

Grain Inspection, Packers and Stockyards Administration



Organizational Structure and Functions

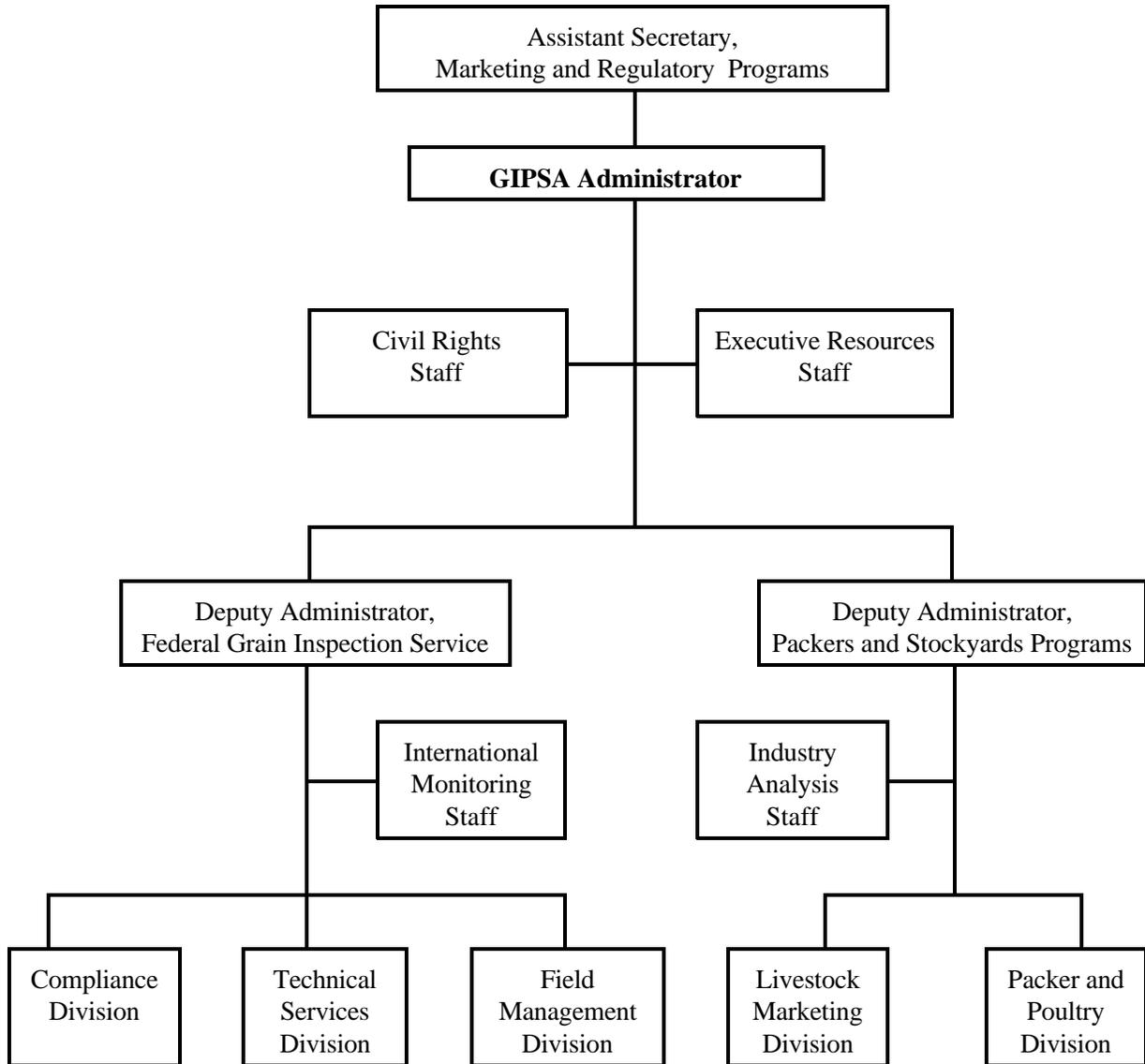
Organizational Structure and Functions

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. Today, GIPSA is part of USDA's Marketing and Regulatory Programs, which are 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, 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 grain and related products, livestock, meat, and poultry.

GIPSA 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 prenotification of security interests against farm products. The Program is responsible for the Truth-in-Lending Act, the Fair Credit Reporting Act, and the Freedom of Information Act as each relates to persons and firms subject to the P&S Act.

GIPSA's principal purpose is to ensure the integrity of the 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.

The Food Security Act of 1985 permits the States to establish central filing systems to prenotify buyers, commission merchants, and selling agents of security interests against farm products. It is GIPSA's responsibility to issue regulations for and certify those systems that meet the criteria in the statute.

Activities under the P&S Act

The principal activities involved in administering the Act include:

- 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 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.
- Surveying marketing practices at public markets and geographical area markets 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.
- Checkweighing at auction markets, terminal stockyards, packer/poultry processors, and dealer buying stations to maintain integrity in the weights of subject transactions.
- Maintaining a surveillance program at stockyards to ensure livestock are being handled and cared for properly.

The following table provides an overview of the livestock industry during FY 1997 and GIPSA's involvement in it.

Fiscal Year 1997	
Investigations	1,820
Market Agencies/Dealers Registered	6,900
Stockyards Posted	1,335
Slaughtering and Processing Packers Subject to the P&S Act (estimated)	6,000
Distributors, Brokers, and Dealers Subject to the P&S Act (estimated)	6,500
Poultry Operations Subject to the Act	210

The wholesale value of livestock, meat, and poultry products produced by firms subject to the P&S Act was approximately \$102 billion in FY 1997.

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. Taking disciplinary action to correct a violation is the last resort after every effort has been taken to obtain voluntary compliance.

