



United States
Department of
Agriculture

Grain Inspection,
Packers and
Stockyards
Administration

2000 Annual Report of the Grain Inspection, Packers and Stockyards Administration

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The mention of firm names or trade products does not imply that they are endorsed or recommended directly or indirectly by the United States Department of Agriculture over other firms or similar products.

Organizational Structure and Functions



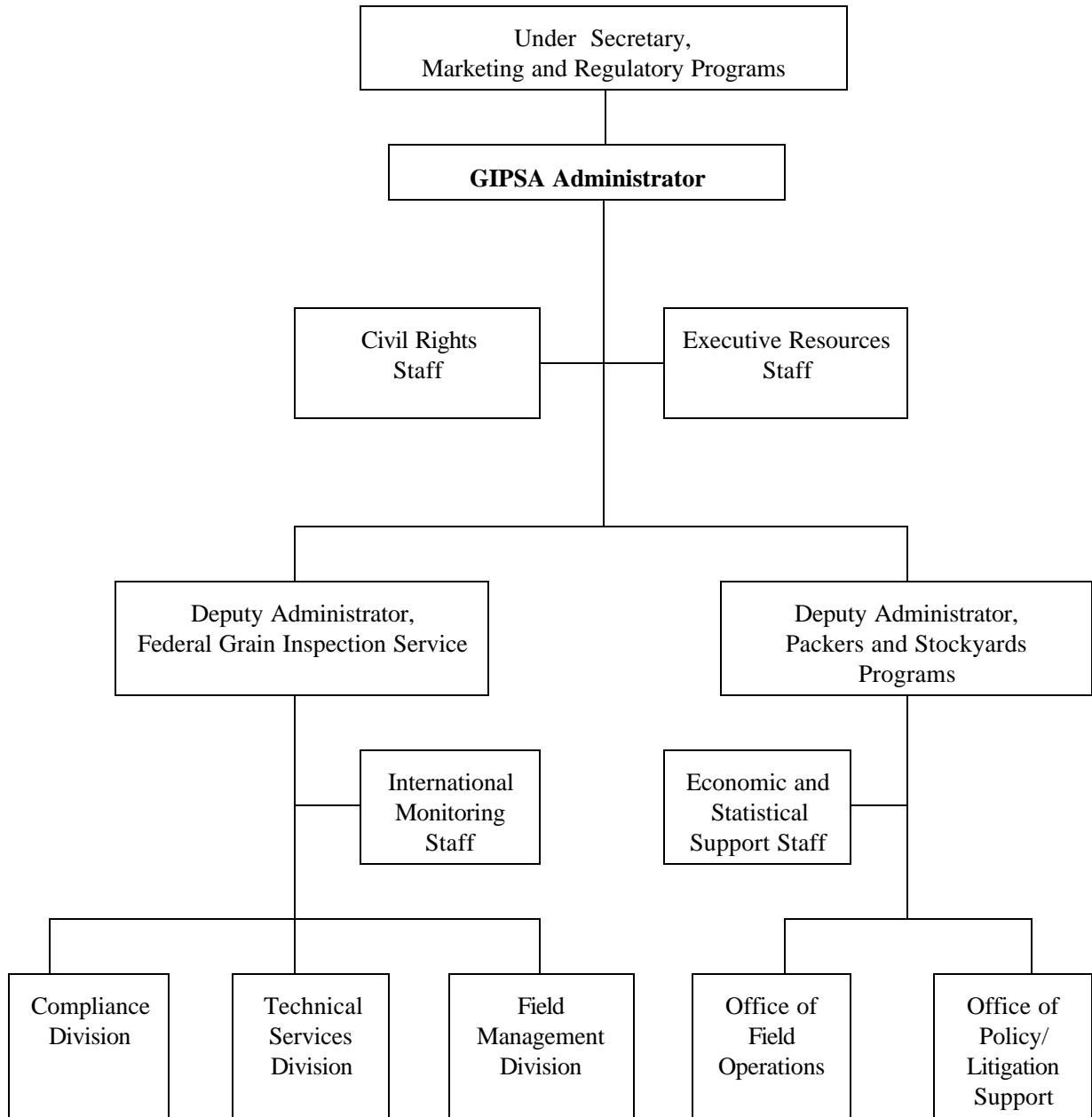
Organizational Structure and Functions

The Grain Inspection, Packers and Stockyards Administration (GIPSA) was established in October 1994 as part of the reorganization of the U.S. Department of Agriculture (USDA). The formation of this agency resulted from the joining of two previously independent agencies. GIPSA is part of USDA's Marketing and Regulatory Programs, which is working to ensure a productive and competitive global marketplace for U.S. agricultural products.

One of GIPSA's programs, the Packers and Stockyards Programs (P&S), ensures open and competitive markets for livestock, meat, and poultry. P&S is a regulatory program whose roots are in providing financial protection, and ensuring fair and competitive markets. The other program, the Federal Grain Inspection Service (FGIS), provides the U.S. grain market with Federal quality standards and a uniform system for applying them. FGIS has both service and regulatory roles, and was founded to provide impartial, accurate quality and quantity measurements to create an environment that promotes fairness and efficiency.

The existence of GIPSA as an impartial, third-party entity helps ensure a fair and competitive marketing system for all involved in the merchandising of livestock, meat, and poultry, and grain and related products.

GIPSA=s Organizational Structure



Packers and Stockyards Programs

GIPSA's Packers and Stockyards (P&S) Programs administers the Packers and Stockyards Act of 1921, as amended, and carries out the Secretary's responsibilities under Section 1324 of the Food Security Act of 1985 covering central filing systems established by States for pre-notification of security interests against farm products. The program is responsible for the Truth-in-Lending Act, the Fair Credit Reporting Act, Agriculture Fair Practices Act, and the Freedom of Information Act as each relates to persons and firms subject to the P&S Act.

The principal purpose of GIPSA's P&S Programs is to ensure the integrity of livestock, meat, and poultry markets and the marketplace. This includes fostering fair and open competition, and guarding against deceptive and fraudulent practices affecting the movement and price of meat animals and their products. The Agency's work also aims to protect consumers and members of the livestock, meat, and poultry industries from unfair business practices, which can unduly affect meat and poultry distribution and prices.

Under the Food Security Act of 1985, States may establish central filing systems to pre-notify buyers, commission merchants, and selling agents of security interests against farm products. GIPSA has been delegated responsibility for administering the section of the statute commonly referred to as the "Clear Title" provision. In fulfilling its responsibility, GIPSA has issued regulations governing pre-notification and certifies those State systems that meet the criteria in the statute.

Activities under the P&S Act

The principal activities involved in administering the P&S Act include:

- investigating competitive practices of livestock, meat, and poultry firms to guard against anticompetitive behavior such as price manipulation, price fixing, and territorial allocation;
- examining structural changes in the livestock, meat, and poultry industries to assess potential competitive implications;
- investigating trade practices of packers, market agencies, and dealers to detect fraudulent transactions and to guard against unfair trade practices detrimental to producers and the industry;
- investigating packer meat merchandising and chain store buying to maintain prices established by fair and competitive marketing practices;

- investigating the financial conditions and payment practices of market agencies, dealers, and packers subject to the P&S Act to determine whether they are financially sound and capable of meeting their obligations;
- maintaining the integrity of the statutory trust for cash sellers of livestock and poultry growers;
- monitoring marketing practices at public markets and geographical market areas to foster and maintain fair and effective competition and avoid conflicts of interest;
- obtaining adequate surety bonds from auction markets, commission firms, dealers, order buyers, and meat packers (purchasing more than \$500,000 worth of livestock annually) to ensure payment for livestock purchased;
- investigating live poultry procurement practices to identify and correct those that are unfair, deceptive, or unjustly discriminatory to poultry growers and sellers; and
- checkweighing at auction markets, terminal stockyards, packer/poultry processors, and dealer buying stations to maintain integrity in the weights of subject transactions.

Toll-Free Hotline

GIPSA maintains a toll-free number (1-800-998-3447) to allow livestock producers, poultry growers, and the public to report complaints and share concerns. During FY 2000, GIPSA received 128 hotline complaints from livestock producers, poultry growers, and the public. Each call was referred to the appropriate regional office for review. GIPSA took appropriate action on complaints reporting substantiated violations of the P&S Act.

P&S Structure

The headquarters office of the P&S Programs is located in Washington, D.C. Following the consolidation of the field activities into three regions in 1998, regional offices are located in Atlanta, GA; Denver, CO; and Des Moines, IA. The Atlanta Regional Office is primarily responsible for national issues relating to poultry production and processing. National livestock concerns are the primary responsibility of the Denver Regional Office, and the Des Moines Office is responsible for national issues relating to swine production and processing. Resident agent positions were established in 33 locations across the Nation to provide core services. Agents work out of their homes or in one of three suboffices located in Fort Worth, TX; Lancaster, PA; or Sacramento, CA. As of September 30, 2000, P&S had 176 full-time employees.

P&S Regional Offices

Atlanta Regional Office
Suite 5R10
100 Alabama Street, SW
Atlanta, GA 30303-5R10

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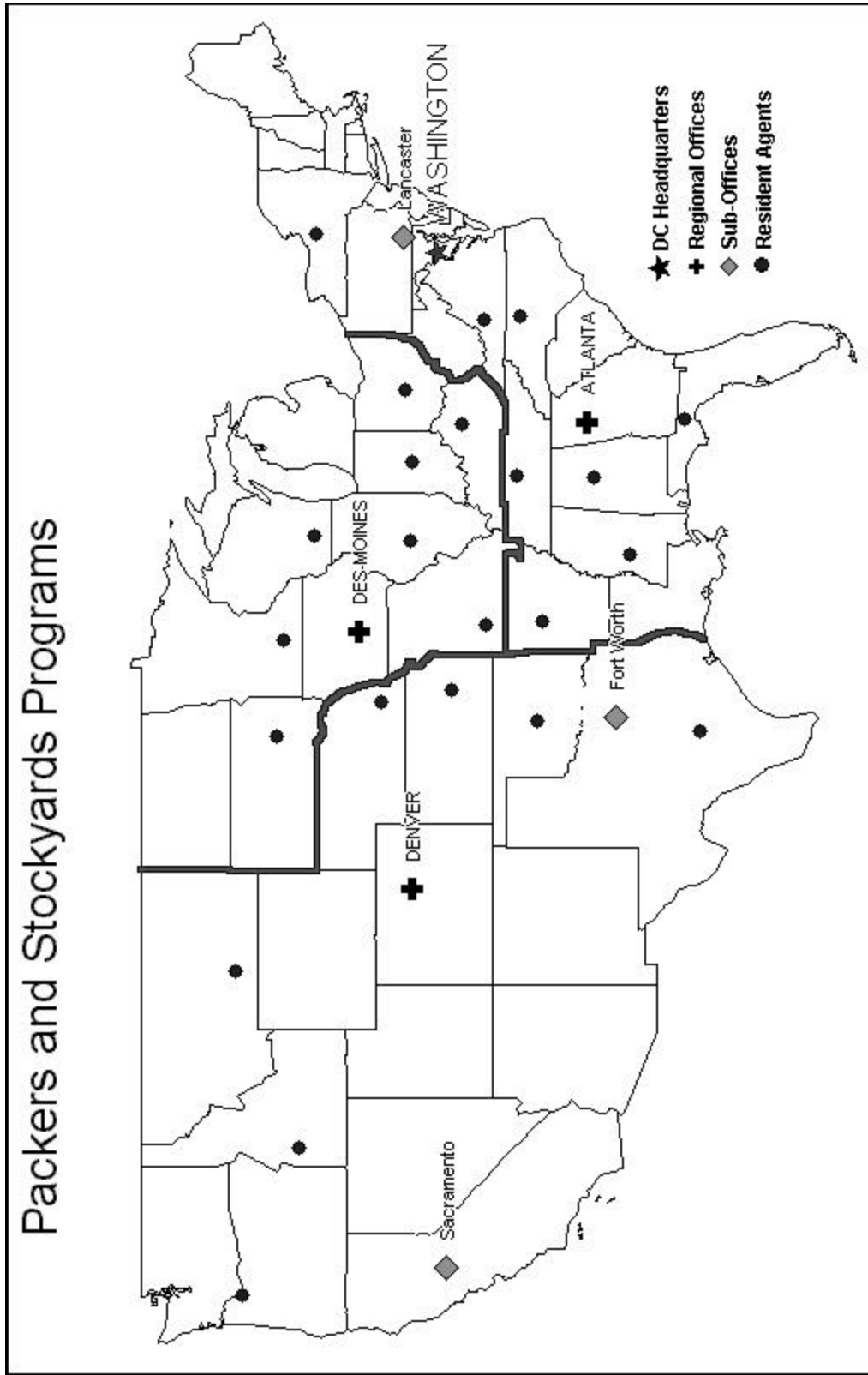
Denver Regional Office
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P&S Programs Field Structure



Federal Grain Inspection Service

A Federal grain inspection entity was instituted by Congress in 1976 to manage the national grain inspection system, which initially was established in 1916, and to institute a national grain weighing program. The goal of creating a single Federal grain inspection entity was to ensure development and maintenance of uniform U.S. standards, to develop inspection and weighing procedures for grain in domestic and export trade, and to facilitate grain marketing.

Activities under the U.S. Grain Standards Act

GIPSA administers uniform, national grain inspection and weighing programs established by the U.S. Grain Standards Act, as amended (hereinafter, the Act). Services under the Act are performed on a fee basis for both export and domestic grain shipments. The Act requires generally 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.

In administering and enforcing the Act, GIPSA:

- establishes and maintains official U.S. grain standards for barley, canola, corn, flaxseed, oats, rye, sorghum, soybeans, sunflower seed, triticale, wheat, and mixed grain;
- promotes the uniform application of official U.S. grain standards by official inspection personnel;
- establishes methods and procedures, and approves equipment for the official inspection and weighing¹ of grain;

¹ Official Inspection. The determination by original inspection, reinspection, and appeal inspection and the certification by official personnel of the kind, class, quality, or condition of grain under standards provided for in the Act; or, the condition of vessels and other carriers or receptacles for the transportation of grain insofar as it may affect the quality of such grain under other criteria approved by the Secretary. (The term "officially inspected" shall be construed accordingly.)

Official Weighing. (Class X Weighing). The determination and certification by official personnel of the quantity of a lot of grain under standards provided for in the Act, based on the actual performance of weighing or the physical supervision thereof, including the physical inspection and testing for accuracy of the weights and scales, the physical inspection of the premises at which weighing is performed, and the monitoring of the discharge of grain into the elevator or conveyance. (The terms "official weight" and "officially weighed" shall be construed accordingly.)

- provides official inspection and weighing services at certain U.S. export port locations,² and official inspection of U.S. grain at certain export port locations in eastern Canada along the St. Lawrence Seaway;
- delegates qualified State agencies to inspect and weigh grain at certain U.S. export port locations;
- designates qualified State and private agencies to inspect and weigh grain at interior locations;
- licenses qualified State and private agency personnel to perform inspection and weighing services;
- provides Federal oversight of the official inspection and weighing of grain by delegated States and designated agencies;
- provides review inspection services³ of U.S. grain in the United States and at certain export port locations in eastern Canada;
- investigates, in cooperation with the USDA Office of Inspector General, alleged violations of the Act and initiates appropriate corrective action;
- monitors the quality and weight of U.S. grain as received at destination ports, and investigates complaints or discrepancies reported by importers; and
- assists U.S. trading partners in developing and improving their grain inspection and weighing programs.

