

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) 2016 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 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.

GIPSA's organizational structure is reflective of and is designed to support the fulfillment of its mission, goals, and initiatives. 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 57 front-line resident employees located throughout the United States 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. 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. 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 50 State and private agencies authorized by the Secretary to provide official inspection and weighing services on GIPSA's behalf.

In addition to its two program areas, three Washington D.C.-based units, the Civil Rights Staff, Information Technology Staff, and Management and Budget Services, provide GIPSA with management and technical support, as well as the leadership of key initiatives, such as Cultural Transformation, Employee Engagement, and Outreach.

Packers and Stockyards Program

Under the Packers and Stockyards Act (P&S Act), GIPSA's P&SP regulates businesses that market livestock, poultry, and meat. Enacted in 1921, the P&S Act promotes 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, buyers, sellers, swine contract growers, 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, the National Agricultural Statistics Service, the Agricultural Marketing Service, and the 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 improved its performance in recent 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 an electronic inspection and investigation case file environment that facilitates case documentation, tracking, and reporting. 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 13 formal complaints decided by an administrative law judge. By comparison at the end of 2014, P&SP had 141 full-time employees, who closed 1,668 investigative files, almost three times the number of cases closed in 2000. An additional 70 cases were closed that GIPSA had referred to the USDA's Office of the General Counsel, and 7 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

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 2014, the national

inspection system provided over 3.31 million inspections on 297.9 million metric tons of grain with a value of over \$45 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 2013, 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 became effective on May 1, 2014. In 2015, GIPSA will continue with its review of the barley standards, which were originally promulgated in 1926. Through a *Federal Register* notice of proposed rulemaking in 2014, GIPSA solicited barley stakeholder comments, which will be used as the basis for a final rule in 2015. In 2014, GIPSA started reviews of the standards for flaxseed, triticale and mixed grain. GIPSA will begin reviews of the standards for oats, rye, sorghum and rice in 2015.

Under USDA grade standards, the number of broken kernels of rice has a significant impact on the quality and value. The percentage of broken kernels within a sample is determined by FGIS staff 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 final determination regarding whether or not a kernel is considered whole is determined by the human eye.

In 2014, GIPSA took the beginning step to change this visual inspection method with the development of software for use with low cost consumer-grade photo scanners to quickly and accurately measure the percent of broken kernels in milled rice. This new automated process 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 which is less time than the average visual inspection.

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 around the world. Expansion of the containerized

grain export market has exceeded most forecasts and 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 2014 and represented 2.3 percent of total domestic and export grain officially inspected (metric tons) in 2014.

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 2014, GIPSA personnel met with 49 teams from 32 countries.

GIPSA's continued success in fulfilling its mission of facilitating the marketing of U.S. grain is directly attributable to its 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. For FY 2015, the FGIS Mentoring Program consists of a GIPSA-wide program with 33 mentor-mentee pairings or about 66 people. This number is about 10 percent of eligible agency staff from FGIS, P&SP, and the Administrator's Office. The high rate of participation is the result of strong program area support and active agency champions who recognize 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.

2016 Budget Request

To fund important initiatives and address GIPSA's core mission responsibilities, GIPSA requests \$44.1 million for salaries and expenses. This request reflects an additional \$1.1 million in funding above the 2015 enacted level to cover salary costs; for the Packers and Stockyards Program to pay for equipment, supplies and other operating expenses to effectively conduct field operations; for the Grain Program to provide necessary information technology support and equipment to ensure testing results reported on FGIS certificates for all commodities and grains are accurate and available in an expeditious manner; and for the expansion of Federal Employee Health Benefits to part time and intermittent employees.

Specifically, the additional funding that GIPSA requests for salaries and expenses will be used to 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. By providing staff with resources to travel and the tools needed to successfully conduct their work, GIPSA expects to achieve a level of 85 percent industry compliance with the P&S Act in FY2016.

GIPSA will also use the additional funding to explore new processes and technology to provide customers with information about the quality of all the grains and commodities tested within the national inspection system. Additional funds will be used for the information technology support and equipment needed to ensure the seamless flow and capture of data within the national inspection system. Currently, individual test results, are determined via analytical instruments or electronic scales; the new equipment, including barcode scanners, printers and computers, will capture information on the individual test results, who performed the test, equipment used on sample, as well as time and location of analysis. These enhancements will

ensure that the results reported on FGIS certificates for all commodities and grain tested are accurate and the results (e.g. certificates) are available to customers in a more expeditious manner.

The Budget requests \$55 million in spending authority for FGIS Inspection and Weighing Services in FY 2016, an increase of \$5 million over the FY 2015 limitation. The USDA World Agricultural Outlook Board projects that grain export volumes in FY 2016 will be three percent above FY 2015 levels. In addition, we expect that as many as five additional bulk grain export facilities will be coming online in the next two years. As a result, GIPSA anticipates that employees will be faced with increased workloads and additional travel costs in FY 2016 associated with FGIS activities. This reality, coupled with pay and expanded health insurance costs, necessitates an increase in the spending authority for our inspection and weighing services.

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.