During FY 1997, dealers and market agencies found to be insolvent voluntarily corrected or reduced their insolvencies by \$34.4 million. Upon finding shortages in the custodial account of market agencies that sell livestock on a commission basis, 83 market agencies voluntarily restored \$1.9 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 informally.

Disciplinary. When violations of the P&S Act are not corrected voluntarily by subject firms, formal disciplinary action is often necessary. During FY 1997, 29 administrative or justice complaints were issued in order to bring subject firms into compliance with the P&S Act. The following is a list of violations of the P&S Act alleged in complaints issued and/or in decisions rendered in FY 1997:

- Restriction of competition in the purchase of livestock
- Misrepresenting the weight and price of livestock
- Accounting to and paying livestock sellers on the basis of false and inaccurate carcass weights
- Delayed weighing of poultry
- Failure to pay for livestock
- Failure to pay promptly for livestock
- Shortage in custodial or trust account
- Failure to timely remit trust assets
- Engaging in unfair or unreasonable practices in connection with holding, feeding, watering, and overall handling of livestock at a stockyard
- Insolvency - current liabilities exceeded current assets
- Operating without adequate bond
- False records

Clear Title

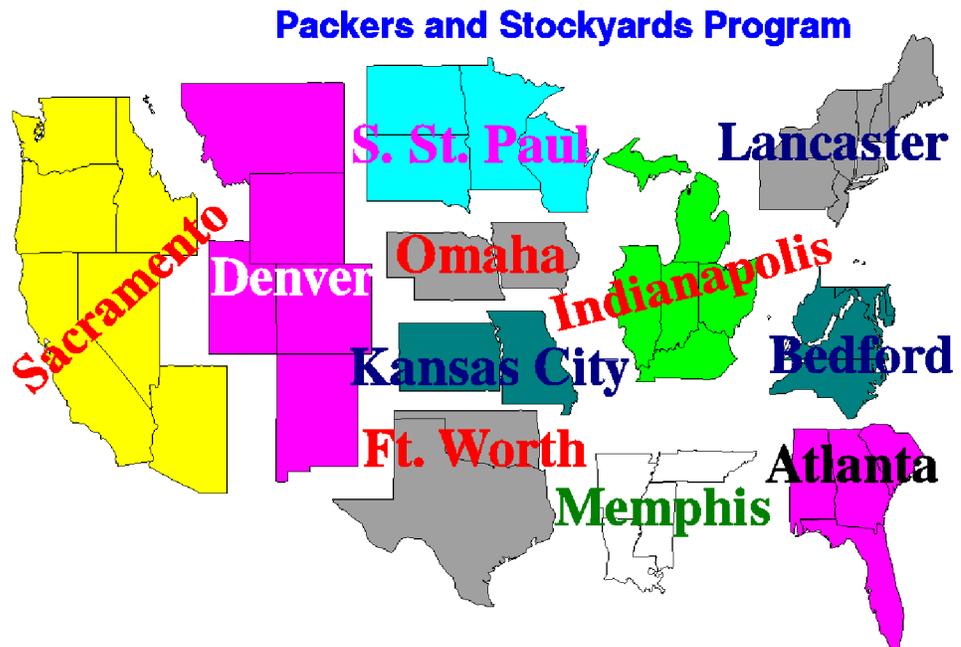
The Federal Agriculture Improvement and Reform Act of 1996 amended the Clear Title program through which States may establish central filing systems enabling lenders to provide notice of liens against farm products. The amendment permits lenders to file financing statements with State Secretaries of State electronically.

The Secretary of Agriculture has responsibility for certifying that States' central filing systems comply with the applicable Federal statutes. GIPSA published final rules for implementing the 1996 amendment.

P&S Programs Structure

The headquarters office of the P&S Programs is located in Washington, D.C. Eleven regional offices are located as follows: Atlanta, GA; Bedford, VA; Denver, CO; Fort Worth, TX; Indianapolis, IN; Kansas City, KS; Lancaster, PA; Memphis, TN; Omaha, NE; Sacramento, CA; and South St. Paul, MN. As of September 30, 1997, P&S had 162 full-time permanent employees, and 2 cooperative education students who work intermittent schedules in the Denver, CO, and Omaha, NE, regional offices.

**P&S Programs
Regional Offices**



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; and
- monitors the quality and weight of U.S. grain as received at destination ports, and investigates complaints or discrepancies reported by importers.

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 42 export elevators. Under a cooperative agreement with GIPSA, the Canadian Grain Commission provides official services, with GIPSA oversight, at 6 locations in Canada exporting U.S. grain. Eight delegated States provide official services at an additional 20 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 65 designated agencies that employ personnel licensed by GIPSA to provide such services in accordance with regulations and instructions. The supervisory and administrative costs of the Federal grain inspection program have been funded by user fees since October 1, 1981.