Mandatory Services

Under provisions of the Act, most grain exported from U.S. export port locations must be officially weighed. A similar requirement exists for inspection, except for grain which is not sold or described by grade. Intercompany-barge grain received at export port locations also must be officially weighed. And, the Act requires that all corn exported from the United States be tested for aflatoxin prior to shipment, unless the contract stipulates that testing is not required.

² Export Port Locations. Commonly recognized ports of export in the United States or Canada, as determined by the Secretary, from which grain produced in the United States is shipped to any place outside the United States. Such locations include any coastal or border location, or any site in the United States that contains one or more export elevators and is identified by FGIS as an export port location.

³ Review Inspection Service. A reinspection, appeal inspection, or Board appeal inspection service performed when discrepancies are alleged between the true quality of the grain and the inspection results.

Mandatory inspection and weighing services are provided by GIPSA on a fee basis at 38 export elevators (including 5 floating elevators). Under a cooperative agreement with GIPSA, the Canadian Grain Commission provides official services, with GIPSA oversight, at seven locations in Canada exporting U.S. grain. Eight delegated States provide official services at an additional 19 export elevators under GIPSA oversight.

Grain exporters shipping less than 15,000 metric tons of grain abroad annually are exempt from mandatory official inspection and weighing requirements. Grain exported by train or truck to Canada or Mexico also is exempt from official inspection and weighing requirements.

Permissive Services

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.

Activities under the Agricultural Marketing Act

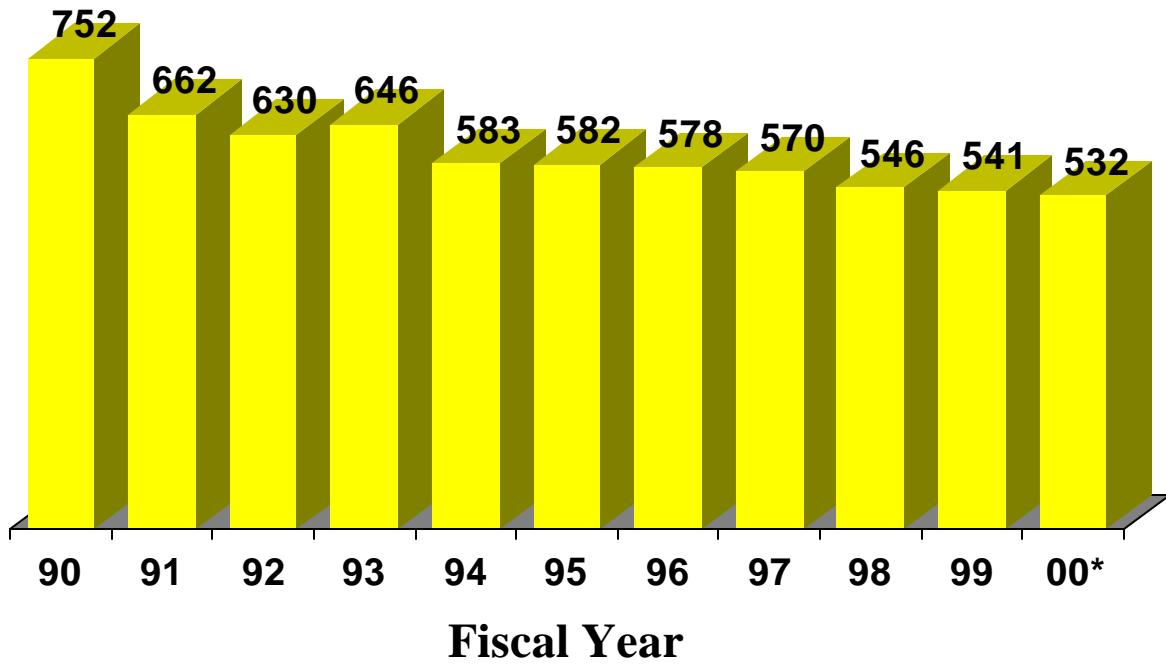
Under the Agricultural Marketing Act of 1946 (hereinafter, the AMA), GIPSA administers and enforces certain inspection and standardization activities related to rice, pulses, lentils, and processed grain products such as flour and corn meal, as well as other agricultural commodities. Services under the 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.

FGIS Structure

FGIS is comprised of 532 full-time, permanent employees and 71 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.

**Federal Grain Inspection Service
Full-Time Permanent Employment, FY 1990-2000**

Number of Employees



Source: Executive Resources Staff, SF-113-A

Provision of Inspection and Weighing Services by State

State	Grain			Commodities		
	State Agencies		Private Designated Agencies	GIPSA Locations	State Agencies	GIPSA Locations
	Delegated	Designated				
Alabama	.	.			.	
Alaska						
Arizona			.			
Arkansas			.			.
California	.	.		*.	.	
Colorado			.			.
Connecticut						
Delaware						
Florida						.
Georgia		.		.	.	
Hawaii						
Idaho		
Illinois			.	.		.
Indiana			.			.
Iowa			.	.		.
Kansas			.	.		.
Kentucky			.			.
Louisiana	
Maine						
Maryland				.		.
Massachusetts						.
Michigan			.			.
Minnesota
Mississippi
Missouri	
Montana		.			.	.
Nebraska			.			.
Nevada						
New Hampshire						
New Jersey						.
New Mexico			.			
New York						.
North Carolina		.			.	.
North Dakota			.	.		.
Ohio			.	.		.
Oklahoma			.			.
Oregon	
Pennsylvania						.
Rhode Island						.
South Carolina	.	.				.
South Dakota			.			.
Tennessee			.			.
Texas			.	.		.
Utah		.				.
Vermont						
Virginia	.	.				.
Washington	.	.		*.	.	.
West Virginia						
Wisconsin
Wyoming			.		.	.

* Federal/State office.

Outlook 2001



Outlook 2001

Marketing Outlook

Livestock, Meat, and Poultry. Production of beef and pork in the fourth quarter of 2000 is expected to be below the fourth quarter of 1999, but broiler production is expected to show an increase over last year's levels. Fourth quarter live market steer prices are projected to be near their spring 2000 levels, which were the highest in over 3 years. Feeder cattle are projected to continue to bring high prices in the fourth quarter. Hog prices are expected to fall in the fourth quarter, but are still expected to result in positive net returns for most hog producers.

Beef, pork, and broiler production all increased in 2000, but beef production is expected to decline in 2001. Beef production was at a record high in 2000, but is expected to decline by about 4 percent in 2001. USDA's Economic Research Service projects that pork production will increase by 1 percent in 2001. Broiler production is expected to grow by 5 percent. Total red meat production in 2001 is projected to be marginally above 2000's level. Live animal prices are expected to increase in 2001 for feeder cattle and slaughter cattle, but slaughter hog prices are expected to decline. Hog prices are projected to be in the mid \$40s per cwt, feeder cattle prices are projected to be in the mid \$80s to low \$90s, and fed cattle prices are projected to rise to the mid \$70s. Broiler prices are projected to average in the mid \$0.50s per pound. Exports of beef in 2001 are expected to be below 2000 levels, but pork exports are expected to be up. Broiler exports are expected to be about the same in 2001 as in 2000. Large grain production in 2000 has led to continued low grain prices, thereby lowering feed costs and easing the profit strain on livestock producers.

The livestock industries continue to undergo major structural changes. Vertical production and marketing arrangements are developing relatively quickly, especially in the pork industry, where production and marketing contracts now account for over 60 percent of all slaughter hogs. Concentration levels in meat packing continue to be a major industry concern.

Grain. Expectations of record corn and soybean production, along with abundant wheat stocks have depressed prices for those major crops to near decade lows. While lower prices should stimulate domestic consumption and help boost exports, that will only take part of excess supply from the market. Beginning stocks, already double what they were 2 years ago, will likely climb higher by the end of the marketing year. That could place further pressure on prices.

Domestically, more favorable prices at planting than a year ago led to 3 percent and 1 percent acreage gains for corn and soybeans, respectively; wheat was slightly higher. Expanded acreage along with above-average yields due to favorable weather contributed to record corn and soybean crops. In contrast, winter wheat yields were hit by hot, dry weather, which contributed to an overall decline in wheat production. Prices for all

major crops are near or below decade lows after steady declines since the mid-1990s. Wheat prices have fallen from an average \$4.55 per bushel in 1995/96 to around \$2.50 in both 1999/2000 and 2000/01. During the same period corn prices slipped from \$3.24 per bushel in 1995/96 to \$1.80 in 1999/2000 and an expected range of \$1.45 to \$1.85 in 2000/01. Soybean prices, which peaked in 1996/97 at \$7.35 per bushel, were down to \$4.65 in 1999/2000 and to an estimated \$3.90 to \$4.80 in 2000/01.

Biotech corn and soybean acreage fell as a share of total acreage for the first time since 1996, but still account for a significant share of production. Biotech corn accounted for an estimated 25 percent share, down from one-third in 1999, while soybean's share declined to 54 percent from 57 percent in 1999. Low prices make farmers less willing to pay a premium for biotech seeds. Some producers also report lower-than-expected benefits from biotech crops relative to conventional varieties.

Internationally, higher worldwide production of grains and soybeans should decrease trade flows. Low domestic prices are expected to help the United States expand its market share for corn and soybeans, though smaller competitors' supplies will also be a factor. The U.S. market share in world corn markets is expected to reach 70 percent, up from 61 percent in 1999/2000, as a smaller Chinese crop creates less competition for our exports in Asia. Similarly, smaller South American soybean exports should allow for an increase in the U.S. market share to 60 percent, up from 57 percent in 1999/2000. Continued strong competition in world wheat markets from Europe, Canada, and Australia limits any likely increase in the U.S. market share, which is expected to remain little changed at 24 percent.

The U.S. crop outlook for FY 2001 is mixed. Most production will be marketed and used as it has in the past, i.e., as bulk commodities. However, a growing share of production involves specialty grains and oilseeds that command a premium in the market, such as high-oil corn, high oleic soybeans, and high-gluten durum wheat. Marketing these products is more niche-oriented, with increased use of segregation and identity preservation allowing producers and handlers to capture maximum value added. This change is being accelerated by overseas buyers distinguishing between conventional and biotech grains. Even wheat marketing, which does not yet face the challenges of biotech varieties, is seeing shifts in foreign demand toward cleaner and higher quality wheat. This trend toward a more segregated market poses challenges to existing bulk means of handling grain and traditional means of marketing grain. GIPSA stands ready to meet these challenges.

WORC Petition

The Western Organization of Resource Councils (WORC) submitted a petition requesting that GIPSA initiate rulemaking to restrict certain livestock procurement practices regarding forward contracting and packer-fed cattle. To create a forum for discussion, GIPSA published the WORC petition in the *Federal Register* in January 1997 and received over 1,700 comments by the close of the comment period in April 1997. A team of USDA personnel with economic, legal, and industry expertise reviewed and summarized the comments and assessed the petition's economic and legal justifications and the arguments presented in the comments.

The petition continues to stimulate valuable discussion of economic and legal issues relating to forward contracting and packer feeding of cattle, as well as contractual arrangements for production and sale of other species. GIPSA and USDA are committed to continuing a review of and dialogue on the important questions raised in the petition. To that end, USDA held a public forum on September 21, 2000, to solicit input on issues pertaining to captive supplies, including the WORC petition. Proceedings from the forum and other relevant information are available on GIPSA's web site at <http://www.usda.gov/gipsa/forum/forum.htm>.

To foster an ongoing dialogue on the merits of the issues, the review and assessment of the petition is available on GIPSA's Web site for public review (http://www.usda.gov/gipsa/worc_petition/petition.pdf). The findings of econometric analyses conducted as part of the Texas fed-cattle investigation and the peer reviewers' comments on the investigation are also available for public review on GIPSA's Web site (<http://www.usda.gov/gipsa/programsp/txpeer/peerreview.htm>).

Regulatory Actions

Non-Reporting of Price. During 2001, GIPSA will publish in the *Federal Register* a Notice of Proposed Rulemaking (NPRM) prohibiting the practice of non-reporting of price as a condition of purchase or sale of livestock. On September 14, 2000, GIPSA submitted the NPRM to the Office of Management and Budget for clearance.

Feed Weight Regulation. On April 5, 2000, GIPSA published in the *Federal Register* a final rule for the feed weight regulation. The new regulation will help ensure that feed weight is properly documented whenever it affects payment to livestock and poultry growers. This regulation applies when livestock or poultry are produced under a contract growing arrangement. GIPSA is continuing to implement the feed weight regulation, which became effective on May 5, 2000, by providing information to growers through a series of Poultry Town Hall Meetings.

Swine Contract Library. On September 5, 2000, GIPSA published in the *Federal Register*, a proposed rule to implement USDA's mandate under its FY 2000 appropriation to create a library of swine marketing contracts, and to provide monthly reporting on contract arrangements. The comment period closed on October 5, 2000. GIPSA is developing programs to implement the swine contract library when the final rule becomes effective in FY 2001.

Livestock and Poultry Marketing Proposed Rules. GIPSA plans to publish a series of four proposed rules that are intended to help ensure fair competition in the livestock, poultry, and meat packing industries. These new regulations will help level the playing field by increasing the transparency of market transactions. Specifically, the new regulations are intended to (1) clarify record keeping requirements for packers; (2) mandate disclosure of specific production contract terms in plain language and prohibit restrictions on the disclosure of contract terms; (3) require that livestock owned by different people be purchased, sold, or offered for purchase or sale on its own merits; and (4) specify conditions under which packers may offer premiums and discounts in carcass merit transactions.

Investigation Development

As discussed below under “FY 2000 Highlights,” the General Accounting Office (GAO) conducted an audit of GIPSA’s investigations of competitive practices. In FY 2001, GIPSA will take appropriate steps to implement recommendations in the GAO report. Public Law 97-258 (31 U.S.C. 720) requires USDA to submit to the U.S. Congress a written statement of action taken on GAO recommendations by within 60 days after the date of the report.

Among the steps to be taken will be development and implementation of a formal process for investigation planning, development, implementation, and review. The procedures will ensure that plans for complex investigations are reviewed by GIPSA headquarters and the Office of the General Counsel (OGC). The process will enhance current informal teamwork between GIPSA and OGC during early stages of complex investigations, and ensure that all investigative, economic, and legal issues are carefully considered before embarking on complex investigations.

Reporting on Swine Contracts

GIPSA developed a proposed rule to implement USDA’s mandate under its FY 2000 appropriation to create a library of swine marketing contracts and to provide monthly reporting on contract arrangements. The Office of Management and Budget cleared the proposed rule on August 21, 2000. GIPSA published it for comment in the *Federal Register* on September 5, 2000, after which a final rule will be prepared. GIPSA is developing programs to implement the swine contract library when the final rule becomes effective in FY 2001.

Outreach

GIPSA continues to improve its outreach efforts to producers of all sizes. Special emphasis has been placed on reaching out to small- and medium-sized farmers and ranchers. Town Hall meetings, forums, and attendance at industry conferences and conventions provide opportunities to seek input and maintain a meaningful dialogue with all facets of the industry. Poultry and Cattle Town Hall meetings are planned for next fiscal year (FY).

P&S Programs Development

In 1999, GIPSA completed a major restructuring of its P&S Programs to strengthen its capability to investigate possible unfair and anticompetitive practices, and to provide greater flexibility and efficiency in enforcing the trade practice and payment protection provisions of the P&S Act. GIPSA has added economic, statistical, and legal expertise to the field and headquarters offices to address anticompetitive practices in the livestock, meat, and poultry industries. In FY 2001, GIPSA will continue to review its

personnel staffing and development needs in these areas to further strengthen its investigations of anticompetitive practices. In October 2000, GIPSA will hold an intensive 3-day training session for all P&S Programs economists and legal specialists. OGC attorneys also will participate in specific components of the training sessions, both as trainees and instructors.

