News Release

Testimony of James R. Baker, Administrator Grain Inspection, Packers and Stockyards Administration before the Senate Agriculture, Nutrition, and Forestry Committee February 1, 2000; 9:00 AM

Good morning, it's an honor to be here today to review the current and future operations of the Grain Inspection, Packers and Stockyards Administration (GIPSA). Our mission is to facilitate the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products and to promote fair and competitive trading practices for the overall benefit of consumers and all segments of American agriculture. We fulfill this mission through two programs: our grain inspection program, commonly referred to as the Federal Grain Inspection Service, or FGIS, and our Packers and Stockyards, or P&S Program.

Industry consolidation, technological advances and global trade have altered and will continue to reshape the agricultural landscape and to influence the job we have to do at GIPSA. Our grain inspection program must keep pace with the changing needs of the grain industry, especially in terms of inspection timeliness and the capability to measure new diverse quality attributes. Today's grain market handles a greater diversity of grain quality than ever before and must do so efficiently and productively for American agriculture to remain competitive in the global market. Next-day inspection services that met the markets needs just a few years ago now must be provided in minutes if unit trains, barges, and vessels are to be loaded efficiently.

Likewise, the structural changes in the livestock industry have complicated the job of our Packers and Stockyards Program. High concentration, forward sales agreements, production contracts, and vertical integration have raised major concerns about competition and trade practices in livestock and procurement by meat packers and poultry processors. Concentration in the meat packing industry is relatively high and has been growing. The four leading packers' share of steer and heifer slaughter increased from 36 percent in 1980 to 81 percent in 1998. Concentration in hog slaughter is not as high, but also is on the rise, increasing from 34 percent in 1980 to 56 percent in 1998. In addition, both the slaughter and production of livestock have become more concentrated into relatively narrow geographic regions.

These changes are impacting how we do business today and how we will operate in the future. We are ready to meet these and all other challenges that may arise. I'd like to take this opportunity to discuss in more detail the current status of our grain and P&S programs, and to give you an idea of the major issues each program is addressing.

GIPSA's Grain Inspection Program

GIPSA's grain inspection program administers the United States Grain Standards Act, which established uniform, national grain inspection and weighing programs. The Act generally requires that export grain be inspected and weighed; prohibits deceptive practices and criminal acts with respect to the inspection and weighing of grain; and provides penalties for violations. Under the Act, GIPSA establishes the official grading standards for grain, develops standard testing methodologies to measure grain quality and quantity, and provides for the impartial application of the grades and standards through the official grain inspection and weighing system, a unique network of Federal, State and private inspection agencies. Briefly, the U.S. Grain Standards Act provides for the mandatory inspection and weighing of all export grain and the voluntary inspection and weighing of grain moving in domestic commerce. Services under the Act are performed on a fee basis for both export and domestic grain shipments. GIPSA's grain program has both service and regulatory roles, It was founded to provide impartial, accurate quality and quantity measurements to create an environment that promotes fairness and efficiency.

GIPSA also administers and enforces certain inspection and standardization activities related to rice, pulses, lentils, and processed grain products such as flour and corn meal, as well as other agricultural commodities under the Agricultural Marketing Act of 1946 (AMA). Services under the AMA are performed upon request on a fee basis for both domestic and export shipments by either GIPSA employees or individual contractors, or through cooperative agreements with States.

The grain program is comprised of 555 full-time, permanent employees and 74 part-time, intermittent, or other employees located at 2 headquarters units, 13 field offices, 2 Federal/State offices, and 6 suboffices. FGIS has headquarters units in both Washington, DC, and Kansas City, MO. Field offices are located in Stuttgart, AR; Sacramento, CA; Moscow, ID; Cedar Rapids, IA; Wichita, KS; New Orleans, LA; Baltimore, MD; Minneapolis, MN; Kansas City, MO; Grand Forks, ND; Portland, OR; League City, TX; Toledo, OH; and Olympia, WA; thus ensuring the availability of official inspection and weighing services anywhere in the United States. FGIS personnel also are located in eastern Canada to provide inspection of U.S. grain at Canadian ports.