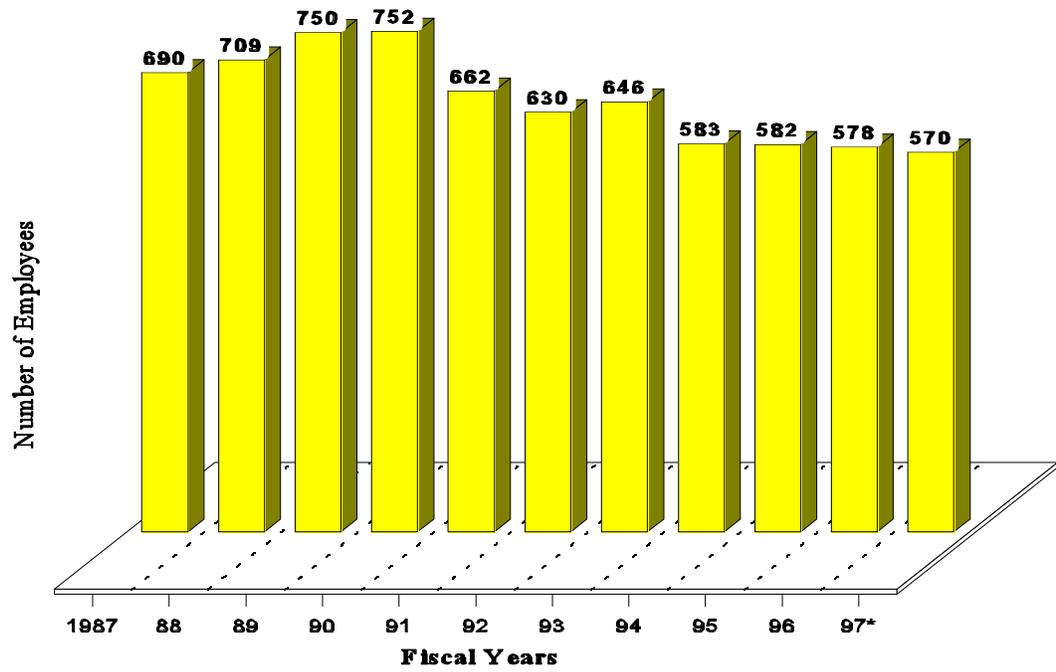
**Activities under the
Agricultural Marketing Act**

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 570 full-time, permanent employees and 63 part-time, intermittent, or other employees located a headquarters unit, 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 1987-97**



Source: Executive Resources Staff, SF-113-A
*Excludes OA and ERS figures

Insert Official Inspection and Weighing Service Providers here

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 1998



Outlook 1998

Restructuring P&S Programs

GIPSA has submitted a proposed plan to the Department to restructure its P&S programs. The plan would substantially strengthen the Agency's ability to investigate industry structure and competitive practice issues, and to provide greater flexibility and efficiency in enforcing the trade practice and payment protection provisions of the P&S Act.

At headquarters, GIPSA proposes replacing the current two program divisions and six branches with a new Office of Policy and Litigation Support with three branches that focus on the Agency's core responsibilities of competition, fair trade practices, and financial protection. The headquarters structure also would include an Office of Field Operations to manage delivery of all P&S activities and functions at the field level; and an Economic and Statistical Support Staff to provide economic advice on broad policy issues, provide economic modeling and other technical support for investigations, and coordinate supporting research. Overall, the size of the headquarters staff will be reduced from 28 to 20 percent of P&S Program's total staff, or to about 40 positions.

In the field, GIPSA proposes consolidating its 11 P&S regions into 3, with regional offices located in Denver, CO; Des Moines, IA; and Atlanta, GA. These locations were selected because they are near the concentrations of beef, pork, and poultry production and slaughter. Each regional office would be responsible for all trade practice and financial issues within its assigned region. The Denver office would have access to the concentrated fed cattle production and slaughter areas in Colorado, Kansas, Oklahoma, Nebraska, and Texas, and would assume nationwide responsibility for major industry and competitive issues relating to cattle and sheep. Des Moines, which is in the center of the largest pork production and slaughter area, would have nationwide responsibility for major industry and competitive issues relating to hogs. Atlanta would be responsible for major industry and competitive issues nationwide relating to poultry.

Basic services, such as jurisdiction and bond activities, custodial account audits, weighing investigations, and routine trade practice investigations, would be provided to outlying geographic areas by resident agents. Approximately 20 resident agents will work out of their homes and another 15 will work out of suboffices. Two suboffices in the Denver region would be in Sacramento, CA, and Fort Worth, TX. A single suboffice in the Atlanta region would be in Lancaster, PA. With the exception of the office in Des Moines, IA, all of the regional and suboffices would be located in cities where P&S currently has field locations.

This will help minimize the up-front cost of restructuring to improve the operations of the P&S Program and will meet the industry's and USDA's shared goal of providing more effective enforcement of the anticompetitive provisions of the P&S Act while maintaining our efforts in the financial protection and trade practices areas.

The proposed reorganization plan provides a blueprint for the infrastructure needed to move GIPSA's P&S Programs into the 21st century.

Poultry Regulations

A large share of the complaints and concerns the Agency receives from contract poultry growers fall into three areas: (1) grower payment based on performance compared with other growers for a specified time period (usually all growers whose birds are killed within a 1- or 2-week period); (2) accuracy of feed weights and feed delivery and pickup procedures; and (3) procedures for weighing live birds picked up for slaughter and the accuracy of the weights. The Agency is concerned that contract poultry growers are in an unequal bargaining position with the integrated poultry companies and is considering the need to issue substantive regulations to provide growers with assurance that their settlements will be equitable.

An Advance Notice of Proposed Rulemaking was published in the *Federal Register* early in FY 1997 seeking comments on the need for regulations and the content of such regulations. A review committee is analyzing over 3,400 comments received in response to the notice. Recommendations of the committee and an analysis of grower comparison settlements by major poultry companies will be considered in FY 1998 to determine the need for further regulation to ensure fair growers settlements.

Livestock Procurement Practices

The Agency has taken several initiatives to increase enforcement activities concerning unfair or anticompetitive-type practices involving meat packers, livestock dealers, and market agencies.

A major case alleging that IBP, inc, entered into a marketing agreement and paid preferential prices to an exclusive group of feedlots in Kansas went to administrative hearing in 1997. The Administrative Law Judge issued his decision in late September 1997, finding that the agreement provided terms for live cattle sales which differ somewhat from traditional methods for purchasing cattle in Kansas but did not give any undue or unreasonable preference or advantage in violation of the P&S Act.