Management Information System

The Agency is considering modernizing existing electronic databases and information storage and retrieval to streamline online access for GIPSA employees. This modernization will enhance and improve the data collection and reporting that is critical to the mission of the Agency. A centralized system that is accessible to all Agency employees, regardless of their location, is planned. The system will incorporate a standardized method of access that will bring together information and electronic records that currently reside in several different databases and storage locations. If needed, negotiations with outside contractors will be scheduled during FY 2001.

Electronic Collection and Dissemination of Information

Government paperwork elimination initiatives, as well as Executive and Congressional Branch mandates for electronic public access to information, are driving GIPSA's information technology requirements. The Agency is working to provide the public the ability to file required reports and to retrieve public data electronically, while maintaining required paper receipt and dissemination. The World Wide Web component of the Internet has become the medium of choice for receiving and disseminating electronic information for those customers conducting business electronically; those without electronic systems must continue to be provided the ability to file and receive information via paper.

GIPSA is re-engineering, redesigning, and planning the World Wide Web enabling of current computer systems, applications, and public data repositories. Work on two important systems began in FY 2000.

The Swine Contract Library and Catalog Information Collection System will include both paper and electronic submissions. Primary submission of full contracts will be by paper or facsimile transmission with storage in both paper and scanned electronic formats. The monthly collection and dissemination of data for projected purchase quantities under each contract will be primarily through a World Wide Web-based site. However, capabilities will still be provided to disseminate information via e-mail, facsimile, or paper forms. The primary work site will be in the GIPSA Des Moines, Iowa, regional office with the Web site housed in Washington, DC.

The Packer Annual Report system also is being re-engineered and redesigned. Packers will be given the opportunity to file required reports electronically as well as by traditional paper methods. It is hoped that most packers will choose electronic filing to reduce their costs and improve the timeliness of filings. Electronic receipt of reports will result both in more

timely data analysis by GIPSA analysts and dissemination of relevant information to GIPSA customers. This system also will use World Wide Web-based technology to collect and disseminate data.

Electronic Commerce

Recent advances in information technology have provided the U.S. grain marketing system with a tool to provide instantaneous exchange of electronic documents and data among all parties in the trade chain. Electronic commerce companies and business-to-business ventures focused on local, regional, national, and international grain sales are emerging at a record pace, and are forging alliances within the grain industry. Electronic commerce is improving market efficiency, facilitating transparent pricing, offering new price risk management tools to producers, and providing more seamless transactions. In keeping with our mission to facilitate the marketing of U.S. grain and oilseeds, during FY 2001, the Agency will continue to participate in pilot tests and demonstrations with electronic commerce vendors, and to adopt the latest hardware, software, and available technology so that GIPSA is prepared to enter and participate in the electronic commerce arena as our customers migrate towards this marketing process.

Fees

In FY 2001, GIPSA will propose fee increases for all hourly rates and certain unit rates for inspection services performed under the Agricultural Marketing Act of 1946 in the commodity and rice inspection programs. These increases are needed to cover increased operational costs resulting from the mandated January 2001 Federal pay increase. During the fiscal year, GIPSA will evaluate the need for fee increases for other programs.

Packers and Stockyards Programs



*Ensuring a fair, open, and competitive
marketing environment for
livestock, meat, and poultry.*

- *Competition*
- *Trade Practices*
- *Financial Protection*

FY 2000 Highlights

Market Highlights

Fiscal year 2000 saw the continuation of trends operating in 1999 in the livestock and poultry industries. Beef production in FY 2000 surpassed the record set the previous year. Pork production in FY 2000 was about 2 percent below the record production of 1999. Broiler production increased by 3 percent from its FY 1999 record level. Total exports of red meat and poultry increased 3 percent, driven mainly by increases in beef and broiler exports. Red meat production efficiency continues to increase. Steer and heifer carcass weights set another record in FY 2000. The hog breeding herd in FY 2000 was 4 percent below the 1999 breeding herd, yet production fell only about 2 percent, due to higher marketing weights and increases in the number of pigs per litter and the number of litters per year.

Despite record production, demand for red meat was strong and prices for cattle and hogs were up during the year. Fed cattle prices averaged nearly \$70/cwt, compared to about \$65/cwt in FY 1999, feeder cattle prices averaged about \$85/cwt, \$10 more than in FY 1999, and hog prices averaged about \$45/cwt, more than \$10/cwt higher than in FY 1999. The higher prices, combined with continued low feed costs, meant that cattle and hog producers enjoyed higher returns than in recent years.

The structure of the industry continued to evolve in FY 2000. Six of the Nation's largest meat and poultry firms announced plans to launch a business-to-business Web marketplace for buyers and sellers of red meat and poultry products. Several other firms joined the electronic marketplace for red meat and poultry. eMerge Interactive emerged as an Internet-based cattle trading company. The pork industry continued to become more vertically integrated as Smithfield Foods, a major pork packer, acquired Murphy Family Farms to become the world's largest hog producer.

Investigations

GIPSA' P&S Programs is comprised of Competition, Trade Practices, and Financial Protection units. In FY 2000, these units undertook 1,898 investigations, and closed 1,701, representing a 59% increase over FY 99. The individual breakdown of FY 2000 investigations closed, including those closed within one year, FY 2000 follows:

FY 2000: Investigations Closed by P&S Programs (Total Number of Investigations: 1,898)			
<i>Unit</i>	<i>Total Number Closed</i>	<i>Number Closed in 1 Year</i>	<i>Percent Closed in 1 Year</i>
Competition	26	14	54%
Financial	783	755	96.4%
Trade Practice	892	871	97.6%
Totals	1,701	1,640	96.4%

Note: Competition investigations are normally the largest and most complex investigations conducted by this agency. The time required to conduct the investigation and analyze the data is often more than one year. And differences in total number closed and cases closed may be explained by carry-overs from the previous fiscal year.

During FY 2000, GIPSA further strengthened its investigations by enhancing relationships with the Office of the General Counsel, Department of Justice, and other agencies. GIPSA formalized a team approach with OGC attorneys to ensure that all investigative, economic, and legal issues are considered prior to embarking on complex investigations; implemented strategies, including assessments of investigative procedures, with the Department of Justice and Federal Trade Commission; and will be implementing a formalized investigation review process to develop effective investigation plans and facilitate successful litigation.

Recruitment

Recruitment has continued to be a high priority for P&S Programs since completion of the program's reorganization in July 1999. During the reorganization, 35 employees retired or resigned rather than relocate. In the past 2 years, P&S Programs hired 68 new employees, 57 of whom are located in regional offices. GIPSA actively sought the expertise necessary to conduct investigations of anticompetitive practices. Recruiting staff with economic and legal expertise was a high priority in FY 2000. A recruiting team was established to help meet hiring goals and to ensure that those hired reflect the diverse cultures represented in the United States. As a result of these efforts, 28 economists and 6 legal specialists were added to the regional offices and Washington headquarters to strengthen investigations of anticompetitive behavior. P&S Programs finished FY 2000 with 176 full-time employees. Recruitment to meet additional staffing needs will continue to be a high priority in FY 2001.

GAO Report

The GAO conducted an audit of GIPSA's investigations of competitive practices. The report identified several recommendations to improve GIPSA's investigations of anticompetitive practices under the P&S Act. The GAO recommends that GIPSA economists and Office of the General Counsel (OGC) attorneys develop a teamwork approach for investigations. The report also discusses the number and role of OGC attorneys in GIPSA's investigations, as well as the role of GIPSA's own legal specialists. Finally, the report recommends that GIPSA promote competition through information activities. Overall, GIPSA concurs with the report recommendations. As discussed above under "Outlook 2001," GIPSA is already taking steps to address GAO's concerns and appropriately implement GAO's recommendations.

Technical Training

In June 2000, Packers and Stockyards Programs completed its FY2000 Business Trade Practices and Investigative Interviewing training. The primary focus of the training was to improve field employees' knowledge of programs, policy, and procedures relating to financial and business trade practices and to improve their knowledge and skills will continue to be a high priority in FY 2001.

Strengthened Investigations of Anticompetitive Practices

As part of its restructuring plan, P&S incorporated economic, statistical, and legal expertise into investigations at the field office level, thereby increasing the program's efficiency and effectiveness in investigating anticompetitive practices and in enforcing trade practice and payment protection provisions of the P&S Act. In FY 2000, P&S continued to recruit economists and legal specialists for its field staff, now having 28 economists and 6 attorneys on board. Additional funding continues to be sought to investigate competitive behavior in meat packing and to address concerns in the poultry industry.

Issued Orders and Assessed Penalties

During FY 2000, 17 decisions and orders were issued against 25 individuals and firms for violating the P&S Act. The orders included more than \$117,000 in civil penalties and 24 cease-and-desist provisions involving unfair trade practices or anticompetitive activities. Small farms are among the principal beneficiaries of these enforcement actions.

Corrective Actions

Voluntary. Most violations of the P&S Act found in investigations initiated by GIPSA are corrected voluntarily by the individuals or firms when the violation is brought to their attention. Except for the most serious cases, taking disciplinary action to correct a violation is the last resort after substantial effort has been made to obtain voluntary compliance.

During FY 2000, dealers and market agencies found to be insolvent voluntarily corrected or reduced their insolvency by \$6.6 million. Upon finding shortages in the custodial account of market agencies that sell livestock on a commission basis, 81 market agencies voluntarily restored \$5.9 million to their custodial accounts. Livestock producers and poultry growers often ask GIPSA's help in settling disputes that arise in marketing their products. In such transactions, the Agency often acts as an intermediary by bringing the parties together to solve the disputes.

Disciplinary. Formal disciplinary action is necessary when GIPSA is unable to obtain voluntary compliance. During FY 2000, 17 administrative or justice complaints were issued in order to bring subject firms into compliance with the P&S Act. USDA issued 13 administrative decisions and orders against 21 individuals and firms for violating the Act. Four justice decisions and orders, including one consent agreement, were issued against 4 individuals and firms for violating the Act. The following is a list of violations of the P&S Act alleged in complaints issued and/or decisions rendered in FY 2000:

- failure to pay for poultry;
- failure to pay promptly for poultry;
- misrepresenting the weight and price of livestock;
- failure to pay for livestock;
- issuing insufficient checks to sellers of livestock;
- failure to pay promptly for livestock;
- failure to notify sellers of a change in method used to calculate payment basis;
- engaging in unfair practices that subjected poultry growers to undue or unreasonable prejudices or disadvantages;
- shortage in custodial or trust account;
- misusing funds in custodial or trust account;
- insolvency (current liabilities exceeded current assets); and
- operating without required bond.

Overview of Livestock Industry

The following table provides an overview of the livestock industry during FY 2000 and GIPSA's involvement in it.

Fiscal Year 2000	
Investigations	1,965
Market Agencies/Dealers Registered	6,195
Stockyards Posted	1,318
Slaughtering and Processing Packers Subject to the P&S Act (estimated)	6,000
Poultry Operations Subject to the P&S Act	205

The wholesale value of livestock, meat, and poultry products produced by firms subject to the P&S Act was approximately \$142 billion in FY 2000.

Statistical Report

GIPSA prepared a statistical report on the meatpacking industry covering reporting year 1998. The report is a comprehensive source for data on industry concentration, plant size, volume of packer feeding, packer financial performance, number of animals purchased by source of supply (public market versus direct), and method of procurement. Most of the data are reported by type of animal and/or State or geographic region. The report includes data on slaughtering packers; market agencies buying or selling livestock on commission, including auction markets and selling agencies at terminal stockyards; and livestock dealers buying and selling livestock for their own accounts.

The report shows that the number of livestock packers reporting to GIPSA (those purchasing more than \$500,000 of livestock for slaughter per year) has fallen over time. In 1990, 497 firms operating 623 plants reported to GIPSA. In 1998, the number of reporting firms had fallen to 279, and the number of plants had fallen to 372. The following table shows this trend in more detail.

Number of reporting packers, all species				
Year	Single-plant firms	Multi-plant firms	Total firms	Total Plants
1990	454	43	497	623
1991	428	40	468	587
1992	388	49	437	569
1993	355	50	405	534
1994	323	49	372	500
1995	315	45	360	487
1996	311	37	348	478
1997	291	40	331	443
1998	247	32	279	372

The report details packers' use of public and nonpublic markets. Public markets include terminals and auctions; nonpublic markets include all other sources of livestock. Overall, beef packers obtained less than 15 percent of slaughter cattle, and less than 5 percent of steers and heifers, in public markets. The four largest beef packers procured a smaller percentage of their slaughter requirements through public markets than any other group of purchasers. Use of public markets varies regionally. Only 0.6 percent of steers and heifers were bought in public markets in Texas and Oklahoma, while more than 70 percent were bought in public markets in the southern Atlantic coast States. The majority of non-fed cattle (cows and bulls) were purchased in public markets.

Hog packers use public markets even less than cattle packers do. The top 20 packers use public markets for a little more than 1 percent of their procurement and, overall, hog packers purchased about 3 percent of their needs through public markets. There also is much less regional variation in use of public markets for hog procurement. Use of public markets ranged from less than 1 percent in the South Plains and Mountain States to about 7 percent in the northern Atlantic coast States.

Packer use of public markets, 1998		
	Percent of total slaughter	
	<u>Cattle</u>	<u>Hogs</u>
4 largest packers	4.8	1.0
20 largest packers	8.6	1.3
All packers	13.8	3.2

The report also provides details about livestock sold through public markets. Livestock sold through public markets may be used for slaughter, further feeding, dairy production, or other purposes. The total number of cattle and calves sold through public markets for all purposes declined from 42 million head in 1990 to 38 million head in 1998. The number of hogs and pigs sold through public markets declined from about 19 million in 1990 to less than 9 million in 1997, but rose to 11 million in 1998. The total number of public markets (terminal and auction markets) in the United States declined from 1,618 in 1990 to 1,267 in 1999.

Clear Title

Nineteen States have central filing systems that have been certified by the USDA as meeting the requirements of Section 1324 of the Food Security Act of 1985. Fifteen of those States received certification in 1986 and 1987. Minnesota was the most recent State to receive certification—in 1993. A few States request that additional products be added to their list of approved farm products from time to time. States establish central filing systems to enable buyers to learn about lien notices against farm products.

Rapid Response Teams

GIPSA has developed Rapid Response teams to address or investigate potential violations of the P&S Act. These teams have been deployed to address several potentially serious situations across the Nation since July 1999. For example, in July 1999, teams were sent to Sioux Falls, Brookings, and Mitchell, South Dakota, when that State’s mandatory livestock price reporting law took effect. In September 1999, teams were sent to Kirksville, Marshall, Maryville, and Mexico, Missouri, in response to livestock producers’ concerns about packer behavior when Missouri’s new mandatory livestock price reporting law took effect on August 28, 1999. In both of these cases, swift action by the Rapid Response teams enhanced communication between GIPSA, the State governments, producers, and the packing industry. In February 2000, in Paxinos, Pennsylvania, a packer ceased operations owing approximately \$175,000 for livestock. An immediate investigation by a Rapid Response team resulted in sellers receiving payment in full, without further delay, and without incurring any litigation expenses to collect the amounts owed. Rapid Response teams also were in Mississippi in February to respond to poultry growers' concerns of unfair treatment under the P&S Act.