Mandatory inspection and weighing services are provided by GIPSA on a fee basis at 37 export elevators. Under a cooperative agreement with GIPSA, the Canadian Grain Commission provides official services, with GIPSA oversight, at 6 locations in Canada exporting U.S. grain. Eight delegated States provide official services at an additional 19 export elevators under GIPSA oversight.

Official inspection and weighing of U.S. grain in domestic commerce are performed upon request and require payment of a fee by the applicant for services. Domestic inspection and weighing services are provided by 59 designated agencies that employ personnel licensed by GIPSA to provide such services in accordance with regulations and instructions.

Reauthorization

On September 30, of this year, several provisions of the U.S. Grain Standards Act will expire. Specifically, as of September 30, 2000, the following sections of the Act will sunset: the authority to collect and invest user fees from official agencies for supervising their performance of official inspection services (7 USC 79 (j)(4)); the authority to collect fees to perform original weighing services and to collect user fees from official agencies for supervising their performance of official weighing services (7 USC 79a(l)(3)); a 40% cap for total administrative and supervisory costs (7 USC 79d); appropriations for standardization, compliance, and international monitoring activities (7 USC 87h); and authority for the Grain Inspection Advisory Committee (7 USC 87j(e)).

We believe it is in the best interest of American agriculture and consumers that these provisions are reauthorized. Consequently, GIPSA will be pursuing legislative reauthorization of these provisions of the Act for a period of 10 years. In addition, GIPSA will be seeking several new legislative authorities. First, while GIPSA seeks to maintain official agencies? geographic boundaries, the Agency is requesting authority to allow for exceptions by regulation (similar to existing pilot programs (7 USC 79(f)(2); 7 USC 79 a(i)). GIPSA also will be seeking to prohibit adding bleach, vanilla, cinnamon, etc. to any grain to disguise its quality (7 USC 87(e)(1)). This practice is already prohibited on officially-inspected grain. This new prohibition would, like the existing ban on adding water to grain, extend to all grain. Third, GIPSA will be seeking to eliminate the export sampling procedure requirement to obtain samples after final elevation (7 USC 77(a)(1)). This would provide more flexibility to respond to new marketing trends. Finally, GIPSA will be seeking authority to eliminate mandatory annual testing of official equipment (7 USC 79b(a)). Annual testing simply is not necessary or appropriate for some types of equipment.

Given that overview, I'd like to take a few moments to highlight the grain program's initiatives in four areas: efficiency enhancements; biotechnology; grain cleaning; and grain contracting.

Efficiency Enhancements

The grain program has made a number of enhancements to its operations and structure to improve the efficiency and productivity, not only of the inspection and weighing process and GIPSA's service delivery, but, more importantly, to the actual handling and marketing of grain.

Structurally, GIPSA has, over the years, continuously restructured to optimize its staffing levels and organization. Since 1994, the grain program reduced staffing levels by 8 percent and streamlined its field structure from 31 to 21 offices, thereby allowing for more flexible staff utilization and more consistent policy implementation. Our Commodity Testing Laboratory, formerly in Beltsville, Maryland, was merged into our Technical Center in Kansas City, MO. The Technical Center is now a model of how streamlining and cross-functional teams can result in cost efficiencies and a sharpened customer service focus.