The Agency has filed an appeal with USDA's Judicial Officer. The Judicial Officer has been delegated authority to issue the final decision for USDA in cases arising under the P&S Act.

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 obtain input from all segments of the industry, GIPSA published the entire 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 five members from GIPSA and one each from the Office of the General Counsel and the Economic Research Service reviewed and summarized the comments, and assessed the petition's economic and legal justifications and the arguments presented in the comments. In FY 1998, GIPSA will determine whether additional rulemaking is warranted based on the petition, the team's review and analysis, and other available economic information.

ISO 9000 Certification

In FY 1998, GIPSA plans to expand the current quality assurance/control programs and concepts of Managing Total Quality to become ISO 9000 registered. GIPSA will obtain ISO 9000 certification on select laboratory operations and may extend that certification to other laboratory operations in the future. The International Organization for Standardization (ISO) in Geneva, Switzerland, was founded in 1946 to develop a common set of standards in manufacturing, trade, and communications. ISO 9000 is comprised of the national standards institutes and organizations of 97 countries worldwide, including the American National Standards Institute. The ISO 9000 standards have been endorsed by the American Society of Quality Control, the European Standards Institutes, and the Japanese Industrial Standards Committee and are becoming the de facto standard across industries throughout the world.

Official Moisture Measurements

GIPSA selected the Dickey-john Corporation's Grain Analysis Computer Model 2100 as the new official moisture meter to replace the technology currently in use. Procurement of new technology will allow the Agency to improve its automation capability, reduce error associated with operator interaction, improve efficiency in grain inspection, and conform to the requirements of the National Institute of Standards and Technology (NIST) Handbook 44. In FY 1998, GIPSA plans to procure units of the selected model, to refine operating procedures, standardization processes, and calibration equations for the selected model, and to transition to the new instrument for official moisture measurements for several major grain types.

**Grain Inspection
Automation**

To further facilitate grain marketing, GIPSA has established a team of technical experts to develop an automated grain inspection system in partnership with the grain industry. An automated system will improve efficiency and productivity of grain handling facilities, thereby making them more competitive in today's global marketplace.

Packers and Stockyards Programs



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

- ▶ *Competition*
- ▶ *Fair Trade Practices*
- ▶ *Financial Protection*

Competition

Competition

One of GIPSA's major responsibilities under the P&S Act is to ensure open, competitive marketing conditions for livestock and meat. Concerns surrounding enforcement in this area have been voiced by various producer organizations. 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.

Anticompetitive Arrangements

GIPSA places a high priority on investigating all complaints and further developing information received concerning the failure of livestock dealers, market agencies, or packers to compete for the purchase of livestock. During FY 1997, GIPSA conducted investigations involving livestock dealers, market agencies, packer buyers, and slaughtering packers regarding alleged arrangements whereby the parties agreed not to compete for the purchase of livestock.

During FY 1997, GIPSA completed a comprehensive investigation of the procurement of slaughter cows in the Northwest region of the United States. The investigation revealed an arrangement entered into by two livestock dealers for the purpose and with the effect of restricting competition and thereby controlling the prices for slaughter cows at auction markets. An administrative complaint has been filed against the two livestock dealers alleging the respondents failed to conduct their buying operations in competition with and independently of one another. Another investigation is underway to determine if other livestock dealers and packers in the Northwest region of the United States have entered into similar types of arrangements to restrict competition.

GIPSA is currently conducting a broad investigation of fed steer and heifer procurement in the Texas Panhandle. The investigation was initiated in the summer of 1996 and includes 16 months of procurement data, over 37,000 transactions, and over 6 million head of cattle. This investigation, which is scheduled for completion in 1998, will include a variety of statistical analyses such as the relationship between livestock prices and the various different "formulas" used to purchase livestock.

The Agency is conducting an investigation of slaughter hog procurement in the central United States. The investigation will include an analysis of contractual arrangements between packers and hog producers and analyze the effects of hog quality and seller size on price. The data will also be analyzed to ensure that the firms are actively competing and to gain a better understanding of each firm's procurement operations.

The investigation involves procurement data from a dozen major hog slaughter plants in the western Corn Belt. These plants slaughtered approximately one-third of the Nation's slaughter hogs in 1996.

The cooperation of personnel from the Economic Research Service and the National Agricultural Statistics Service has been secured to complete this investigation.

The Agency initiated an investigation involving slaughter lamb procurement in the Western United States, with emphasis on evaluating competition and the use of supply contracts. This investigation will include an analysis of pricing and procurement methods, procurement areas, contractual arrangements, plant and firm comparisons, sellers comparisons, and related analyses.

Concentration and Industry Structure

GIPSA entered into cooperative research agreements with Texas A&M University and the University of California at Davis to examine the effects of meatpacking concentration on prices paid for fed cattle.

GIPSA prepared an expanded statistical report on the meatpacking industry covering the year 1995. The report shows concentration ratios, plant size, packer purchases by region through public and non-public markets, the extent of packer feeding, and financial and other information on the structure of the industry.