The teams investigated complaints made by poultry growers about changes to their grow-out contracts. The investigation into potential violations of the Act was initiated in response to numerous complaints made to GIPSA's Violations Hotline. In April 2000, two Rapid Response teams were sent in response to the announcement that Smithfield Food, Inc. intended to purchase a Dubuque packing plant from Farmland Foods, Inc. The team assessed the potential regional impacts of this purchase on hog producers. The Rapid Response teams are another way that the Department of Agriculture is demonstrating its commitment to maintaining a fair market for U.S. farm products and helping assure a healthy future for family farmers and ranchers.

Dialogue With Industry

GIPSA maintains an active dialogue with industry participants to sustain current knowledge of issues and concerns. Lines of communication are open from the grassroots to the industry association and policy-making levels. During investigations, GIPSA personnel make formal and informal contacts with people in all segments of the livestock, poultry, and meat industries. This allows for sharing of perspectives about specific complaints as well as general concerns. GIPSA maintains a toll-free hotline (1-800-998-3447) as another avenue for producers and the public to voice their concerns and record their complaints about competitive, trade practice, or financial issues that may warrant investigation. GIPSA personnel regularly attend and participate in meetings of industry associations, at both the national and State levels.

In FY 2000, GIPSA participated in a series of three regional summits with State Attorneys General, leaders of State agriculture departments, and representatives from USDA. The meetings were held in Des Moines, IA, Denver, CO, and Atlanta, GA, in February and April 2000. The summits provided an opportunity for the respective governmental bodies to focus on the challenges associated with the changes facing agriculture. Concentration, mergers in agribusiness, marketing contracts, packers' ownership of livestock, environmental issues affecting agriculture, and mandatory price reporting were among the topics of discussion.

More than 450 people participated in GIPSA's "Visions for the Millennium Conference" on structural changes facing livestock and grain markets in the 21st century. The conference was held May 9 and 10, 2000, in Kansas City, Missouri, and was well attended by farmers, ranchers, industry people, academia, and Federal and State representatives. The conference celebrated the accomplishments of American agriculture over the past 100 years, discussed current forces for change, and debated the merits of innovation and structural changes. Various speakers addressed the major challenges and opportunities that farmers and ranchers have faced and will face as a result of changes in technology, international forces, consumer demand, concentration, consolidations and mergers, vertical coordination, changing marketing institutions, and other forces. The final session was a debate on concentration hosted by Deputy Secretary Rominger. Many participants requested that the conference become an annual event for producers and growers to understand the dynamics of change affecting their livelihood.

Competition

Overview

One of GIPSA's major responsibilities under the P&S Act is to ensure open, competitive marketing conditions for livestock and meat. Various producer organizations have voiced concerns about enforcement in this area. To maintain a competitive and fair marketing system, buyers of livestock must actively compete in the procurement of livestock. GIPSA continually monitors the livestock industry for anticompetitive practices through various investigative activities and other tools. In its regulatory role, GIPSA seeks to enhance competition in several ways. GIPSA investigates potential anticompetitive practices, and seeks to achieve compliance with the P&S Act. When violations are uncovered, GIPSA may seek voluntary compliance or pursue administrative complaints as appropriate and warranted by the evidence. GIPSA also promulgates rules that provide guidance to the regulated industry on policy interpretations under the P&S Act. GIPSA engages in outreach activities to inform interested parties, particularly livestock and poultry producers and the regulated entities, of P&S enforcement efforts and rulemaking activities and to stimulate public dialogue on important competition issues.

Anticompetitive Arrangements

GIPSA places a high priority on investigating complaints and further developing information received about the potential failure of livestock dealers, market agencies, or packers to compete for the purchase of livestock. During FY 2000, GIPSA conducted investigations involving livestock dealers, market agencies, packer buyers, and slaughtering packers regarding potential anticompetitive practices in the purchase of livestock.

GIPSA has finished its investigation of fed steer and heifer procurement in the Texas Panhandle. Descriptive and graphical analyses were completed and portions were reported to the public in February 1998. Purchase and slaughter patterns were examined to identify potential occurrences of aberrant or unusual procurement practices. USDA's publicly reported Market News prices were assessed to examine whether they accurately reflected packer procurement transactions. GIPSA's investigation into the procurement of cattle in the Texas Panhandle region found substantial variation in the use of methods of cattle procurement.

In a cooperative agreement with GIPSA, researchers at Iowa State University and the University of Nebraska conducted econometric and statistical analyses of the Texas Panhandle data to identify relationships between spot market prices and non-spot purchases. They found that the statistical association found in other studies – an increase in non-spot purchases was associated with lower spot prices – was in the Texas Panhandle data as well. Although the econometric analysis did not test for a causal relationship between the two, it did test and find limited support for the statistical association being, at least in part, a consequence of feeders' marketing choices. Nevertheless, the analysis did find that cattle

sold under non-spot methods tended to receive higher prices than spot cattle sold in the spot market. The effects of non-spot procurement of livestock remain a very high priority for the Agency, and we will continue to investigate the practice and take regulatory and legal steps when violations of the P&S Act are indicated.

Concentration and Industry Structure

Concentration in cattle and hog slaughter has increased a great deal since 1985. For steers and heifers, four-firm concentration rose 31 percentage points to 81 percent in 1999. Concentration has remained fairly constant since 1993. Four-firm concentration in hog procurement has risen more than 24 percentage points since 1985, to 56 percent in 1999, increasing steadily through 1996, and remaining stable since then. Four-firm concentration in sheep and lamb slaughter rose rapidly in the mid-1980s, from 51 percent in 1985 to 77 percent in 1988, but has fallen over the last decade to 68 percent in 1999. The number of plants and number of head slaughtered by the top four firms, both in absolute number and as a percentage of total sheep and lamb slaughter, have fallen between 1988 and 1999.

Trends in four-firm concentration are shown in the following table.

**Four-Firm Concentration in Meat Packing
Reporting Years 1980-99**

Year	Cattle ¹	Steers and heifers	Cows and bulls	Hogs	Sheep and lambs
<u>Percent of total commercial slaughter</u>					
1980	28	36	10	34	56
1981	31	40	10	33	53
1982	32	41	9	36	44
1983	36	47	10	29	44
1984	37	50	11	35	49
1985	39	50	17	32	51
1986	42	55	18	33	54
1987	54	67	20	37	75
1988	57	70	18	34	77
1989	57	70	18	34	74
1990	59	72	20	40	70
1991	61	75	20	44	72
1992	64	78	24	44	71
1993	67	81	25	43	73
1994	69	82	25	45	73
1995	69	81	28	46	72
1996	66	79	29	55	73
1997	68	80	31	54	70
1998	70	80	33	56	68
1999	70	81	32	56	68

¹ Includes steers, heifers, cows, and bulls.

Note: Figures for years 1980-90 are based on firms' fiscal years as reported to GIPSA. Figures for 1991-99 are based on calendar year federally inspected slaughter.

Livestock Procurement Practices

P&S engages in broad-based investigations of livestock procurement practices to maintain current knowledge of the marketing system and to determine compliance with the P&S Act. In FY 2000, for example, P&S Programs investigated the procurement practices of the major pork packers, focusing on marketing arrangements and forward contracts. In the process of conducting its investigation, GIPSA identified several deficiencies in packer recordkeeping as required under section 401 of the P&S Act. In investigations of major beef packers, GIPSA identified recordkeeping deficiencies as well. As a result, GIPSA is promulgating a rule to clarify recordkeeping requirements for livestock procurement transactions.

Failure To Notify Pork Producers

GIPSA filed a complaint against Excel Corp., Wichita, Kansas, alleging that Excel violated section 202 of the P&S Act, which prohibits, among other things, unfair and deceptive practices by packers. It is alleged that Excel failed to disclose to producers a change in the calculation of lean percent for hogs purchased on a carcass merit basis. The complaint further alleges that as a result of this change in formula, Excel paid lower prices for the majority of hogs purchased on a carcass merit basis. The alleged actions by Excel resulted in farmers being paid \$1.8 million less in transactions involving more than 19,900 lots of hogs that were slaughtered at Excel's three hog plants. GIPSA is seeking an appropriate cease and desist order and a civil penalty of \$6 million. An administrative hearing commenced on July 18, 2000, in Wichita, Kansas. The oral hearing reconvened on September 25, 2000, in Chicago, Illinois. Excel completed the presentation of its case-in-chief. The hearing was continued to a future date for rebuttal, if any, and GIPSA's sanction testimony.

Failure To Bid on or Purchase Cattle

GIPSA filed a complaint against Farmland National Beef Packing Company, L.P., Liberal, Kansas, alleging that the company changed its bidding and buying practices at Callicrate Cattle Company Feedyard, St. Francis, Kansas. The complaint says Farmland failed to make bids on or purchase cattle from Callicrate Feedyard after an article critical of Farmland written by Callicrate Feedyard's sales manager was published in a livestock journal. According to the complaint, Farmland failed to make bids on or purchase cattle from Callicrate Feedyard, while routinely making bids on and purchasing cattle from other similarly situated feedyards located in the same geographic area as Callicrate Feedyard. An administrative hearing is scheduled to begin on March 13, 2001, in Kansas City, Missouri.

Peer Review of Investigations

USDA has committed to conducting peer reviews of major investigations to ensure that the investigators asked the right questions, collected the right data, and conducted appropriate analyses. Peer reviews by objective, qualified reviewers may potentially contribute to GIPSA's plans to strengthen enforcement of anticompetitive behavior in the livestock, meat, and poultry industries.

The peer review of an investigation of major fed-beef packing plants in the Texas Panhandle was completed. GIPSA asked seven distinguished outside authorities to review the Texas Panhandle fed-cattle investigation. The panel conscientiously reviewed GIPSA's Texas Panhandle fed-cattle investigation and made numerous suggestions that will increase the knowledge gained from that investigation, contribute to future analysis of livestock procurement investigations, and enable GIPSA to strengthen its investigative process in general.

Trade Practices

Overview

One of GIPSA's major objectives under the P&S Act is to maintain fair business practices in the marketing and procurement of livestock, meat, and poultry. To ensure fair business practices and to determine if unfair or deceptive practices are occurring, P&S Programs continually conducts trade practice investigations of auction markets, livestock dealers and order buyers, slaughtering packers, meat dealers, brokers and distributors, and poultry processors and dealers.

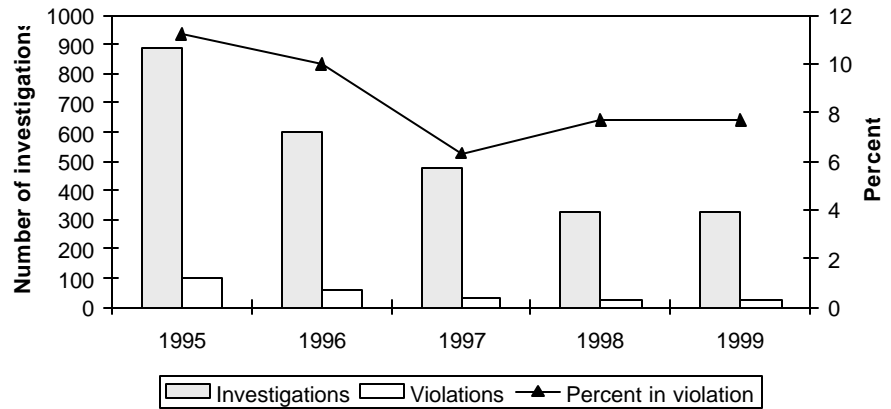
Unfair Practices

Some of GIPSA's unfair practices enforcement efforts are directed at monitoring scale accuracy, and detecting improper and fraudulent use of subject's scales. In most cases, the subject scales are tested semi-annually by State and private testing agencies following standards developed in cooperation with the National Conference on Weights and Measures (NCWM). Test reports are analyzed and tests are periodically supervised to ensure that they accurately reflect the performance of the scales under normal use conditions. GIPSA conducts training schools for test agencies with NCWM National Training Program-certified instructors. Of the scales tested in FY 2000, 96 percent complied with performance requirements. Equipment not found in compliance was adjusted, repaired, replaced, or removed from service.

GIPSA conducts training schools for test agencies with NCWM National Training Program-certified instructors. Since 1988, 28 training schools provided technical instruction to 476 officials from 50 States and the Navajo Nation. Informal instruction is routinely provided upon request to State and private test agencies.

Weighing investigations are critical components of the program to assure accurate weights. During FY 2000, 502 weighing investigations were conducted at livestock auction markets, dealer buying stations, and meat packing and poultry processing plants. Approximately 7 percent of the investigations disclosed false or incorrect weighing, which resulted in corrective action being taken.

Weighing Investigations
Livestock, Direct, Poultry and Carcass Checkweighs



False Weighing

USDA regulations require that livestock purchased on a weight basis be accurately weighed and that payment be made on accurate weight. False weights have an immediate and measurable impact on livestock producers' paychecks. During FY 2000, two administrative complaints were issued against five entities for allegedly selling livestock to their customers at more than the true and correct weight.

Contract Poultry Arrangements

During FY 2000, GIPSA investigated the operations of 97 live poultry dealers. Nearly 44 percent of these investigations were the result of complaints received from contract growers. GIPSA is conducting investigations of the various payment terms incorporated into poultry growing arrangements. These investigations are designed to determine whether the contract settlement terms of several live poultry dealers throughout the United States are deceptive or unfair to the growers who grow poultry under these agreements. During FY 2000, the Department of Agriculture and Perdue Farms, Inc., a major poultry processor on the East Coast, entered into a consent agreement to resolve a complaint that was filed in the U.S. District Court of Maryland by the United States Attorney. The complaint alleged that Perdue engaged in unfair and deceptive practices in its dealings with some of its poultry growers. USDA sought injunctive relief against Perdue for its alleged violations of the P&S Act. The parties agreed to a dismissal of the complaint as part of the consent agreement.

Continuing investigations of large tare weight variations have prompted procedural changes by several poultry firms to ensure accurate tare weights of poultry live haul vehicles. Weighing practices were investigated through unannounced checkweighings at 178 poultry complexes in FY 2000.

Livestock Marketing

Fraudulent marketing practices, such as weight and price manipulation, and misrepresentation of livestock's origin and health continue to be concerns within the industry. Emphasis is given to investigating these practices when complaints are received, or when such practices are identified during other investigations. During FY 2000, GIPSA issued an amended administrative complaint alleging a dealer falsified records concerning the disposition of livestock that he resold at an auction market or at a packer and misrepresented to the seller where the livestock was sold and accounted to the seller on falsified weights and prices.

Livestock Procurement Practices

To determine if unfair or deceptive practices in violation of the P&S Act are occurring in the procurement of livestock, GIPSA conducts livestock procurement investigations of livestock dealers, order buyers, and slaughtering packers. These investigations examine the records of these firms for possible violations of the P&S Act, including: price manipulation; weight manipulation of livestock or carcasses; manipulation of carcass grades; commercial bribery; misrepresentation of source, condition, or quality; or other unfair and deceptive practices.

Many hog slaughterers in the United States are using electronic carcass evaluation devices to purchase hogs on a carcass merit basis. GIPSA conducts semiannual investigations at hog slaughtering plants that use these devices to ensure their proper use and accuracy, proper formula application, and correct accounting.

Fraud

Fraudulent transactions are a major concern to GIPSA and to the industry. These activities include collusion between or among dealers, order buyers, market agencies, or packer employees engaging in payoffs and kickback schemes. They also include defrauding purchasers of livestock by causing paper transactions in which the livestock purportedly changes ownership several times with markups in price and/or weight each time before sale to the ultimate buyer. These practices are among the most serious violations of the P&S Act and have the ultimate effect of lowering prices paid to the livestock producer or raising prices paid by the consumer.

