crowley, Louisiana. The Federal/State office is located in Olympia, Washington. FGIS delivers official inspection and weighing services via a national inspection system, a unique public-private partnership of Federal, State, and private inspection personnel. Our partners include 53 State and private agencies authorized by the Secretary to provide official inspection and weighing services on GIPSA's 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 livestock producers, sellers, swine contractors, and poultry growers for the benefit of all market participants.

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 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'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 facilitates 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 closed a total of 579 investigations, resulting in a total of 13 formal complaints decided by an administrative law judge. By comparison in 2013, P&SP had 147 full time employees, who closed 2,335 investigative files, more than four times the number of cases closed in 2000. An additional 133 cases were closed that GIPSA had referred to the USDA's Office of the General Counsel, and 12 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 our response to individual complaints and to demonstrate a presence at livestock markets around the country.

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 calls received.

Federal Grain Inspection Service

The value of U.S. agricultural exports is expected to rise to a record \$142.6 billion in FY 2014, according to USDA forecasts. The estimate is up by \$5.6 billion from November's number and \$1.5 billion above the 2013 record levels. The forecast for grain and feed exports is \$31.3 billion -- \$3.2 billion higher than USDA's fall forecast due to higher volumes of wheat, corn, and feeds and fodders. Oilseed and product exports are expected to increase by \$2.5 billion, to \$31.4 billion.

GIPSA's grain inspection program facilitates the marketing of U.S. grain, oilseeds, and related agricultural products by providing the market with official U.S. grading standards, as well as methods for assessing 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 2013, the national inspection system provided over 2.97 million inspections on 230.3 million metric tons of grain with a value of over \$36 billion.

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 2014, GIPSA completed its review of the U.S. standards for wheat. GIPSA published a final rule in the *Federal Register* amending the wheat standards. This rule becomes effective on May 1, 2014. In 2014, GIPSA will continue with its review of the barley standards, which were originally promulgated in 1926. Through a *Federal Register* notice, we previously solicited barley stakeholder comments, which will be used as the basis for a proposed rule this year.

FGIS provides pesticide residue testing services for applicants and for domestic and export surveys. In addition, FGIS develops analytical methods to support these activities, which play a critical role in demonstrating the quality of U.S. grain as it relates to health, safety, and adherence to U.S. and international regulatory limits. In FY 2013, FGIS participated in the Pesticide Data Program (PDP), a cooperative effort of the USDA, U.S. Environmental Protection Agency, and participating States to monitor pesticide residue levels in grain and other commodities. FGIS developed two analytical methods for measuring pesticide residues and analyzed 300 randomly selected samples that represented the 2012 U.S. wheat crop.

Moisture measurement remains one of the most important official and commercial grain inspection activities because of moisture content's impact on end-use value (dry matter content) and storability. FGIS research has resulted in the Unified Grain Moisture Algorithm (UGMA)—an approach to grain moisture measurement that has shown its potential to improve grain moisture measurement by yielding improved accuracy, permitting multiple manufacturers to design moisture meters that can use common calibrations and give equivalent results, and reducing the cost of on-going calibration maintenance. The new technology was implemented for official determination of moisture for corn, soybeans, sorghum, and sunflower seed on September 10, 2012. In 2013, GIPSA finalized the calibrations for all sixty-four grains and commodities under our jurisdiction. As of May 1, 2013, all official moisture inspections are performed with UGMA technology.

In 2013, GIPSA began the development of software for use with low cost consumer-grade photo scanners to measure the percent of broken kernels in milled rice quickly and accurately. When rough rice is graded in accordance with USDA's rice grading standards, the percentage of broken kernels within a sample is determined by a trained grader's visual

inspection. Mechanical sizing equipment instead of visual inspection is routinely used for separating whole and broken rice pieces at various points of the rice marketing process to save time and cost, but mechanical sizing does not account for inherent differences in rice kernel size.

The software GIPSA has developed rapidly analyzes images of milled rice from a flat-bed scanner. It identifies fully intact kernels, and then precisely compares fractured kernels with the most similar fully intact kernels to determine whether each fractured kernel is whole or broken. The program then computes the percentage of broken kernels by weight. The entire process requires less than five minutes. The software is designed to operate with a wide variety of computers and flatbed photo scanners. When it is complete, GIPSA will make this technology available to all interested users at no charge.

To better serve the dynamic grain marketing system, GIPSA remains attuned to changes in movement of U.S. grain and related products. The U.S. grain industry has experienced a significant increase in the demand for grain exported in shipping containers. A surplus of empty containers allows grain exporters to capitalize on opportunities to ship grain at a lower freight rate and deliver grain to small business entities. Expansion of the containerized grain export market has exceeded most forecasts. Inspection of containerized cargo has increased from 0.1 percent of total grain exported (metric tons) in 2002 to 3.5 percent of total grain exported (metric tons) in 2013 and represented 1.2 percent of total domestic and export grain officially inspected (metric tons) by GIPSA and official service providers in 2013.

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 2013, GIPSA personnel met with 47 teams from 23 countries.

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. FY 2013 was the first year for an FGIS-wide mentoring program. The FGIS Mentoring Program

paired 25 employees with more experienced employees for the purpose of sharing knowledge of practices, policies and organizational culture with the next generation of employees. The year-long program mirrored the components of USDA's mentoring initiative, which focuses on transferring institutional knowledge and enhancing employees' skills.

For FY 2014, the FGIS Mentoring Program was expanded to a GIPSA-wide program with 40 mentor-mentee pairings, 32 of which were from FGIS staff. This 28 percent increase in FGIS participation is the result of strong program area support which recognizes that up to 80 percent of FGIS' supervisors and managers are currently retirement eligible. We are keenly aware of the need to prepare less experienced staff for new potential responsibilities as more senior staff retire.

2015 Budget Request

To fund important initiatives and address GIPSA's core mission responsibilities, GIPSA requests \$44,017,000 for salaries and expenses, and \$50 million in spending authority for FGIS Inspection and Weighing Services for FY 2015. The Budget includes additional funding to cover salary costs, decentralization of General Services Administration rental payments and Department of Homeland Security payments, the Packers and Stockyards Program to pay for equipment, supplies and other operating expenses to effectively conduct field operations, and for the Grain Program to purchase necessary grain testing laboratory equipment.

GIPSA requests additional funding to strengthen direct enforcement of the Packers and Stockyards Act and promote compliance with the P&S Act. P&SP relies on 57 resident agents, auditors, market inspectors, and resident agent supervisors, with assigned duty stations in their homes across the United States to conduct a large percentage of its front line regulatory inspections and investigations. Travel is essential for GIPSA's resident agents to successfully perform their job functions as these individuals must travel, at times long distances, in conducting regulatory and investigative field work. 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. Without an increase in funding, the program will have to reduce staff in order to maintain sufficient resources (fuel, supplies, travel, etc.) to support field activity. By providing staff with resources to travel and the tools needed to successfully conduct their work, GIPSA expects to achieve a level of 83 percent industry compliance with the P&S Act.

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.