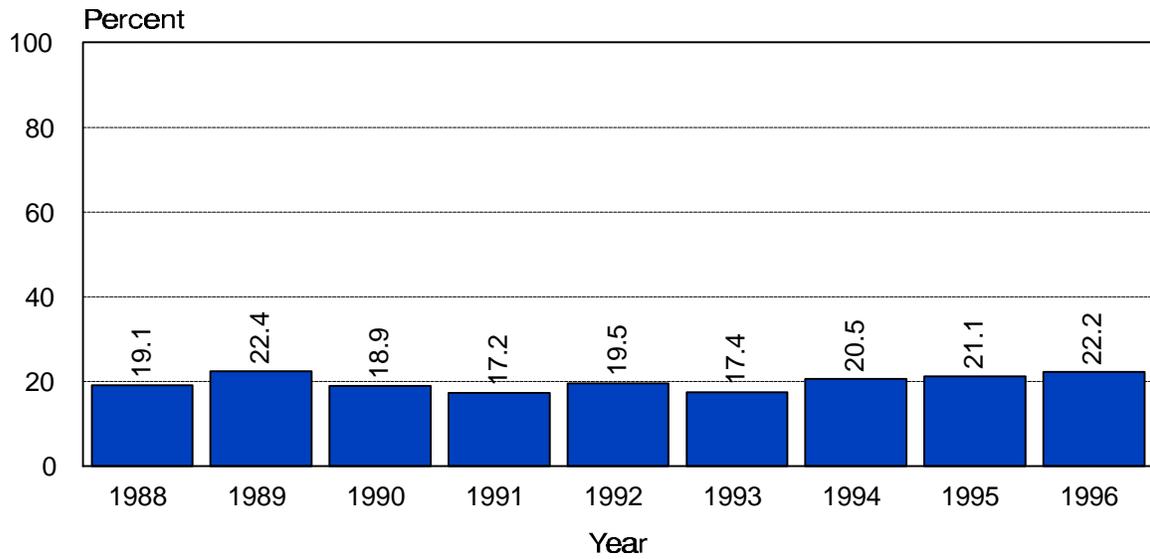
Livestock Procurement Practices

GIPSA obtains special procurement information from the Nation's top 15 steer and heifer slaughter firms annually. This information is related to livestock purchased through contracts, packer feeding arrangements, or marketing agreement/formula-priced type transactions on a monthly basis. The Agency closely monitors the overall percentage and use of these cattle by the Nation's meat packers.

The 1996 steer and heifer slaughter totals indicate that the Nation's top 15 steer and heifer slaughter firms accounted for nearly 91 percent of the commercial steer and heifer slaughter. The percentage of cattle obtained through a contract, packer feeding arrangement, or marketing agreement/formula-priced purchases in 1996 was 22.2 percent, up slightly from 21.1 percent in 1995.

Steer & Heifer Procurement Analysis

Top 15 Firms



Figures show the percentage of the top 15 firms' cattle obtained through forward contracts, marketing agreements/formula pricing arrangements and packer-owned and/or fed.

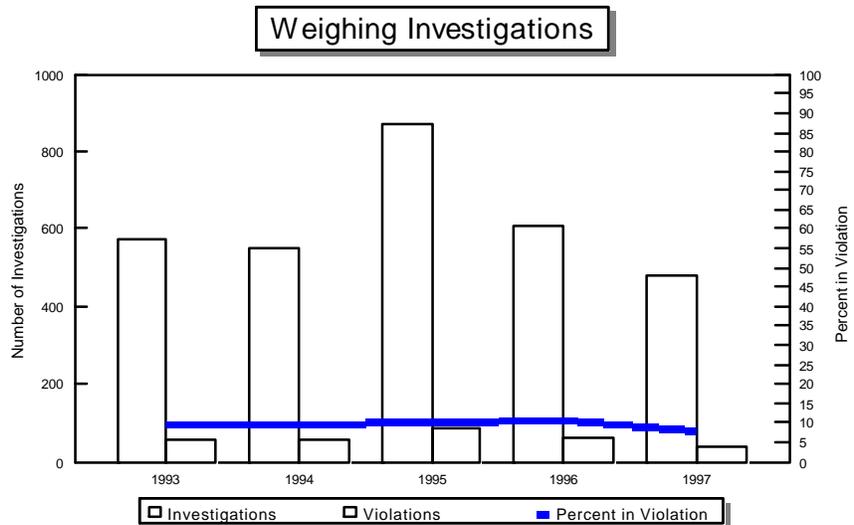
Fair Trade Practices

Accurate Weights

GIPSA's responsibility in this area consists of two elements that affect the integrity of subject transactions: (1) the accuracy of the scales used for weighing livestock, meat and poultry, and (2) the proper and honest operation of scales to ensure that the weight on which a transaction is based is accurate.

GIPSA's major emphases in the enforcement of the program are the monitoring of scale tests and detection of improper and fraudulent use of subject scales. In most cases, the scales are tested by State and private testing agencies, following standards developed in cooperation with the National Conference on Weights and Measures (NCWM). GIPSA conducts training schools for test agencies with NCWM National Training Program certified instructors. Test reports are analyzed and tests are periodically supervised to ensure that they accurately reflect the performance of the scale under normal use conditions. Since 1988, 22 training schools provided technical instruction to 380 officials from 38 States and the Navajo Nation. Informal instruction is routinely provided upon request to State and private test agencies. Ninety-one percent of the scales tested complied with performance requirements. Equipment not found in compliance was adjusted, repaired, replaced, or removed from service.

Weighing investigations are a critical component of the program to assure accurate weights. Approximately 8 percent of the investigations disclosed false or incorrect weighing which resulted in corrective action being taken. These investigations included livestock, carcass, and poultry checkweighing. Approximately 8,000 head of livestock were checkweighed at auction markets and buying stations. GIPSA personnel visited 11 meat packing plants to check weigh carcasses. Over 75 checkweighing investigations were conducted at poultry packing plants.



Contract Poultry Arrangements

During FY 1997, GIPSA investigated the operations of 119 live poultry dealers. Nearly 75 percent of these investigations were the result of complaints received from contract growers. GIPSA is conducting an in-depth investigation of the operations of a major poultry firm for evidence of alleged discrimination of growers. 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 75 poultry complexes in FY 1997. A poultry company in South Carolina was permanently barred by a U.S. district court from failing to weigh live poultry immediately upon arrival at its processing plant and from falsification of weighing records.