We also are reengineering to provide more efficient and effective programs and services. We reengineered our quality assurance program, already known worldwide for ensuring consistent and accurate inspection and weighing results. By automating to a PC-driven system and decentralizing the process to the local level, our reengineered quality assurance program provides for proactive problem solving and immediate quality control feedback. Automation is also the key to improving our inspection services. To integrate our export inspection process with the export industry’s technological advances, GIPSA is automating the export inspection statistical shiploading plan, also known as Cu-Sum Plan. Automating Cu-Sum allows for direct data sharing with our export grain customers, thereby eliminating manual data entry and reducing administrative costs both for GIPSA and our customers. We are working closely with export elevators to automate their scales and material systems to official requirements. This automation reduces official oversight personnel, which produces a considerable cost savings for our customers, and provides for superior supervision and greatly improved efficiency for GIPSA. Five export elevators are operating approved systems; 6 more are in the process of automating. To improve the efficiency and productivity of U.S. grain handling, GIPSA established a public/private partnership to automate inspection processes. This effort reduced the agency's operating costs and improved the speed, productivity, and efficiency of export operations - essential factors in today’s competitive global market. A prototype system currently is being installed at an export elevator in Destrehan, Louisiana. These are only some of the ways that GIPSA is seeking to enhance the efficiency of our operations. Future technological advances and customer needs will drive even further improvements.

GIPSA's service delivery costs decreased from $0.27 per metric ton in fiscal year 1994 to $0.21 per metric ton in fiscal year 1999, saving American agriculture over $5 million in fiscal year 1999 alone. These savings in inspection service costs pale in comparison to the savings achieved by the industry thorough improved productivity. GIPSA is proud to be a partner with the industry in realizing that productivity enhancement. Last year, at a single facility in Iowa, GIPSA fostered a unique and unprecedented cooperative partnership to provide service and made rules more flexible in order to implement a new, on-site rapid inspection program that saved one customer more than $250,000 per year.

Meeting our customers needs doesn’t stop with efficiency enhancements. It also means we must be ready to meet new and emerging market needs in many areas such as biotechnology, grain cleaning, and grain contracting.

Biotechnology Reference Laboratory

Biotechnology is diversifying grain and oilseed quality, and has the potential to create new market opportunities for America's producers, small and large, as end users seek suppliers of unique quality attributes. While GIPSA, under the United States Grain Standards Act (USGSA), has no authority to approve or release biotech crops, we do have responsibility to facilitate the fair and orderly marketing of grain and grain products, many of which will be bioengineered. To this end, GIPSA will continue to assess the market's needs; meet those needs by providing the standardized testing technology that measures new and enhanced value products; and provide that information to all in the U.S. grain marketing system, from producer to end user.

As we discussed earlier, GIPSA is responsible for establishing the official U.S. standards for grain under the U.S. Grain Standards Act. These standards are used every day by sellers and buyers to communicate the type and quality of cereals, pulses, and legumes bought and sold. Biotechnology is affecting this program in two fundamental ways: (1) increased market opposition to bioengineered crops has created a need for standardization of reliable testing methodologies to distinguish bioengineered from non-engineered crops; and (2) an anticipated increase of new value-enhanced traits, whether produced by conventional or non-conventional means, will create an expanded need for standardized testing methodologies to measure the enhanced quality attributes. Without standardized testing methodologies and an agreed-upon means to communicate the results, market risk will increase and the true value of future crops will be less transparent.

The reference laboratory will meet a market need to ensure reliability of biotech crop detection methods and to facilitate information exchange, which, in turn, will decrease transaction costs and increase overall market efficiency. The lab is scheduled to open in time for the 2000 soybean and corn crop year.

GIPSA also plans to increase its ability to measure enhanced quality attributes, whether produced by biotechnology or traditional breeding methods. Analytical tests required to assure the presence or specific content of a value trait are essential to ensure the supplier (i.e., farmer, cooperative, grain facility) receives the financial benefits derived from producing grain with value-added traits. These quality tests, however, may not adapt well to field analysis and may be too costly for frequent verification analysis. As an alternative to frequent testing for value traits, GIPSA will also evaluate procedures that would ensure the preservation of a specific quality trait from farm to end-user. Industry participants adhering to the procedures, based on a GIPSA audit, would be certified as meeting the specified quality attributes.