Reparations

Any person harmed when a market agency or dealer violates the P&S Act may file a complaint seeking monetary damages. At the beginning of FY 2000, there were 20 docketed reparation actions pending in which the complainants were seeking reparations in the amount of \$498,694. During FY 2000, two dockets were closed. At the end of FY 2000, 18 dockets were pending in which complainants are seeking \$476,844.

Financial Protection

Overview

Financial integrity is a major concern and responsibility of GIPSA to ensure a stable and competitive market for livestock, poultry, and meat. Prompt and full payment for livestock and poultry purchases are a statutory requirement. It is essential if producers are to maintain the cycle of production necessary for a viable market.

Livestock buyers are required to maintain a surety bond to cover their livestock purchase operations. Livestock auction markets must establish and maintain a custodial (trust) account for payment to consignors. A packer and poultry trust, established under the Packers and Stockyards Act, gives livestock and poultry sellers first claim to trust assets in the event of nonpayment.

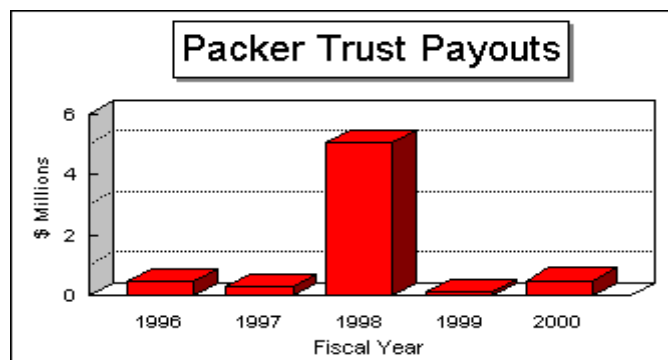
Financial Investigations

Financial investigations during the year resulted in \$5.9 million being restored to custodial accounts established and maintained by livestock auction markets for the benefit of livestock sellers. Over \$481,000 was recovered by livestock sellers under the packer trust provisions of the Act.

Livestock dealers, market agencies, and packers are required to meet solvency requirements, a critical component of payment protection under the provisions of the Act. During FY 2000, 104 insolvent dealers and market agencies corrected or reduced their insolvency by \$6.7 million. Insolvent packers corrected or reduced their insolvency by \$2.2 million.

Packer Trust

It is important that producers receive timely and full payment for the livestock they market. Payment protection is provided by statutory requirements of full and prompt payment, packer bonding, and packer trust. Packers also are required to file annual reports of their operations with GIPSA and to maintain a solvent financial condition. The prompt payment provision is a significant element of the financial protection afforded producers under the P&S Act and is an integral part of the packer trust which provides protection to producers who fail to receive payment from meat packers. Since the 1976 amendments to the P&S Act, livestock sellers have been paid \$54.3 million under the statutory trust provisions.



Live Poultry Trust

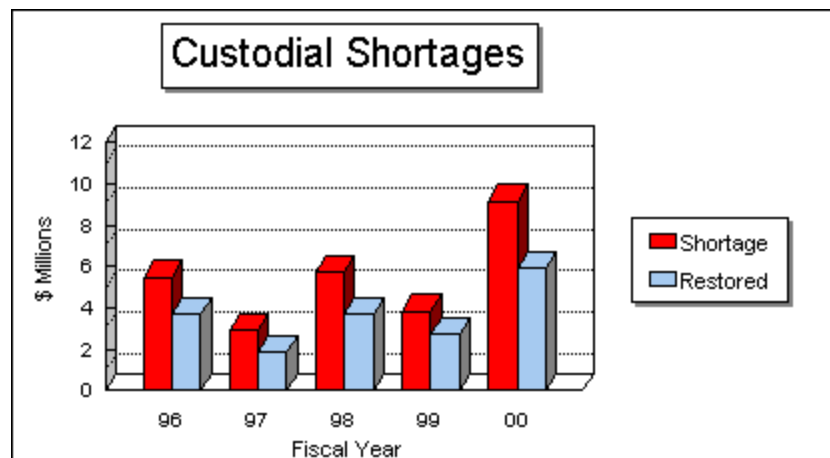
In February 1988, the P&S Act was amended to include a statutory trust provision similar to the packer trust giving payment protection to live poultry growers and sellers. Since the 1988 amendments, live poultry producers have been paid \$7.5 million under the statutory trust provisions.

The poultry trust payouts reflect claims for unpaid purchases of all types of poultry, including broilers, turkeys, and spent fowl. It primarily shows the failure of small regional firms that have ceased operations and failed to pay growers or poultry sellers. It does not accurately portray an economic trend for the industry as a whole but only reflects a sum of the failures of small marginal operations. The national firms are large, completely integrated operations that are relatively stable financially. Any changes that occur are the results of mergers or sales of the total operation and do not usually result in losses to poultry growers or sellers. In FY 2000, one poultry trust complaint was received by GIPSA, resulting in over \$250,000 in payments to live poultry producers.

Custodial

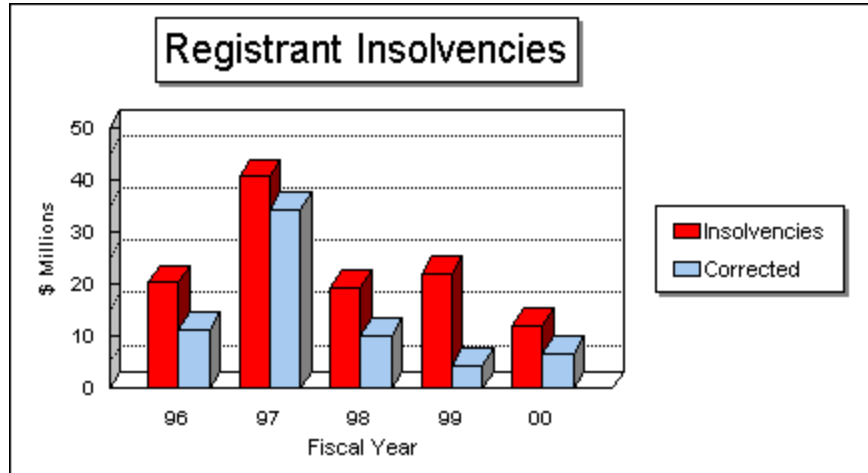
Payment protection for the sellers of livestock is an integral part of the P&S Act and extremely important to GIPSA. To ensure compliance with the financial and payment protection provisions of the Act, GIPSA routinely reviews financial reports and conducts payment practice audits and investigations.

Market agencies that sell livestock on a commission basis are required to establish and maintain a separate bank account for the benefit of livestock sellers called a Custodial Account for Shipper's Proceeds. GIPSA has an ongoing compliance surveillance program designed to regularly audit each of these accounts. During FY 2000, the compliance audits conducted on 374 custodial accounts disclosed that 154 markets had shortages totaling \$9.1 million in their accounts. The audit program resulted in restoring \$5.9 million for the benefit of livestock sellers.



Solvency

Livestock dealers, market agencies, and packers are required to meet solvency requirements, a critical component of payment protection under the P&S Act. In the past 5 fiscal years 1,191 dealers and market agencies found to be insolvent either corrected or reduced their insolvency, in the aggregate, over \$66.9 million as a result of GIPSA compliance activities. Of the 1,191 dealers and market agencies, 570 completely corrected their insolvency. During FY 2000, 192 insolvent dealers and market agencies corrected or reduced their insolvency by \$6.7 million. During FY 1999, insolvent packers corrected or reduced their insolvency by \$2.2 million.



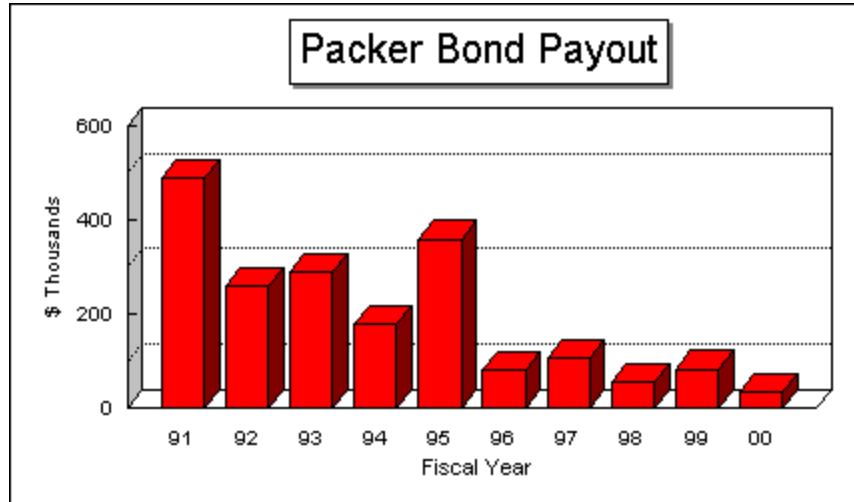
Bonding

The P&S Act and regulations require that each market agency and dealer operating in commerce be registered. To comply, a firm must file an application simultaneously with a surety bond or its equivalent. Packers are not required to be registered. However, slaughtering packers must register each of their employee livestock buyers as a dealer purchasing livestock for slaughter. The following table shows the number of registrants and value of their bonds for the past 3 fiscal years.

Posted Stockyards	1,298	1,377	1,320
Market Agencies/Dealers	6,391	6,434	6,222
Packer Buyers	1,988	2,045	2,039
Value of Bonds (\$ millions)	249	250	242

In FY 2000, 347 claimants recovered \$.5 million out of \$3.2 million in claims filed during the fiscal year against bonds maintained by dealers and market agencies that failed financially. Bond claims of approximately \$80,000 are pending and expected to be paid to claimants.

The 1976 amendment to the P&S Act made provisions for packer bonding as an additional means of payment protection to livestock sellers. All packers purchasing more than \$500,000 worth of livestock annually must be bonded to provide payment protection for livestock purchased not otherwise recovered through the packer trust. The percentage of bond payout to total bond value is consistently less than 1 percent.



Federal Grain Inspection Service



*Promoting and protecting the integrity
of the domestic and global marketing of
U.S. grain for the benefit of American agriculture.*

- *Harnessing Technology*
- *Promoting Standardization*
- *Providing Official Inspection
and Weighing Services*
- *Protecting Integrity*

FY 2000 Highlights

Biotechnology Services

In FY 2000, GIPSA began building and staffing a biotechnology reference facility to provide standardization for the sampling, reference methodologies, and rapid tests for biotech grains. GIPSA also announced on May 4, 2000, its intent to accredit independent laboratories using Polymerase Chain Reaction (PCR) testing to determine the presence of modified DNA in grain and to certify the performance of rapid tests. GIPSA will begin providing these services in FY 2001.

Biotechnology ANPR

As part of the Administration's initiative to improve consumer access to information on biotechnology, GIPSA, in conjunction with the Agricultural Marketing Service, prepared an advance notice of proposed rulemaking (ANPR) seeking public comment on USDA's role in facilitating the marketing of grains, oilseeds, fruits, vegetables, and nuts in today's marketplace with biotech and non-biotech crops. GIPSA will publish the ANPR during FY 2001.

Biotechnology Statements

In FY 2000, GIPSA implemented procedures to provide sellers a special statement indicating that a specific grain, oilseed, or graded commodity is not biotech, provided such product was not in commercial production according to the Animal and Plant Health Inspection Service (APHIS) regulatory program.

Biotech Detection Workshop

In February 2000, GIPSA and the Analytical Environmental Immunochemical Consortium co-sponsored a biotechnology-detection methods validation workshop in Kansas City. A worldwide group of technical experts discussed the validation and application of technologies used in the detection of grain containing biotechnology-derived products. Approximately 70 people attended the workshop, including representatives from Canada and the Joint Research Centre (Europe). The workshop was a highly successful communication forum on this emerging issue.

Foreign Complaints

The number of foreign complaints on the quality or quantity of U.S. grain exports decreased by 35 percent in FY 2000. GIPSA received 13 quality and 0 quantity complaints from importers on grains inspected under the U.S. Grain Standards Act, involving 355,853 metric tons, or about 0.3 percent by weight, of the total amount of grain exported during the year. This compares to 20 quality and 2 quantity complaints received in FY 1999, representing about 1.4 percent of grain exports by weight.

**Facilitating Trade
with Mexico**

GIPSA worked with APPAMEX, a Mexican grain importers association, to address Mexican importers' grain quality concerns. GIPSA inspectors conducted two sets of seminars in Mexico to explain U.S. sampling and inspection method. In FY 2001, GIPSA will hold additional seminars and conduct two monitoring experiments. In conjunction with APPAMEX, GIPSA inspectors will monitor the quality of two grain shipments (one oceangoing, one sent via rail) from the United States to the final end-user in Mexico. Finally, GIPSA, is working with officials of Mexico's Ministry of Trade and Ministry of Agriculture to help develop a national inspection system in Mexico patterned after GIPSA's.

Philippine Weight Review

GIPSA responded to weight complaints from the Philippine Association of Flour Millers (PAFMIL) during FY 2000. Following the review of and modification to the PAFMIL mills, GIPSA initiated a cargo monitoring program. In September 2000, PAFMIL representatives monitored the loading of a U.S. wheat shipment destined for the Philippines. In FY 2001, GIPSA will monitor the vessel's unloading in the Philippines. The project is designed to improve the accuracy of and confidence in weights of U.S. wheat shipments to the Philippines. In September 1999, GIPSA assembled a U.S. team of government and industry representatives to review the grain handling, scales, and weighing systems at each of PAFMIL's four flour mills. Based on the U.S. team's recommendations, the PAFMIL flour mills implemented various improvements to their weighing and handling systems.

TCK Smut Certification

GIPSA implemented TCK smut certification procedures to facilitate the marketing of U.S. wheat to China and India. These countries are concerned about the presence of TCK smut in imported wheat shipments. Implementing these procedures facilitates the export of wheat to these countries. GIPSA's procedures helped enable the United States to reach a trade agreement with China.

**Buckwheat Inspection
Procedures**

GIPSA implemented inspection procedures for buckwheat and whole buckwheat groats to facilitate a Farm Service Agency (FSA) purchase of buckwheat destined for Russia. The combined shipment was for 2,340 metric tons and was a first-time FSA purchase for these two products. This procedure could facilitate other shipments in the future.

**Automated Export Grain
Inspection Data System**

GIPSA implemented an automated inspection plan for export grain shipments at 25 export facilities in Louisiana, Texas, Oregon, and Washington. These port locations account for approximately 96 million tons, or 86 percent of all U.S. export grain. The automated plan provides direct data entry from inspectors, performs all necessary calculations, shares inspection results electronically with the customer, and prepares the final certification of grain quality. The system also provides extensive checks to reduce errors, which can be costly to the buyer or seller of grain exports. Full implementation (including Federal and State laboratories) is scheduled for the spring of 2001.

**Modified Inspection
Procedure**

GIPSA established or modified inspection procedures for confection sunflower seeds and hull-less barley to better reflect market conditions and accommodate the USDA farm programs for deficiency payments and crop insurance.

Harnessing Technology

Automation Initiatives

Automated Grain Weighing and Material Handling Systems. GIPSA continues to work closely with export grain elevators that are automating their scales and material handling systems in accordance with official requirements. Upon approval of their systems and after a 6-month test period, participating elevators can reduce official oversight personnel, which results in considerable cost savings. Seven export elevators' systems have been approved, one elevator is completing its 6-month test, and four elevators have completed installation and are being tested. These automated systems provide superior supervision and greatly improved efficiency.