A number of discrepancies between poultry growers and integrators were mediated as the result of investigation of growers' complaints. GIPSA's mediation of one dispute resulted in an agreement to place poultry with a grower after the integrator had discontinued placements.

When a poultry processing plant in Georgia announced that it was closing, discussion with several poultry companies were instrumental in all growers being offered an opportunity to continue to grow poultry. Contract terms that ostensibly caused growers to be in default if they discussed any facet of their business were removed from the contract of a major integrator at GIPSA's insistence. A compliance review of a Georgia firm detected a computer program error that resulted in the additional payment of over \$7,000 to 148 growers. An Arkansas firm is now separating large birds and small birds into two settlement groups based on GIPSA's investigation showing that combining the two for grower settlement purposes was unfair.

Two regional meetings were held between poultry growers and GIPSA to discuss concerns related to contract production of poultry. Several areas of concern to poultry growers are being addressed through proposed rulemaking notices that will afford all interested parties an opportunity to comment on proposed rulemaking. An extensive review of feed handling and weighing practices by live poultry dealers was initiated during FY 1996. Information gathered will help determine the need for specific regulations dealing with feed scales, weighing, and feed delivery.

False Weighing

False weights have an immediate and measurable impact on livestock producers' paychecks. During FY 1997, GIPSA issued an administrative complaint against one livestock dealer. Three pending administrative complaints filed against one packer, one dealer, and one market agency were settled by consent decisions wherein the entities agreed to cease and desist from the violations and to pay civil penalties of \$80,500. Two other investigations were completed for which administrative complaints will likely be issued during FY 1998.

USDA regulations require that livestock purchased on a weight basis be accurately weighed and that payment be made on the accurate weight. As resolution to an investigation of weighing practices and subsequent complaint by GIPSA, a Nebraska beef packer agreed to a cease-and-desist order and a \$70,000 civil penalty in FY 1997.

Livestock Care and Handling

In July 1996, GIPSA published proposed guidelines on the appropriate care and handling of livestock at stockyards and, in particular, the handling of downed animals. However, since the proposed guidelines were published in the *Federal Register*, USDA's Judicial Officer issued an adverse decision concerning this issue. In a recent case, GIPSA alleged that a livestock market had engaged in an unfair practice in the handling of a downed animal. On appeal of a default decision, the Judicial Officer ruled that the facts alleged by GIPSA in the original complaint did not constitute a violation of the P&S Act. The Judicial Officer said the facts alleged did not establish that the respondent engaged in an unfair or unreasonable practice, did not establish that the respondent's conduct resulted in or could result in the type of injury that the P&S Act is designed to prevent, and did not establish that the Secretary has jurisdiction over this matter. This decision and order have significant implications regarding jurisdiction under the P&S Act to address issues concerning nonambulatory animals.

Livestock Marketing

Fraudulent marketing practices, such as weight and price manipulation, and misrepresentation of livestock as to 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 uncovered during other investigations. During FY 1997, GIPSA issued an administrative complaint alleging one livestock dealer in the Northwest was paying livestock sellers on the basis of inaccurate 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 continues to conduct livestock procurement investigations of slaughtering packers, dealers, and order buyers. These investigations include examining the firm's entire operation for possible violations of the P&S Act. Practices reviewed include: payment; 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 using these devices to ensure the accuracy of the devices, proper formula application and accounting, and the proper application of the devices.

A major case alleging that IBP, inc, entered into a marketing agreement and paid preferential prices to an exclusive group of feedlots in Kansas went to administrative hearing in 1997. The Administrative Law Judge issued his decision in late September 1997, finding that the agreement provided terms for live cattle sales which differ somewhat from traditional methods for purchasing cattle in Kansas but did not give any undue or unreasonable preference or advantage in violation of the Packers and Stockyards Act.

The Agency has filed an appeal with USDA's Judicial Officer. The Judicial Officer has been delegated authority to issue the final decision for the Department of Agriculture in cases arising under the Packers and Stockyards Act.

Reparations

Any person harmed when a market agency or dealer violates the P&S Act may file a complaint seeking monetary damages. During FY 1997, 20 reparation orders were issued by the Secretary resulting in awards to complainants in the amount of \$165,598.

Financial Protection

Financial Investigations

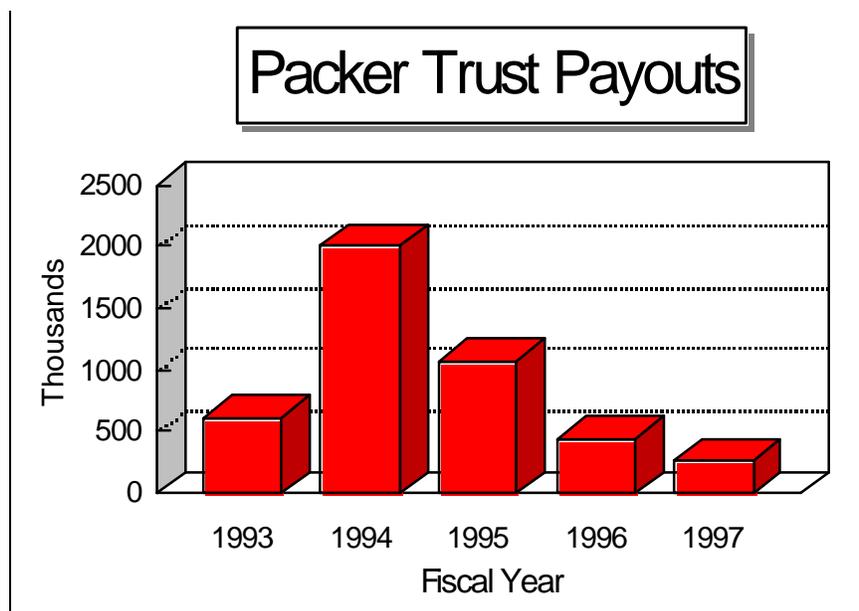
Financial investigations during the year resulted in \$1.9 million being restored to custodial accounts established and maintained for the benefit of livestock sellers. Packer and poultry trust activities also returned over \$264,000 to livestock sellers and \$10,000 to poultry growers during the fiscal year. Dealers and market agencies are required to meet solvency requirements, a critical component of payment protection of the P&S Act. During FY 1997, 186 insolvent dealers and market agencies corrected or reduced their insolvencies by \$34.4 million.