GIPSA has historically standardized numerous analytical methods to facilitate grain marketing. For example, GIPSA standardized the testing of various mycotoxins in grain by evaluating and approving commercially available test kits that measure the mycotoxin content. Grain markets rely on GIPSA as an unbiased entity to fulfill this important role in facilitating grain marketing.

Once we have more standardized detection methods for bioengineered grains and oilseeds, American agriculture, and our government, will be in better positions to open markets for our grains and oilseeds.

Another issue impacting markets for America's grain is grain cleaning.

Grain Cleaning

Importers of U.S. wheat frequently rank cleanliness as their number one complaint about our wheat quality. Canada and Australia, major competitors for U.S. wheat exports, have incorporated a cleaning strategy in their marketing system which results in lower dockage (levels of 0.1 to 0.2 percent versus 0.7 percent on average for U.S. wheat). Foreign material and shrunken and broken kernels are about 50 percent less than in U.S. wheat.

Over the past 10 years, several importers of U.S. wheat have revised their contract specifications to reduce the allowable level of dockage in their purchases. Since 1990, the average dockage in U.S. wheat shipped to Japan has been reduced from 0.7 to 0.4 percent; to South Korea, from 0.7 to 0.5 percent; and to Taiwan, from 0.6 to 0.4 percent. Taiwan has more stringent dockage specifications than any other importer of U.S. wheat; they specify maximum 0.5 percent dockage, with an accelerating discount scale above 0.1 percent.

Effective this January, Japan imposed a maximum 0.4 percent dockage specification and announced intentions to reduce the limit to 0.3 percent in the year 2002. Korea will impose a maximum 0.5 percent limit in April 2000. Several other important U.S wheat customers, including Egypt, the Philippines, and Venezuela, also have reduced their dockage specifications. This trend may continue as smaller volume buyers, historically not known for quality consciousness, continue to privatize and impose stricter specifications.

GIPSA contracted with USDA's Economic Research Service to examine the cost and benefits of cleaning all U.S. wheat exports. The study concluded that mandatory cleaning of all U.S. exports is not economical, but that mandatory cleaning could potentially increase U.S. exports by up to 2 percent. ERS also concluded that targeted cleaning for quality conscious markets could have positive economic results, especially in the event of increased privatization among importers.

Since the ERS study, privatization of import markets has accelerated, increasing the importance of wheat quality as a purchasing criterion. While less than 25 percent of the world wheat trade was conducted by private importers just 10 years ago, this year private buyers will purchase 55 to 60 percent of wheat imports and will account for at least 25 million tons more trade than a decade ago.

Last November, the Commodity Credit Corporation solicited comment as to whether USDA should finance the installation of grain cleaning systems at wheat export elevators in the U.S. On January 28, USDA conducted a public hearing to solicit comment on improving the quality and competitiveness of U.S. wheat exports by financing grain cleaning systems at export elevators. USDA is considering financing grain cleaning systems.

As discussed earlier, the market relies on the Official U.S. Standards for Grain as a common language to describe the physical and biological condition of grain to facilitate trade. In terms of cleanliness, the quality criteria in the U.S. wheat standards primarily address three areas: impurities and unmillable material (dockage, foreign material, and shrunken/broken kernels); imperfections (defects and damaged kernels); and wholesomeness (insect infestation, toxic seeds or substances, and odor).

Dockage and foreign material are different, and are calculated independently. Dockage includes extraneous material larger and smaller than wheat separated mechanically by sieves and riddles, and lightweight material separated by aspiration. Dockage is expressed as a percentage of weight of the original sample but is not controlled by maximum limits in the standards. Foreign material is any non-wheat material (mostly non-wheat grains and other seeds) remaining in the sample after the removal of dockage and shrunken and broken kernels. The wheat standards define maximum limits of foreign material for each numerical grade.