Grain Inspection Automation at Export Elevators. GIPSA, working with the North American Export Grain Association (NAEGA), has charged a team of automation and grain inspection experts with developing an automated grain inspection system for use at export elevators. When completed and approved, the system will provide export elevators with constantly updated grain inspection information five times faster than present manual methods. The automated system has the potential to reduce costs to the industry and enhance GIPSA's efficiency. A prototype system is being installed at an export elevator in Destrehan, Louisiana.

E-Government. Over 81 percent of the private and State agencies authorized by GIPSA to provide official grain inspection and weighing services adopted GIPSA's standard electronic certification output format, an essential step toward providing all customers electronic service results.

Laboratory Information Management System. In FY 2000, GIPSA modified the Laboratory Information Management System (LIMS) to perform analytical testing data management functions for all commodities. In FY 2000, LIMS was used to collect all reference and analytical testing data in support of GIPSA calibration activities and the commodities testing program.

Digital Imaging

Rice Inspection. Digital imaging shows great potential for improving the accuracy, consistency, and objectivity of grain inspection and grading. Digital imaging is a process of recording images, e.g., of grain, in electronic format for rapid review, analysis, and transfer to other computers. In FY 2000, GIPSA continued and expanded a pilot program with official inspection laboratories in Arkansas and California to use the method to certify the percentage of broken kernels in milled rice. Work will continue in FY 2001, with the intent of approving digital imaging for general use in the official inspection and weighing system.

Wheat Inspection. GIPSA collaborated with the USDA Agricultural Research Service (ARS) to develop preliminary calibrations for measuring the vitreousness of Hard Red Spring and Durum wheat using digital imaging. Vitreousness, the factor that determines subclasses within Durum and Hard Red Spring wheat classes, is determined visually by inspectors and is a subjective interpretation. Digital imaging may improve consistency in measuring vitreousness. A field test for measuring vitreousness in Durum wheat also is planned.

Finally, GIPSA will explore opportunities for applying remote digital imaging to enhance visual grading services. Remote digital imaging could help inspectors better interpret and grade difficult or unusual grain characteristics, facilitate training for inspectors, and convey to customers visual information on grain condition.

**Mycotoxins Methods
Development and
Test Kit Approvals**

In FY 2000, GIPSA developed and validated a fumonisin reference method. This enabled GIPSA to initiate evaluation of fumonisin test kits for use in the official inspection system. During the year, GIPSA reviewed and rejected two DON test kits, reviewed and approved one DON test kit for use in the official inspection system, and initiated a review of one aflatoxin test kit and three fumonisin test kits. In FY 2001, GIPSA plans to develop and validate a method for zearalenone and request submission of zearalenone test kits to be approved for the official inspection system.

**Pesticide Residue
Methods Development
and Testing**

GIPSA continued to participate in the Pesticide Data Program, a cooperative effort of the USDA, U.S. Environmental Protection Agency, and 10 participating States to monitor pesticide residue levels in fruits, vegetables, grain, and milk. GIPSA tests all grain and grain-related products. GIPSA also helps develop new methods of analysis. For example, in FY 2000, GIPSA developed and validated a method to analyze peanut butter samples for pesticide residue, and tested 560 peanut butter samples. In FY 2001, GIPSA will develop and validate methods to analyze rice and barley for pesticide residues, and will analyze approximately 40 peanut butter samples, 600 rice samples, and 600 barley samples.

Wheat Protein Quality

Wheat millers and bakers measure the quality of wheat protein to predict the end-use functionality of the wheat. Unfortunately, current methodologies for measuring protein quality are time-consuming and not standardized. In FY 2000, GIPSA collaborated with researchers from academia and ARS to define wheat protein quality and to develop practical, rapid methods for assessing wheat protein quality in marketing channels. Development of a rapid wheat-protein quality test will facilitate a more direct, value-based pricing structure.

Promoting Standardization

Biotechnology

In FY 2000, GIPSA began building and staffing a Biotechnology Reference Facility to provide standardization for the sampling and detection of biotech grains. GIPSA also announced its intent to accredit independent laboratories using Polymerase Chain Reaction (PCR) testing to determine the presence of modified DNA in grain and to certify the performance of commercially available rapid tests used to detect biotech grains. These services are designed to help standardize the testing of bio-engineered grains throughout the commercial market and help ensure that all entities involved in the marketing of U.S. grain, from producer to end user, can obtain relevant information.

In FY 2001, GIPSA will open the Biotechnology Reference Facility and implement programs to accredit laboratories and certify performance of rapid tests for the presence of biotechnology grains.

ISO 9002 Certification

The International Standards Organization (ISO) represents the national standards institutes and organizations of 97 countries worldwide, including the American National Standards Institute (ANSI). The ISO standards have been endorsed by the American Society of Quality, the European Standards Institute, and the Japanese Industrial Standards Committee and are becoming the *de facto* standard across industries throughout the world. In FY 1998, GIPSA successfully met ISO 9002 standards and received certification for its moisture and protein reference laboratories. In FY 2001, GIPSA will seek ISO 9002 certification of its oil extraction reference, mycotoxins reference, and pesticide laboratories.

New Official Moisture Meter

In FY 2000, GIPSA continued implementing its new official moisture meter by developing and executing official calibrations for flaxseed, lentils, safflower seed, Short Grain Rough rice, Smooth Dry peas, confectionery-type sunflower seed, and buckwheat groats. Also, GIPSA developed improved calibrations for corn, oil-type sunflower seed, Soft White wheat, and oats. In FY 2001, GIPSA will continue to monitor performance of existing official moisture calibrations and develop calibrations for additional grains for the new official moisture meter.

NIRT Standardization

In FY 2000, GIPSA continued to cooperate with groups from Canada, Australia, and several European countries to develop and test a “global” near-infrared transmission (NIRT) calibration for wheat and barley protein testing. The calibration, based on tests of nearly 40,000 samples of wheat and barley, uses artificial neural network technology to achieve excellent accuracy for very diverse grain types. In FY 2001, GIPSA will assess the market impact of implementing the new calibration.

In FY 2000, GIPSA implemented improvements in standardization for official NIRT instruments by issuing new standard reference samples, standard slope values, and baseline values for corn oil and protein, and by issuing new standard reference samples and baseline values for soybean oil and protein.

Pulsed NMR for Sunflower Oil Measurements

In FY 2000, GIPSA developed new sealed sunflower seed oil standards to improve the accuracy of official sunflower seed oil measurements using pulsed nuclear magnetic resonance (NMR) technology. GIPSA also conducted a field test to assess the feasibility of a new method to avoid drying sunflower seed samples before testing with the pulsed-NMR equipment. The initial field tests were inconclusive; research is continuing.

Standardizing Commercial Grain Inspection Equipment

In FY 2000, GIPSA continued to participate in a cooperative effort among GIPSA, the National Institute for Standards and Technology (NIST), and the National Conference on Weights and Measures (NCWM) to standardize commercial grain inspection equipment. GIPSA serves as the sole evaluation laboratory for grain inspection equipment under NCWM's National Type Evaluation Program (NTEP). The data GIPSA collected during fiscal years 1995, 1996, 1997, 1998, and 1999 were used as the basis for numerous improvements in calibrations for commercial grain moisture meters. GIPSA completed testing and recommended NTEP certification of engineering enhancements to extend the allowed operating temperature range for one commercial moisture meter model, and conducted evaluation testing and recommended certification for another new commercial moisture meter model.

In FY 2001, GIPSA plans to offer NTEP evaluation services for near-infrared spectroscopy instruments for constituents other than moisture. GIPSA also will continue to provide technical support to NCWM as specifications and tolerances for commercial test weight apparatuses are developed.

Standardizing Commercial Grain Inspection Testing

At the request of the National Sunflower Association, GIPSA is providing the sunflower industry with NuSun oil sample standards. NuSun is the name that has been given to the mid-range oleic (mono-unsaturated) sunflower oil now being produced for the domestic vegetable oil market. Oil from NuSun varieties is lower in saturated fat content and more acceptable than high-linoleic oil for deep-fat frying operations.

Traditionally, sunflowers grown for oil have been high-linoleic (polyunsaturated) varieties. Eventually, the majority of oil sunflower acreage is expected to shift from high-linoleic to mid-oleic varieties. GIPSA's standard samples will be used to segregate NuSun and traditional linoleic sunflowers at the first point of sale. The crushing industry pays a premium for NuSun sunflowers over traditional linoleic sunflowers, although visually they are indistinguishable.

Visual Reference Material

In FY 2000, GIPSA evaluated the feasibility of improving its current visual reference system (35 mm slides) through the creation of digital color prints using commercially available computer hardware, software, and printer technology. GIPSA found the process to be more efficient, manageable, and affordable in terms of producing accurate colors and consistent reproductions when compared to the film reproduction process. Feedback from potential users, within and outside the official system, has also been favorable. For these reasons, GIPSA is acquiring the necessary equipment to produce the “next generation” visual reference aids and will begin transitioning from the use of photographic slides to digital color prints in FY 2001.

U.S. Grading Standards

Oats. GIPSA has prepared a proposal to revise the definition of oats in the Official U.S. Standards for Oats to include hull-less oats. This change will benefit the oat industry, and especially the segment involved in hull-less oat production and/or processing. GIPSA plans to publish this proposal in FY 2001.

Sorghum. GIPSA is preparing a proposal to solicit public comment on amending the Official U.S. Standards for Sorghum. Specifically, proposed changes would simplify the sorghum classification scheme, and redefine damage to measure only damaged sorghum and not include other damaged grains, which are considered foreign material. GIPSA plans to complete the proposal in FY 2001.

Wheat. GIPSA is taking several actions regarding the Official U.S. Standards for Wheat. GIPSA also is proposing to amend the basis of analysis and special grade limits for garlic. This change will ensure that the standards better reflect the actual market impact when garlic is present in wheat. GIPSA also is drafting proposed amendments to the standards to include export grade limits for dockage to promote export sales of cleaner wheat to our international customers.

Briefings with Visiting Trade and Governmental Teams

In cooperation with USDA cooperator organizations like U.S. Wheat Associates and the U.S. Grains Council, GIPSA educates international trade teams and government representatives about the U.S. grain market and national inspection system. International representatives visit GIPSA field offices, onsite laboratories at export grain elevators, and the Agency’s Technical Center in Kansas City, Missouri. At the Technical Center, delegations sometimes receive technical training on analytical testing procedures and grain inspection methods and procedures.

Briefings are tailored to address each group’s interests and concerns. Presentations include explanations of GIPSA’s various services, the Agency’s use of the latest technology to provide grain traders with accurate and reliable inspection and weighing information and, for importers or potential importers new to the U.S. grain market, information on contracting for the quality they desire.

By fostering a better understanding of the U.S. grain marketing system, the official U.S. grain standards, and the national inspection system, these briefings enhance purchasers' confidence in U.S. grain. In FY 2000, GIPSA representatives met with 48 teams from 28 countries, as shown below. These 28 countries accounted for 60.4 percent of the grain exported from the United States in FY 2000.

**Summary of Briefings with
Visiting Trade and
Governmental Teams in
Fiscal Year 2000**

Algeria	Moldova
Australia	Montenegro
Bulgaria	Nicaragua
China	Nigeria
Costa Rica	Panama
Croatia	Philippines
El Salvador	Romania
Georgia	South Korea
Japan	Sri Lanka
Jordan	Taiwan
Kazakhstan	Tanzania
Kenya	Thailand
Lebanon	Uganda
Mexico	Vietnam

**International Outreach
assistance**

In FY 2000, GIPSA responded to customers' needs for technical overseas. Exporters, importers, and end users of U.S. grains and oilseeds, as well as other USDA agencies, USDA cooperator organizations, and other governments, frequently ask for GIPSA personnel to travel overseas. These activities include representing the Agency at grain marketing and grain grading seminars, meeting with foreign governments and grain industry representatives to resolve grain quality and weight discrepancies, helping other countries develop domestic grain and commodity standards and marketing infrastructures, assisting importers with quality specifications, and training local inspectors in U.S. inspection methods and procedures. This year, GIPSA received 19 requests for technical assistance overseas.

**Summary of Activities
Involving International
Travel in Fiscal Year 2000**

<i>Purpose</i>	<i>Number of Travelers</i>	<i>Country Visited</i>	<i>Dates of Visit</i>
1. To attend a meeting of the National Type Evaluation Technical Committee (NTETC) Weighing Sector.	1	Canada	10/03 - 10/06/99
2. To participate in a rice trade seminar in Turkey at the request of USA Rice Federation (USARF), and to investigate a quality discrepancy in Yemen at the request of the Foreign Agricultural Service (FAS).	1	Turkey Yemen	10/16 - 10/31/99
3. To attend the North American Export Grain Association (NAEGA)/ APPAMEX Annual Trade Forum.	1	Mexico	11/04 - 11/07/99
4. To participate in crop quality seminars at the request of U.S. Wheat Associates (USWA).	1	Morocco	11/07 - 11/13/99
5. To upgrade and install computer equipment in the GIPSA Montreal Field Office.	1	Canada	11/08 - 11/10/99
6. To provide technical advice to Chinese officials on grain standards and inspection procedures, and to meet with Korean importers to discuss concerns regarding recent corn shipments.	2 1	China Korea	12/03 - 12/13/99 12/14 - 12/17/99
7. To assess damage to shipments of 416B wheat flour at the request of FAS.	1	Yemen	12/09 - 12/22/99
8. To sample railcars of U.S. wheat that were being detained by the importer.	1	Mexico	12/12 - 12/15/99
<i>Continued</i>			
<i>Purpose</i>	<i>Number of Travelers</i>	<i>Country Visited</i>	<i>Dates of Visit</i>

9. To provide technical assistance to the Government of Montenegro to assess the quality of U.S. shipment of corn.	1	Montenegro	1/17 - 1/23/00
10. To conduct a strategic planning mission for the U.S. Agency for International Development.	1	Kenya, Uganda, Tanzania	3/03 - 3/18/00
11. To provide export services on a cargo of U.S. wheat being loaded in Canada.	2	Canada	3/05 - 3/08/00
12. To witness the discharge and assess the damage to a PL-480 Title III bagged rice shipment at the request of the Farm Service Agency.	1	Russia	3/05 - 3/19/00
13. To provide export services on a cargo of U.S. wheat being loaded in Canada.	3	Canada	3/12 - 3/22/00
14. To participate in training Canadian inspectors to grade grain according to U.S. standards.	1	Canada	4/03 - 4/07/00
15. To provide export services on a cargo of U.S. wheat being loaded in Canada.	2	Canada	4/25 - 4/28/00
16. To present a corn and sorghum training seminar at the request of Cargill, Inc.	2	Mexico	4/26 - 4/28/00
17. To attend the SpeedExpo 2000 User Group Conference to receive training in Speedware software.	1	Canada	4/30 - 5/06/00

Continued

<i>Purpose</i>	<i>Number of Travelers</i>	<i>Country Visited</i>	<i>Dates of Visit</i>
18. To participate in USWA marketing seminars in Turkey and Egypt and to observe the discharge of a shipment of U.S. wheat in Jordan at the request of the Jordanian Government.	1	Turkey Egypt Jordan	5/29 - 6/09/00 6/09 - 6/18/00
19. To participate on a FAS/GIPSA fact-finding team concerning regulatory issues related to agricultural biotechnology.	1	Philippines, Korea Hong Kong, Taiwan	5/31 - 6/14/00
20. To provide export services on a cargo of U.S. wheat being loaded in Canada.	3	Canada	6/12- 6/16/00
21. To participate in the International Grains Council 2000 Conference at the invitation of the Canadian Grain Commission.	2	Canada	6/13 - 6/14/00
22. To conduct a corn grading seminar for Syrian grain inspectors at the request of U.S. Grains Council (USGC).	1	Egypt	6/22 - 6/28/00
23. To participate in a grain marketing conference at the request of USGC.	1	Mexico	6/26 - 6/30/00
24. To sample damaged containers of wheat flour and edible beans, assess the quality, and provide technical assistance at the request of FAS.	1	Netherlands	7/25 - 8/14/00
<i>Continued</i>			

<i>Purpose</i>	<i>Number of Travelers</i>	<i>Country Visited</i>	<i>Dates of Visit</i>
25. To conduct grain grading seminars for Mexican importers, and to discuss grain inspection procedures.	4	Mexico	8/7 - 8/18/00
26. To participate on a FAS/GIPSA fact-finding team concerning regulatory issues related to agricultural biotechnology.	1	Japan, Thailand, Malaysia, Indonesia, Singapore, Australia	9/9- 9/29/00

Providing Official Inspection and Weighing Services

Promoting Efficient Grain Handling

GIPSA implemented three procedural changes to the Cu-Sum Plan to promote more efficient loading at export elevators and elevators loading unit trains. Cu-Sum is a statistical-based inspection plan used for export vessel shipments and multiple-car unit train shipments. The plan was changed to promote more efficient loading and better address the use of shipping bins for unit train inspections. Specifically, changes increase the subplot size from 5 railcars to 10 railcars for unit trains containing 50 or more railcars; better match the number of component samples inspected with the configuration of the loading facility; and require fewer sublots to be inspected.