Packer Trust Payment Protection

It is important that producers receive timely and full payment for the livestock they market. Payment protection is provided directly under the P&S Act by statutory requirement of full and prompt payment, by packer bonding requirements, and by the packer trust provisions. Packers also are required to file annual reports of their operations with GIPSA and to maintain a solvent financial condition. Prompt payment 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.

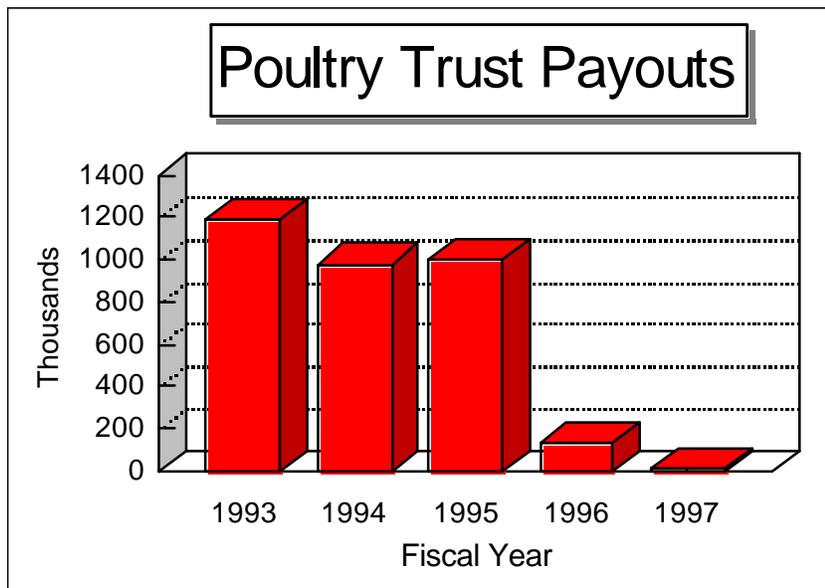
Packer Trust Activities

Since the 1976 amendments to the P&S Act, livestock sellers have been paid \$48.7 million under the statutory trust provisions. Packer trust payouts generally track livestock market prices with fewer trusts and smaller payouts when the supply is adequate and prices are down.



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 \$7.3 million under the statutory trust provisions. The amount of poultry trust payouts has declined and has trended downward in the past several years, reflecting a robust poultry industry.

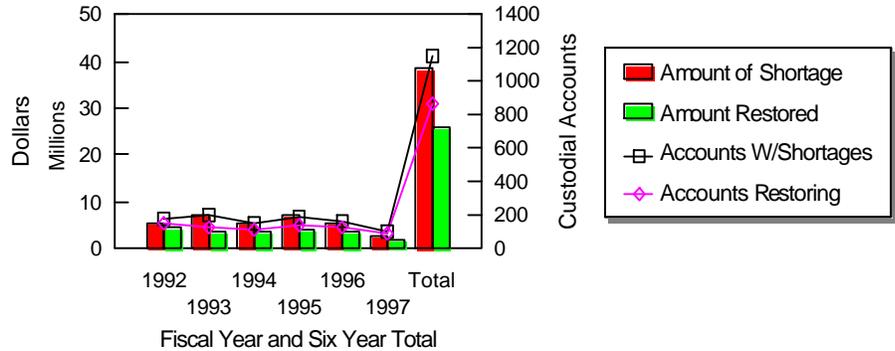


Custodial

Payment protection for the sellers of livestock is an integral part of the P&S Act and of extreme importance to GIPSA. To ensure compliance with the financial and payment protection provisions of the Act, GIPSA audits and investigates the regulated industry. Market agencies that sell livestock on a commission basis are required to establish and maintain, for the benefit of livestock sellers, a Custodial Account For Shippers' Proceeds bank account. GIPSA has an ongoing compliance surveillance program designed to audit each of these accounts on a regular basis. During FY 1997, the compliance audits conducted on 375 custodial accounts disclosed that 103 markets had shortages totaling \$2.9 million in their accounts. Because of the audit program, 83 markets restored \$1.9 million.

Report of Custodial Accounts

Fiscal Years 1992 - 1997



Solvency

Dealers and market agencies are required to meet the solvency requirements, a critical component of payment protection of the P&S Act. In the past 4 fiscal years, 775 dealers and market agencies found to be insolvent either corrected or reduced their insolvencies, in the aggregate, over \$70 million as a result of GIPSA compliance activities. Of the 775 dealers and market agency, 674 completely corrected their insolvencies. During FY 1997, 186 insolvent dealers and market agencies corrected or reduced their insolvencies by \$34.4 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. The following table shows the number of registrants and value of their bonds for the past 3 fiscal years.