Currently, there are no limits for dockage in any grade of wheat in the U.S. Standards, unlike other grading factors such as test weight, foreign material, and damaged kernels. Dockage is determined on every sample of wheat graded, but maximum or average dockage limits are determined by buyers and sellers in their sales contract.

Grain Contracting

While our export market has always relied upon contracts to transact grain sales, it is only recently that we're seeing growing use of contracting in the domestic market. Farmers are increasingly diversifying their production to capitalize on opportunities to enter niche markets for high value grains and oilseeds. As they do that, many are electing to enter contracts for certain products -- such high oil, waxy, or nutritionally dense corns, hard white wheat, or NuSun sunflowers -- to ensure they have customers for their product.

While GIPSA doesn't approve or monitor grain contracts, we do have a vitally important role to play. We will, as always, standardize testing to help producers ensure that they're getting a fair price for their product. Standardized testing methods for quality traits not only provide buyers with simple ways to describe the quality of grain they wish to buy, they also give sellers (i.e., farmers) the ability to measure the quality and know they value of their grain.

For example, under a typical high oil corn contract, the premium paid to the farmer is based on a test performed by the buyer. To ensure fairness to all involved, the typical contract under which high oil corn is produced also allows the farmer to have GIPSA measure the oil content. In other words, if the farmer questions the buyers'oil results, he/she, working with the buyer, can obtain a representative sample of the corn and send it GIPSA for testing. Final settlement is then based on the GIPSA result. There is no greater testament to the accuracy of our testing and our overall integrity in the eyes of the market.

GIPSA's goal is to ensure that standardized testing methods are available to the marketplace for the new generation of high value crops that will be brought to the market in the future. These methods will ensure that producers, as well as buyers, have the accurate quality measurements they need to effectively and equitably market their products.

Ensuring market fairness also is a priority for our Packers and Stockyards Programs.

Packers and Stockyards Program

GIPSA's Packers and Stockyards (P&S) program addresses issues relating to competition, financial protection, and trade practices in the livestock, meatpacking, and poultry industries under the authority of the Packers and Stockyards Act of 1921, as amended. The P&S Act makes it unlawful for a regulated firm to engage in unfair, unjustly discriminatory, or deceptive practices. Manipulation of prices, market allocation, and the restraint of commerce are violations of the Act, as well.

Under the Act, GIPSA investigates alleged violations of the Act and prosecutes violations either directly through administrative actions or through injunctive relief or collection of civil penalties litigated in the District Courts by the Department of Justice.

The P&S program has three principal areas of responsibility: financial protection, fair trade practice enforcement, and promotion of competitive marketing conditions.

To ensure that producers are paid promptly and fully, P&S requires the registration and bonding of each marketing agency and dealer, and, since 1976, also requires that packers be bonded. Since the 1976 amendment to the P&S Act established the packer trust, livestock sellers have been paid more than $53.8 million under the statutory trust provisions. Similarly, the P&S Act was amended in 1988 to include a statutory trust provision for live poultry dealers similar to the packer trust, thereby giving payment protection to live poultry growers and sellers. Since then, live poultry producers have been paid $7.3 million under these statutory trust provisions.

To guard against unfair trade practices in the sale of livestock, meat, and poultry products and services, P&S regularly investigates false weighing allegations; contract poultry arrangements that may violate the P&S Act; fraudulent marketing practices, such as weight and price manipulation, and misrepresentation of livestock's origin and health; and allegations of fraud, including collusion between or among dealers, order buyers, market agencies, or packer employees engaging in payoffs and kickback schemes.

To guard against anticompetitive business practices, P&S conducts broad investigations both of industry practices and individual firms? behavior. We investigate allegations of failure to actively compete in the procurement of livestock, territorial allocation, turn-taking, and packers? use of marketing arrangements and packer-owned supplies to influence spot market prices.