GIPSA also worked with the wheat industry to develop an identity-preserved program for Western White Wheat (a blend of Soft White and Club wheats). This procedure, when implemented, will provide a consistent quality during loading, promote the efficient use of White Club wheat, and reduce the shipper's risk of elevating unacceptable wheat. GIPSA continues to work with industry to develop this process.

Promoting Exports

India. GIPSA established a certification procedure to facilitate the marketing of U.S. wheat to India. India has a maximum 0.005 percent tolerance for dwarf bunt (TCK smut) in wheat. GIPSA determined a visual assessment for smutted kernels is a practical method to determine compliance with this TCK smut tolerance. GIPSA responded to this export need by implementing Program Notice 99-20, "Certification of TCK to India."

China. In FY 1999, GIPSA implemented procedures to analyze export grain for the presence of TCK smut spores. This action was in response to import demands established by the People's Republic of China, which had restricted wheat exports from the West Coast ports due to concerns about TCK in U.S. wheat. In FY 2000, to further refine the procedure, GIPSA implemented Program Notice 00-7, "Smut Ball Analysis for Wheat Shipments to China," which provided for the analysis of individual sublots for the presence of smut balls to determine subplot acceptance during loading. This action further facilitated U.S. wheat exports to China and strengthened international confidence in the quality of wheat exported from the United States.

Biotechnology Statements. In FY 2000, GIPSA implemented procedures to provide shippers and importers with information about biotechnology-derived grains, oilseeds, and graded commodities. Importers of grains, oilseeds, and graded commodities require statements to identify which grains and graded commodities are not biotechnology-derived to facilitate the movement of their purchases into their destination country.

GIPSA, working with APHIS, responded to these needs by providing a letterhead statement indicating commercial production of specific grains, oilseeds, and graded commodities in the United States are not biotechnology-derived. GIPSA provides this statement if APHIS has not approved any petitions for the release of transgenic varieties of the specific grain, oilseed, or graded commodity for commercial use in the United States.

**Supporting USDA Farm
Programs and
Producer Income**

USDA farm programs for deficiency payments and crop insurance typically rely on the U.S. standards to determine eligibility and payment. GIPSA acted on two commodities this year -- confection sunflower seeds and hull-less barley -- to assist farmers in their eligibility requirements.

Confection sunflower seeds were rejected by processors during the 2000 crop year due to a quality condition known as "dark roast." Crop insurance policies did not include dark roast as an eligibility condition and there were no official procedures for its determination. Consequently, producers were not eligible for crop insurance compensation when their deliveries were rejected by the processor. GIPSA, working with the confection sunflower seed industry, developed an official procedure for determining dark roast. The establishment of this procedure will assist producers in meeting crop insurance eligibility requirements when dark roast is included in the insurance policy.

GIPSA, working with the USDA Risk Management Agency and the State barley associations, prepared and distributed official procedures for the inspection of hull-less barley. The Risk Management Agency plans to review yield and quality data for hull-less barley to allow this commodity to become eligible for crop insurance coverage based on the official inspection procedures.

In response to a Farm Service Agency (FSA) need and to promote future sales to Russia, GIPSA prepared official inspection procedures under the AMA for buckwheat and whole buckwheat groats. FSA purchased 1,340 metric tons of whole buckwheat groats and 1,000 metric tons of buckwheat destined for Russia. This was a first-time FSA purchase for these two products. They expect other Russian requests for purchase in the future.

Railroad Track Scale Testing Program

GIPSA's railroad track scale testing program, which was implemented in 1978 as part of the USGSA-mandated equipment testing requirements, continues to grow. We continue to receive numerous requests for service. While our first priority remains testing grain industry railroad track scales, we provide service to the Association of American Railroads (AAR), the National Institute of Standards and Technology (NIST), and railroad companies on a time-available/cost-recovery basis. The testing program now has five railroad track scale test cars and may be expanded with an additional two cars.

Number of Certified Scales in Service at Export Elevators				
<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
272	253	256	258	258

Number of Railroad Track Scales Tested				
<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
110	136	155	204	186

**Inspection Program Data
Fiscal Years 1998-2000**

Item	Fiscal Years		
	1998	1999	2000
Quantity of Grain Produced ¹ (Mmt) ²	408.6	423.9	406.7
Quantity of Grain Officially Inspected (Mmt)			
Domestic	121.6	127.3	128.3
Export by GIPSA	71.3	85.3	84.3
by Delegated States/Official Agencies	<u>21.5</u>	<u>26.1</u>	<u>26.0</u>
Total	214.4	238.7	238.6
Delegated States/Official Agencies			
Delegated and Designated States	8	8	8
Designated States	7	7	7
Private Agencies	<u>47</u>	<u>44</u>	<u>44</u>
Total	62	59	59
State AMA Agreements	14	15	15
Number of Official Original Inspections and Reinspections			
GIPSA	122,325	126,753	118,939
Delegated States/Official Agencies	<u>1,830,992</u>	<u>1,852,033</u>	<u>1,824,222</u>
Total	1,953,317	1,978,786	1,943,161
<i>(continued)</i>			

¹ Source: USDA Crop Production Reports.

² Million metric tons.

Item	Fiscal Years		
	1998	1999	2000
Number of Grain Inspection Appeals			
Field Offices	3,443	3,103	3,103
Board of Appeals and Review	351	373	254
Number of Commercial Inspections			
GIPSA	0	0	9
Delegated States/Official Agencies	<u>383,181</u>	<u>457,288</u>	<u>532,232</u>
Total	383,181	457,288	532,241
Number of Wheat Protein Inspections			
GIPSA	38,210	43,642	37,922
Delegated States/Official Agencies	<u>436,202</u>	<u>460,661</u>	<u>462,239</u>
Total	474,412	504,303	500,161
Number of Soybean Protein and Oil Inspections			
GIPSA	15,855	16,880	17,873
Delegated States/Official Agencies	<u>5,424</u>	<u>5,723</u>	<u>4,023</u>
Total	21,279	22,603	21,896
Number of Aflatoxin Inspections	54,923	62,875	62,701
Number of DON Inspections	16,549	23,668	37,865
Quantity of Rice Inspected (Mmt) (milled basis)	3.9	3.5	3.4

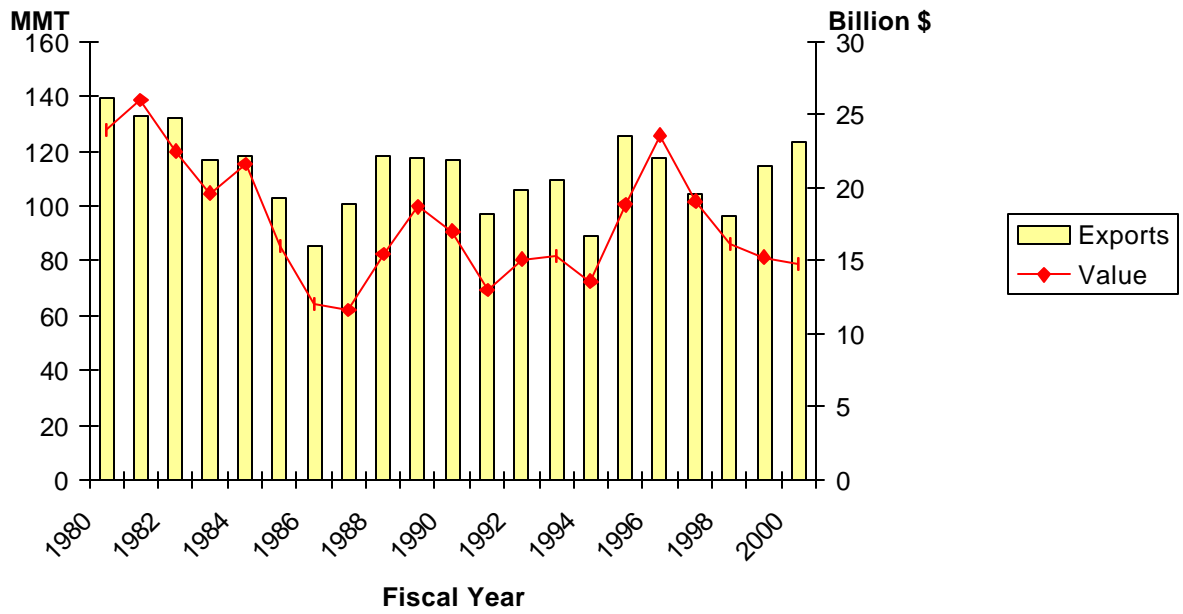
**Weighing Program Data
Fiscal Years 1998-2000**

Item	Fiscal Years		
	1998	1999	2000
Official Weight Certificates Issued			
GIPSA			
Class X ¹	70,741	79,967	76,349
Class Y ²	<u>8,412</u>	<u>10,612</u>	<u>12,666</u>
Total	79,153	90,579	89,015
Delegated States/Official Agencies			
Class X ¹	17,480	28,054	18,973
Class Y ²	<u>116,052</u>	<u>116,130</u>	<u>105,353</u>
Total	133,532	144,184	124,326
Exported Grain Weighed (Mmt)			
GIPSA	71.4	85.2	84.3
Delegated States	<u>17.4</u>	<u>21.3</u>	<u>21.1</u>
Total	89.8	106.5	105.4
Number of Certified Scales in Service			
Export Elevators	256	258	258
Number of Railroad Track Scales Tested	155	204	186

¹ Class X weighing involves 100 percent supervision.

² Class Y weighing involves a minimum of 25 percent supervision.

U.S. Grain, Oilseed, and Rice Exports: Volume and Value



Sources: FGIS Export Grain Inspection System and the USDA Economic Research Service

insert Domestic Inspections/Grain Supply here

insert domestic rice inspections/supply here

insert export grain inspections/supply here

Volume of U.S. Grain Inspected for Export by Area Fiscal Year 2000

Million Metric Tons



Protecting Integrity

Administrative Claim

On May 1, 1995, several farmers and elevator operators from Montana, North Dakota, and South Dakota, filed an administrative claim against GIPSA (formerly the Federal Grain Inspection Service) for recovery of losses in protein premiums on wheat they sold during 1993 and 1994. The plaintiffs alleged that on May 2, 1993, GIPSA adopted a new wheat protein testing technology and, as a result, they received less money for their wheat due to lower protein measurements. The plaintiffs filed this action in the U.S. District Court, District of Montana, Great Falls, against the United States (Gollenhon Farming et al. V. United States). The Honorable Paul G. Hatfield, senior judge, U.S. District Court, District of Montana, dismissed all claims filed by the farmers and elevator operators. The plaintiffs' attorneys appealed the District Court's ruling. During FY 2000, the Honorable Raymond C. Clevenger III, circuit judge, U.S. Court of Appeals, Federal Circuit, ruled that the U.S. District Court, District of Montana, Great Falls, properly dismissed all claims filed by farmers and elevator operators.

Alleged Violations

At the beginning of FY 2000, 10 cases involving alleged violations of the USGSA and the AMA were pending further action. During FY 2000, GIPSA personnel opened 11 cases involving alleged violations and closed 6 cases, leaving 15 cases pending. Examples of alleged violations included: false weighing, deceptive loading and grain handling practices, issuing false official certificates, exporting grain without official inspection, performing official duties improperly, and employee misconduct.

GIPSA took administrative action in 4 of the 6 cases closed during FY 2000. These included cautionary letters to a firm and a licensee, a warning letter to a firm, and a civil monetary penalty against another firm. The other 2 cases were closed due to insufficient evidence to prove a violation. Also, during FY 2000, the Office of the Inspector General, USDA, and the Justice Department continued to pursue criminal action in an investigation involving false certification and weights of grain and false weight certification. Two subjects in this case signed plea agreements before a Grand Jury admitting their guilt in this situation. The two individuals agreed to testify against others involved in this matter. Indictments are pending for several individuals. The case remains open in the courts.

Registration

During calendar year 2000, GIPSA issued 79 Certificates of Registration to individuals and firms involved in foreign commerce grain business.

Compliance Reviews	Compliance reviews are independent third-party reviews of GIPSA field offices and official agencies (State and private agencies). During FY 2000, GIPSA personnel conducted compliance reviews of 3 GIPSA field offices, 2 suboffices, and 24 official agencies. Teams of reviewers evaluated customer satisfaction (including potential service delivery discrimination), management effectiveness and efficiency, and procedural compliance. During the reviews, GIPSA found no instances of service delivery discrimination. GIPSA did identify noncompliance items within the national inspection and weighing system. All identified noncompliances were subsequently corrected. None of the findings appear to have affected the overall integrity of GIPSA's mission or programs, or the national inspection system. Overall, field offices and official agencies are performing satisfactorily, thus meeting GIPSA's mission.
Conflicts of Interest	At the beginning of FY 2000, there were three designated official agencies operating with discretionary conflict-of-interest waivers. All three agencies remain designated with conflict waivers.
Delegation and Designation Programs	<p>There are 59 official agencies designated under the U.S. Grain Standards Act to provide permissive official inspection and/or weighing services at domestic locations. Of these, eight are State entities, which also are delegated to provide mandatory official inspection and weighing services at export locations. Delegations are permanent unless GIPSA or the State decides to terminate the agreement.</p> <p>Under the triennial renewal process, 22 official agency designations automatically terminated in FY 2000. GIPSA renewed 21 for full 3-year terms after reviewing their performance. One agency was granted only a 1-year designation because it only minimally met a major criterion for designation. The 1-year term allows the agency time to fully meet this criterion.</p> <p>No official agency designations were cancelled this year.</p>
Improved Licensing Program	GIPSA revised the licensing procedures to improve the processes for licensing while maintaining the integrity of the inspection and weighing programs. The revised procedures streamline the licensing process, add flexibility to the utilization of official agency staff, and implement a testing program to better evaluate the knowledge, skills, and abilities of licensed personnel. The revised procedures were developed with input and feedback from field office managers and official agency managers.
Drug-Free Workplace Certification	As each designated official agency becomes eligible for designation renewal, it must certify to FGIS that it provides a drug-free workplace.
Pilot Programs	In FY 2000, GIPSA continued operation of three pilot programs designed to provide the Agency with information on the effect of allowing more than one designated official agency to inspect or weigh grain in a single area.

