

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Statement of J. Dudley Butler, 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) 2012 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.

GIPSA comprises approximately 769 full-time, part-time, and intermittent employees. P&SP includes a headquarters unit in Washington, D.C.; three front-line regional offices in Atlanta, Georgia; Denver, Colorado; and Des Moines, Iowa; and a cadre of resident agents that are our eyes, ears, and compliance and regulatory presence on the ground. 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 Cedar Rapids, Iowa; Grand Forks, North Dakota; 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 56 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 and ensuring financial integrity for competitive markets, GIPSA helps protect swine contractors, livestock producers and poultry growers, and promotes transparency and fairness for all market participants.

GIPSA ensures industry compliance with the P&S Act through preventative regulatory actions, investigations, and enforcement actions. In FY 2010, GIPSA closed 1,854 investigations that were opened in 2010 and prior years. During the fiscal year, GIPSA also imposed \$127,787 in stipulations, \$341,027 in administrative penalties, and \$347,705 in civil penalties through the Department of Justice.

As a result of our efforts, GIPSA maintained its key performance measure of industry compliance with the P&S Act at 80 percent in 2010, sustaining a continued improvement over 2007's 75 percent compliance rate. This level of compliance was achieved despite the significant financial downturn that affected all market segments. Our efficiency, as measured by the average number of days to complete an investigation, was 98 days in 2010, 16 days less than 2009 and 41 percent below the 165-day average of 2006, which preceded GIPSA's Business Process Reengineering initiative.

GIPSA also is making significant improvements in its operational effectiveness. In FY 2009, GIPSA fully implemented its new enterprise-wide automated system that integrates information management, automated tracking and monitoring capabilities, and extensive reporting functions related to P&SP's core business practices. The new system allows P&SP to electronically conduct, document, and track investigations from beginning to end. GIPSA deployed system enhancements in FY 2010, including updated standard operating procedures and an automation workflow. Overall, the system allows GIPSA to operate more efficiently and strengthens the Agency's ability to track major case milestones.

To foster operational consistency across P&SP, in FY 2009, GIPSA launched a new online repository of all official policy, procedural, and instructional resources. In 2010, GIPSA extensively expanded and enhanced this resource to ensure that all P&SP employees work under standardized operating procedures and processes. The system also includes a component that fosters employee participation in determining the program's direction and decision making.

Our ability to carry out our mission depends upon the expertise and professionalism of our staff. GIPSA staff includes highly skilled individuals with varied expertise, including economists, investigative attorneys, legal specialists, auditors, and investigators. Finally, GIPSA

is ensuring that its cadre of resident agents, who provide our front-line presence in the industry, has required skills, is staffed at an appropriate level, and is strategically deployed to ensure achievement of our mission.

GIPSA releases timely and relevant information to agricultural media outlets. As part of this outreach effort, GIPSA held training conferences on carcass evaluation on proper weighing procedures for monorail scales for State and industry personnel.

In carrying out our work, 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 Food Safety and Inspection Service. We also regularly collaborate 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 2010, the national inspection system provided more than 3.4 million inspections on over 300 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 buy and sell \$64 billion of commodities 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 2010, GIPSA began its continuing review of the U.S. standards for wheat 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.

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 2.6 percent in 2010. The number of container loading facilities in the United States has grown from 8 in 2002 to more than 140 in 2010. GIPSA has made procedural changes to facilitate this evolving marketing method and, in 2010, initiated a comprehensive review of

the policies and procedures governing official inspection and weighing services for grain exported in containers and is considering regulatory changes.

GIPSA 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. In FY 2010, a GIPSA employee was stationed in Asia to work with industry partners to provide technical assistance and training, address grain quality issues, and continue our outreach activities in the region. In addition, in FY 2010 a GIPSA representative led a U.S. delegation that included representatives from the Foreign Agricultural Service, Animal and Plant Health Inspection Service, and the Food and Drug Administration, to China to negotiate language for a non-binding Memorandum of Understanding (MOU) to address China's concerns over soybean quality, plant health, and food safety. The draft MOU, which includes key provisions that establishes a bilateral technical working group, and an agreement for a U.S. rapid response team to be sent to China to investigate problem shipments when warranted, has since been signed by both countries. GIPSA's Asian outreach program addresses immediate and long-term issues in the region, promotes a better understanding and adoption of U.S. sampling and inspection methods to minimize differences in results, and develops face-to-face relationships with foreign customers that facilitate and harmonize trade with this critically important market.

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 United States—participate in the program. In recognition of GIPSA's expertise with agricultural biotechnology testing, the U.S. rice industry has asked GIPSA's to implement a rice proficiency testing program to verify capabilities of testing laboratories.

Information technology solutions also help GIPSA more efficiently serve the marketplace. In 2010, GIPSA completed a multi-year project to replace stand-alone applications with an integrated web-based suite of applications that automates our core business practices. The new system automatically generates official inspection and weighing certificates and provides almost instantaneous record access.

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. Our staff, however, is aging, as many started with FGIS upon its inception in 1976. Seventy percent of our mission-critical grain graders are eligible for retirement within the next 5 years. It takes 2 to 3 years to develop a competent grain journeyman grader within FGIS through internal development programs and partnerships with various agricultural institutions. Over the past few years, FGIS has successfully used an apprenticeship program to train grain inspectors and develop their skills for successful advancement to the journeyman level. In March 2011, FGIS will initiate a 2-year internship program for new and current employees. Interns will participate in supervised training activities to develop competencies that FGIS has identified as core to our mission and goals. This internship includes rotating assignments that cover the full range of inspection work and on-the-job experience and training necessary for advancement. Upon completion of the program, interns will become agricultural commodity graders.

2012 Budget Request

To fund important initiatives and address the Agency's responsibilities, GIPSA's budget request for FY 2011 is \$44 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 includes additional funding for enforcement of the Packers and Stockyards Act. In addition, we will submit a legislative proposal for user fees to recover the costs of grain standardization and P&SP activities.

We are requesting additional funding to further bolster market protections for buyers and sellers of livestock, poultry, and meat through greater compliance, investigative, and enforcement activities in the field. This increase will allow the Agency to expand investigative, regulatory, and financial review activities to raise industry compliance with the P&S Act. These activities will enhance market protections for buyers and sellers of livestock, poultry, and meat. The funding will support hundreds of additional inspection and compliance reviews per year and increase detection of P&S Act violations. In addition, GIPSA will be able to conduct onsite inspections of all regulated entities on a regular 5-year cycle, improving on the current methodology of inspecting firms based on random samples and targeting at-risk entities. GIPSA will increase routine financial reviews – solvency, custodial accounts, and prompt pay – of all regulated entities including packers.

GIPSA will submit a legislative proposal 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. This proposal is consistent with the overall effort to shift funding for programs with identifiable beneficiaries to user fees.

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.