P&S recently completed a major restructuring and restaffing to strengthen its investigations of anticompetitive behavior and increase its efficiency and effectiveness in enforcing the trade practice and payment protection provisions of the P&S Act. P&S-11 field offices were consolidated recently into 3 regional offices in Denver, CO (cattle and sheep); Des Moines, IA (hogs); and Atlanta, GA (poultry). This resulted in the location of significantly larger staffs near the concentrations of beef, pork, and poultry production and slaughter. We have added staff with economic, statistical, and legal expertise to strengthen competiveness investigations. We are pleased that Congress provided additional funds last year to enable GIPSA to make these improvements.

USDA has undertaken a number of initiatives to investigate livestock and poultry procurement practices, strengthen oversight and provide more information to producers:

1. Rapid Response Teams - USDA dispatched rapid response teams to South Dakota and Missouri in July and September, respectively, to respond to producers? concerns and to ensure adherence to the P&S Act in light of new price discrimination laws enacted in those States that influenced the procurement practices of packers in the States.

2. Hog Contract Library and Monthly Contract Use Reporting - As called for by the Mandatory Livestock Reporting Act of 1999, USDA is establishing a library of contracts offered by hog packers to producers for the purchase of hogs. The Department will also collect and summarize information on the numbers of hogs committed by contract for upcoming 6 and 12 month periods. Information on the types of contracts and projected hog numbers will be released monthly.

3. Excel Complaint - USDA filed a formal complaint against Excel alleging that the firm violated the P&S Act by failing to disclose to producers a change in the calculation of lean percent for hogs purchased on a carcass merit basis, and that, as a result of this change in formula, Excel paid lower prices for a majority of hogs bought..

4. Farmland Complaint - USDA filed a formal complaint against Farmland National Beef Packing Company, alleging that the company violated the P&S Act by changing its business practices by failing to make bids or purchase cattle at Callicrate Cattle Company Feedyard, St. Francis, Kansas, after an article critical of Farmland written by Callicrate Feedyard's sales manager was published in a livestock journal.

5. Texas Fed-Cattle Investigation - GIPSA conducted a broad investigation of fed steer and heifer procurement in the Texas Panhandle covering the 1995-96 period. The investigation examined procurement areas, procurement methods, and pricing methods. GIPSA's investigation found substantial variation in the use of methods of cattle procurement. It found in the econometric analysis performed under cooperative agreement with university researchers that the statistical association found in other studies - an increase in non-spot purchases was associated with lower spot prices - was found in the Texas

data as well. The estimated statistical relationships appear to suggest that reducing non-spot purchases or increasing spot purchases could have a positive effect on spot price. However, the researchers note with regard to this suggestion that a statistical association does not prove causation. In addition, they caution that the policy relevance of this empirical regularity depends on the nature of the economic mechanism responsible for generating it. To illustrate their point, they suggest that the actions of feedyard managers who sell cattle through non-spot arrangements could contribute to the finding that a greater volume of non-spot purchases was associated with lower prices. This is because feedyard managers generally control when cattle are delivered under marketing agreements and because non-spot cattle are priced the week before delivery.

6. Investigation of Hog Procurement Contracts - GIPSA is reviewing the terms of hog procurement contracts to ensure that individual contracts comply with the P&S Act.

7. Contract Poultry Settlements - GIPSA is engaged in major investigations to determine whether contract poultry grower settlements are fair and to ensure that growers are not being settled in an unjustly discriminatory manner. Extensive grower settlement information from several of the largest poultry integrators is being analyzed during these investigations.

8. Poultry ANPR - An Advance Notice of Proposed Rulemaking (ANPR) relative to contract production of poultry was published in the Federal Register. Comments were received from all segments of the poultry industry on the need for additional rulemaking in the areas of: 1) feed weighing and delivery; 2) live bird weighing operations; and 3) grower payment based on a comparison of grower?s production costs. Over 3,400 comments were received in response to the ANPR. Regulations relative to feed weighing and delivery have been prepared and are in the clearance process.