The first pilot program addresses improving timeliness of service provided by official agencies to applicants for official services. The program allows official agencies to provide service to facilities located outside of their assigned area on a case-by-case basis, when official service cannot be provided within established timeframes. During FY 2000, 4 facilities received 54 inspections, which were for barge or railcar movement.

The second pilot allows an “open season” during which official agencies can offer their service to facilities outside their assigned area if no official service has been provided during the previous 3 months. During FY 2000, 83 facilities received 18,777 inspections, which included 1,164 for barge, 17,561 for railcar movements, and 52 for other movements (trucks, containers, and reinspections).

The third allows customers shipping grain in barges to select any official agency to probe-sample and inspect the grain. During FY 2000, one facility received eight barge inspections.

The pilot programs proved to be successful means of stimulating competition and improved customer service within the official system. Consequently, upon reauthorization of the U.S. Grain Standards Act, the existing pilot programs were incorporated into the U.S. Grain Standards Act as permanent exceptions, and GIPSA was given authority to develop additional pilot programs.

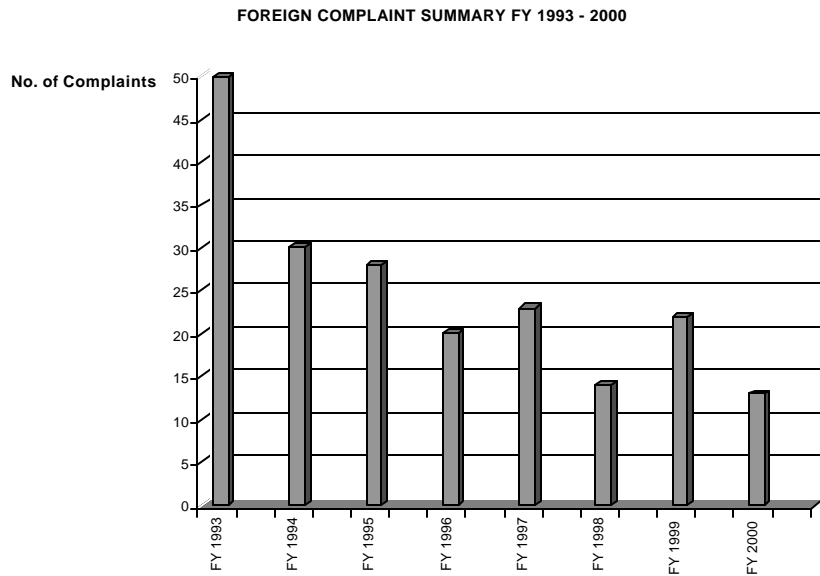
Complaints Reported By Importers

USDA administers a formal grain quality and weight discrepancy process under the regulations of the Foreign Agricultural Service. If an importer of U.S. grains files a complaint under this process, GIPSA analyzes samples retained on file from the original inspection and samples submitted from destination (if the buyer chooses to submit them) to evaluate whether the discrepancy was due to differences in samples, procedures, or an actual change in quality from the time of the original inspection.

The process verifies whether the original inspection and weighing service provided at the time of loading was correct, based on all available information. Once GIPSA identifies the source of the discrepancy, the Agency issues a report outlining its findings and providing suggestions to avoid similar discrepancies in the future.

Occasionally, a particular buyer or importing country reports repeated discrepancies which cannot be resolved by a shipment-by-shipment review under this process. In such cases, GIPSA may conduct collaborative sample studies or joint monitoring activities to address the discrepancy in a more comprehensive manner.

Since 1993, the number of complaints received from importers has shown a declining trend.



In FY 2000, GIPSA received 13 quality and 0 quantity complaints from importers on grains inspected under the Act. These complaints involved 355,853 metric tons, or about 0.3 percent by weight of the total amount of grain exported during the year. This compares to 20 quality and 2 quantity complaints received in FY 1999, representing about 1.4 percent of grain exports by weight.

**Summary of Complaints
Reported by Importers on
Inspection and Weighing
Fiscal Year 2000**

Complainant	Grain	Number of Complaints	Nature of Complaint
Africa and Middle East			
Jordan	Wheat	1	Infestation, vermin
Mozambique	Wheat	1	Test weight, dockage, foreign material, shrunken and broken kernels
South Africa	Wheat	1	Weed seeds
Yemen	Corn	1	Broken corn and foreign material, infestation
Asia			
China	Soybeans	1	Foreign material
Indonesia	Wheat	1	Damaged kernels, infestation
	Corn	1	Broken corn and foreign material
Malaysia	Wheat	1	Infestation
Sri Lanka	Wheat	3	Dockage, protein
Vietnam	Wheat	1	Falling Number, dockage, foreign material, shrunken and broken kernels, moisture
Europe			
Montenegro	Corn	1	Mycotoxins
TOTAL		13	

Management Initiatives



Management Initiatives

Civil Rights/ Equal Opportunity

GIPSA remains committed to ensuring Civil Rights and Equal Opportunity for all employees and the public we serve. FY 2000 accomplishments in the Civil Rights/Equal Opportunity area include:

Expanded Support of Educational Initiatives for Minorities. GIPSA expanded its support of educational initiatives, land grant, and other minority institutions, and the USDA summer intern program in FY 2000. GIPSA's goals were to provide opportunity for all and ensure the future diversity of the Agency's workforce. GIPSA has increased the number of cooperative programs with community-based organizations and minority-serving institutions; continued assistance to Alcorn State University's Ag Hope Program; increased funding and support for USDA 1890 institutions, Tribal Colleges initiatives and internships to disadvantaged/minority students. In FY 2000, GIPSA employed 31 summer interns, compared with 17 in FY 1999, and increased the number of students in the Student Career Experience Program and GIPSA scholarship program.

GIPSA continues to provide major support for the USDA/1890 and other special programs for recruitment. New agreements were established with Kentucky State University and Southern University's student recruitment programs to assist minority students in gaining awareness of agriculture and ag-related programs. GIPSA also continued support for a mentoring program for Hispanic students at the University of Puerto Rico. Through initiatives such as the USDA 1890 Scholars Program, Hispanic Association of Colleges and Universities (HACU) initiatives, GIPSA scholarship program, USDA Summer Intern Program and the SCEP, GIPSA has set goals and objectives to use these programs to address areas of underrepresentation in Agency employment.

Further, GIPSA supported the USDA Excess Federal Property Program by providing usable excess equipment to 1890, 1862, and 1994 Land-Grant Institutions, Hispanic Association of Colleges and Universities, and to local community schools.

Hispanic Advisory Council. GIPSA is a member of the USDA Hispanic Advisory Council (HAC), which is charged with providing recommendations to the Secretary for increasing employment opportunities for Hispanics in USDA. As part of this effort, GIPSA provides leadership on two important HAC work groups. The Education and Research group is identifying ways to increase Hispanic participation in USDA's partnership activities and helping the Hispanic community attain educational excellence. The Forum for Best Business Practices initiated an employee feedback system that is designed to inform the Secretary about positive issues and actions impacting USDA employees and programs.

Outreach. GIPSA significantly increased its outreach efforts to small

disadvantaged and underserved customers to increase all parties' participation in and use of Agency programs and services. To this end, GIPSA provided support for the Black Farmers Conference; established funding resources for the Migrant Farm Labor Center in Hope, Arkansas; and increased funding for Title IX activities. In addition, GIPSA held two Town Hall Meetings with Tribal Nations to determine the need for financial assistance and/or other support; and a Millennium Conference to address the concerns of small and limited-resource farmers and ranchers.

Internal Communication. GIPSA undertook a number of initiatives to ensure open communication with all Agency employees on EO/CR issues. First, GIPSA maintains three hotlines (Civil Rights Hotline, Idea Hotline, and Town Hall Meeting Hotline) to provide avenues for employees to voice issues and concerns to senior management and to receive appropriate feedback. To assess employee satisfaction related to EO/CR issues, GIPSA implemented employee exit interviews; conducted all-employee Town Hall Meetings; and held regional meetings to hear and respond immediately to employee concerns. Finally, GIPSA developed a Civil Rights Handbook to provide guidance to Agency employees on Civil Rights issues.

Disability. GIPSA, with other USDA agencies, is supporting recruitment initiatives to increase the level of employment for persons with disabilities. GIPSA has designated a Disability Employment Program Manager, who is focusing Agency efforts on recruiting and hiring people with disabilities.

Small Farms Outreach

The challenges faced by small farmers in today's changing market and policy environments prompted GIPSA to strengthen its efforts to address the concerns of small and mid-sized farmers. While the Agency's programs benefit farms of all sizes, we are taking steps to ensure that all of our activities are sensitive to the particular needs of small farms.

GIPSA has a toll-free hotline, reorganized Packers and Stockyards Programs, and requested, and received, appropriated funds to add economic, statistical, and legal expertise to pursue investigations of packer concentration and poultry concerns. These efforts will increase customer awareness and involvement in our services. Peer review of investigations, expansion of roundtable discussions, and expanded use of information technology will provide small farmers access to and input into GIPSA's regulatory process. Stakeholder involvement in and feedback on our initiatives are essential to our goal of recognizing the small farmer as a priority constituent.

GIPSA has also been examining ways to implement relevant recommendations of the National Commission on Small Farms, formed by Secretary Glickman in February 1997. The Commission issued its report, "A Time to Act," in September 1997.

Environmental Justice

On February 11, 1994, President Clinton issued Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations. The order was designed to focus Federal attention on the environmental and human health conditions in minority communities and low-income communities with the goal of achieving environmental justice. The order was also intended to promote non-discrimination in Federal programs that substantially affect human health and the environment. It also provides minority communities and low-income communities access to public information, and an opportunity for public participation in matters relating to health or the environment.

In accordance with Executive Order 12898, the USDA issued Departmental Regulation (DR) 5600-2, "Environmental Justice". This regulation provides for the integration of environmental justice considerations into USDA programs and activities, in addition to any National Environmental Policy Act (NEPA) compliance requirements that USDA agencies are obligated to meet. All existing and future USDA programs and activities are subject to this regulation and the requirements of executive order 12898 even if an agency's activities are categorically excluded from the preparation of Environmental Assessments and Impact Statements, as are GIPSA's.

In accordance with Section 1b.4 (a) of the NEPA, the programs and activities which are carried out by GIPSA have been found to have no individual or cumulative effect on the human environment. Therefore, GIPSA is categorically excluded from the preparation of an environmental assessment or environmental impact statement, unless the GIPSA Administrator determines that a particular program or action may have a significant environmental effect.

Notwithstanding the aforementioned exclusion, in FY 2000, GIPSA managers were directed to continue to scrutinize their programs and activities to ensure that circumstances do not dictate the need for the preparation of an environmental assessment or environmental impact statement.

Workplace Violence Prevention

GIPSA is concerned about and committed to our employees' safety and health. In FY 2000, GIPSA reinforced its policy of making every effort to prevent violent incidents from occurring. In accordance with the recommendations put forth by USDA and the Agency's continuing commitment to supporting the Secretary in improving all areas of safety and health, GIPSA took the following actions:

- Developed a new Workplace Violence Prevention Program.

- Initiated a nationwide workplace violence prevention-training program. The GIPSA Safety and Health Staff (SHS) conducted a series of nationwide training sessions. The first series was for first-line supervisors at GIPSA field locations. The second, conducted in May in Kansas City, Missouri, included all mid- and senior-level managers. A third series for non-supervisory employees is planned for fiscal years 2001 and 2002.
- Continued to seek early resolution of potential workplace violence situations.
- Continued to play a major role on the USDA Workplace Violence Prevention and Response Advisory Committee.

Union/Management Relations

The Agency continues to maintain a Partnership Council with the American Federation of Government Employee's National Council 237. In FY 2000, the Council adopted a Travel Gainsharing Program for the Agency. This program is designed to encourage employees to save authorized official travel expenses by awarding employees with one-half the net savings they realize.

Explosion Data

GIPSA receives information on agricultural dust explosions through the cooperation of Dr. Robert Schoeff, Professor Emeritus, Kansas State University, Mavis Rogers, GIPSA, and a news clipping service. GIPSA does not investigate agricultural dust explosions and the private sector is not required to report explosions to GIPSA. This data is subject to change as new information becomes available.

Summary of Reported Grain Dust Explosions, Fiscal Years 1996-2000

	1996	1997	1998	1999	2000
Number of Explosions	16	14	18	11	7
Number of Injuries	26	8	22	15	16
Number of Deaths	1	1	7	0	1

**Summary of Reported
Grain Dust Explosions,
Fiscal Year 2000**

Facility	Location	Date	Injuries	Fatalities
Premier Feeds	Reedsville, WI	10/26/99	7	0
Worley Mills Grain Elevator	Clovis, MN	01/22/00	3	0
Wheeler Brothers Grain Elevator	Greenfield, OK	01/24/00	0	0
First Fiber, Inc.	Surgoinsville, TN	03/20/00	1	0
Refined Sugars, Inc.	Yonkers, NY	03/22/00	1	0
Mississippi River Bend Terminal	Clayton, IA	05/08/00	0	0
Endres Processing	Rosemount, MN	05/15/00	4	1

Financial Overview



Financial Overview

Fee Increases

On May 1, 2000, GIPSA increased by approximately 2.4 percent its hourly rates and certain unit rates on tests performed at other than an applicant's facility for user fees charged for official inspection and weighing of grain (65 *Federal Register* 16783). Also effective May 1, 2000, GIPSA increased by approximately 3.6 percent its hourly rates and certain unit rates on tests performed on rice (65 *Federal Register* 16787). These increases were designed to generate revenue required to recover operational costs created by mandated cost-of-living increases to Federal salaries

Status of GIPSA Fee-Supported Accounts Fiscal Year 2000

Program	Revenue 09/30/00	Obligations 09/30/00	Profit/(Loss) 09/30/00	Trust Fund 09/30/00
US Grain Standards Act				
Canadian Operations	283,501	266,198	17,303	(141,881)
Inspection & Weighing	23,150,188	24,146,428	(996,240)	(938,147)
Official Agencies	1,547,141	1,527,697	19,444	4,652,051
Registration	<u>14,025</u>	<u>8,142</u>	<u>5,883</u>	<u>58,246</u>
USGSA Subtotal	24,994,855	25,948,465	(953,610)	3,630,270
Agricultural Marketing Act				
Rice Inspection	4,837,116	4,034,964	802,152	406,359
Commodity Inspection	<u>5,402,686</u>	<u>5,206,585</u>	<u>196,101</u>	<u>2,062,849</u>
AMA Subtotal	10,239,803	9,241,549	998,253	2,469,208
Total Fiscal Year 2000	<u>35,234,658</u>	<u>35,190,014</u>	<u>44,644</u>	<u>6,099,478</u>

GIPSA's Appropriated Budget Authority**Fiscal Years 1996-2000***Dollars in thousands*

Description	FY 95	FY 96	FY 97	FY 98	FY 99	FY 2000
Appropriated Funds						
Budget Authority						
Packers & Stockyards Programs	11,973	12,109	12,376	13,165	16,062	15,128 ²
Federal Grain Inspection Service	11,300	10,965	10,752	10,725	10,725	11,505
Total Budget Authority	<u>1/</u>	23,074	23,128	23,890	26,787	26,633

^{1/} Consolidated financial reporting for GIPSA's two program areas began in FY 1996.

^{2/} Includes a \$200,000 transfer from the Office of the Secretary for mandatory price reporting activities.

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