9. Cooperative Research Agreements on Competition in Livestock and Poultry - GIPSA recently entered into cooperative agreements with researchers at universities across the Nation to address issues related to concentration. These agreements include: A New Direction for Assessing Market Power in the Beef Packing Industry, conducted by Lynn Hunnicutt, DeeVon Bailey, and Quinn Weninger, Department of Economics, Utah State University; An Analysis of the Effects of Captive Supply in Fed Cattle Marketing in the Texas Panhandle, conducted by David Bessler, Department of Agricultural Economics, Texas Agricultural Experiment Station (Texas A&M University); Economic Effects of Regulating Broiler Contracts, conducted by Tomislav Vukina, Department of Agricultural and Resource Economics, North Carolina Agricultural Research Service (North Carolina State University); The Market for Poultry Grower Services: Dimensions and Market Power Exertion, conducted by Victoria Salin and Alan Love, Department of Agricultural Economics, Texas Agricultural Experiment Station (Texas A&M University); and Competitive Bidding in Simulated Auction Markets, conducted by Dale J. Menkhaus and Owen R. Phillips, Department of Agricultural and Applied Economics, University of Wyoming.

Now I would like to discuss legislative initiatives that would enhance GIPSA's ability to protect producers and growers and to take action against unfair trade practices or anticompetitive practices.

The first legislative initiative would amend the P&S Act to establish a statutory trust for the benefit of sellers of livestock to dealers and market agencies buying on commission. USDA has drafted and submitted to Congress a bill for review.

Market agencies selling on commission have long been required to handle funds received from the sale of consignor?s livestock as trust funds and to use a special bank account designated "Custodial Account for Shippers Proceeds." The Act was amended in 1976 to provide for statutory trusts to cover livestock sales to meat packers in the event of a business failure or other instances of packers? failure to make payment. The Act was amended in 1988 to provide statutory trust protection to poultry producers.

Dealer failures represent a significant amount of unrecovered losses in the livestock marketing chain. For fiscal years 1994-98, dealer failures averaged 14 per year. Amounts owed to livestock sellers averaged $3.1 million per year. Of this amount, producers only recovered about 25 percent of the amount owed. During the same period, an average of 9 packer failures per year resulted in an average annual payout of $1,759,243 from the packer trust. A dealer trust for cash sellers of livestock would minimize the losses suffered by livestock producers because of dealer failures to pay.

The second legislative initiative would amend the Packers and Stockyards Act to grant USDA administrative enforcement authority over contract poultry production. This proposed legislation is contained in the Poultry Farmers' Protection Act of 1999 (H.R. 2829), introduced by Representatives Kaptur and Emerson on September 9, 1999.

Under Section 202 of the Act, packers and live poultry dealers are prohibited from various unfair, deceptive or unjustly discriminatory practices. A live poultry dealer is defined as any person engaged in the business of obtaining live poultry by purchase or under a poultry growing arrangement for the purpose of slaughter or for sale to others for slaughter. Enforcement of Section 202 against a packer is accomplished through an administrative proceeding before an Administrative Law Judge. Enforcement against a live poultry dealer can only be accomplished through referral to a U.S. Attorney's office and filing in Federal Court. This is because Section 203 of the Act, which authorizes administrative enforcement, provides for actions against "packers" and not "live poultry dealers." We believe that regulation of the activities of live poultry dealers would be more efficient if the Act were amended to provide for administrative enforcement authority.

GIPSA continues to evaluate potential regulatory and legislative actions, and we have a number of investigations currently underway. We have done much to move the P&S program forward and will continue down this path to ensure fair and competitive markets for America's livestock, meatpacking, and poultry industries.

Conclusion

The United States is the world's leader in food and fiber production. We at GIPSA are working to help the Nation maintain that leadership by providing the information, services, and protection that American agriculture needs to flourish. Open, competitive markets have been and will continue to be essential to the Nation’s overall well being.

I appreciate the opportunity to address the Committee and I will be happy to respond to your questions.