	FY 97	FY 96	FY 95
Posted Stockyards	1,333	1,348	1,386
Market Agencies/ Dealers	6,904	6,988	7,078
Packer Buyers	2,133	2,169	2,103
Value of Bonds (millions)	\$244	\$247.1	\$268.6

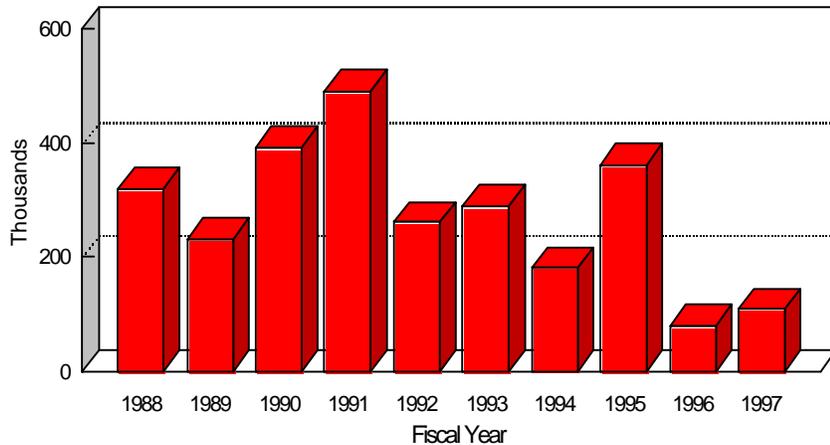
In FY 1997, 206 claimants recovered \$325,000 out of \$990,000 in claims filed during the fiscal year against bonds maintained by dealers and market agencies that failed financially. Claims totaling approximately \$151,000 are pending and expected to be paid to claimants.

Packer Bonding

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. The bond provides payment protection for unpaid livestock purchases not otherwise recovered through the packer trust. Consequently, the percent of bond payout to total bond value is consistently less than 1 percent.

Packer Bonding Activity	
Value of bonds (\$ in millions)	378
Number of packers bonded	433
Number of packer bonds called on	5
Value of packer bonds called on (\$ in thousands)	395

Packer Bond Payout



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*

Harnessing Technology

Computer Imaging

Computer imaging is one of the most promising new technologies to contribute to the accuracy, consistency, and objectivity in grain inspection and grading. In FY 1997, GIPSA assessed the feasibility of detecting live insects in grain with computer imaging, and procured commercial instrumentation to determine whether rice grading can be automated using such equipment. In FY 1998, GIPSA will evaluate the commercial instrument's adequacy for grading rice and other cereal grains, and will continue to investigate other applications for computer imaging in grain inspection.

Cu-Sum Automation

GIPSA is automating the export inspection statistical shiploading plan, also known as Cu-Sum, and related data processing activities in the export inspection operation. In FY 1997, the Agency continued developing prototype software code, data entry screens, and data entry strategy to input Cu-Sum data on multiple shiplots simultaneously. Two onsite tests of the prototype software were successfully completed. GIPSA plans to install the automated system at a number of elevators in the New Orleans area during FY 1998. The automated Cu-Sum system will improve the efficiency of the official system by minimizing manual data collection and calculations, and permit direct data sharing with customers and remote GIPSA offices.

Dust Control in Rice

While there is much concern within the rice industry about pollution control regulations, GIPSA is equally concerned about the effect that some dust control measures may have on the quality of U.S. rice. In recent years, many rice handlers have begun using oil additives to control dust. For many years, the Food and Drug Administration (FDA) and GIPSA have recognized that applying as much as 200 parts per million (ppm) of mineral oil by weight to rice will neither endanger the health of consumers nor degrade the quality of the rice. Some rice mills and elevator operators have found, however, that oil additives applied at this rate are not always effective at suppressing dust.

Since applying more than 200 ppm of mineral oil by weight is currently prohibited by the FDA, GIPSA was granted a temporary authorization (waiver) from the FDA to work with industry to assess the impact on rice quality of applying oil additives at higher concentrations.

Electronic Commerce

GIPSA continues to work closely with the National Grain and Feed Association on Electronic Data Interchange (EDI), an industry-driven electronic commerce initiative that is designed to automate the exchange of financial transaction documents among businesses. GIPSA established the standardized electronic file format for the EDI system for inspection and weighing data. GIPSA's involvement provided great market efficiency by establishing the standard file format and ensuring that all official inspection providers adopt the format by May 1998.

**Heavy Metals
Methods Development**

The potential presence of heavy metals in grains is a concern for many countries importing grains. In response to this concern, GIPSA has developed an analytical procedure to analyze corn and wheat for lead and cadmium. The procedure involves microwave digestion of the sample and quantitation using atomic absorption spectroscopy. In FY 1998, analysis for lead and cadmium in corn and wheat will be offered as an analytical service.

**Mycotoxin Methods
Development**

In FY 1997 GIPSA developed a new reference method for deoxynivalenol, also known as vomitoxin or DON, a mycotoxin found in wheat. The new method improved accuracy and precision, reduced the volume of solvent required for the analysis, and significantly reduced the direct labor required to conduct the analyses. As a result of this new method, sample throughput was doubled, and concerns regarding consistency of results among test kits and laboratory analyses were resolved. In FY 1998, GIPSA plans to develop a reference method for fumonisin, a mycotoxin commonly found in corn, and will evaluate commercially available fumonisin test kits for official use.

**Networking the
Official System**

GIPSA is establishing an electronic telecommunications network that will link all of the Federal, State, and private partners that comprise the official grain inspection and weighing system. The network will allow electronic mail and daily sharing of official grain data between official agencies (OAs) and GIPSA through the use of the Internet. All OAs will use local service providers to access a secure Intranet file server provided by GIPSA for e-mail, bulletin board, and file transfer functions. The foundation of data transfer is a standard formatted file (FGIS Directive 9290.16, April 3, 1997) that, in addition to being used as part of the EDI function, will allow GIPSA to create a national grain quality database that will, among other benefits, provide a dynamic picture of nationwide grain trends and allow timely responses to potential problem areas.

**Niacin Methods
Development**

The Farm Service Agency (FSA) requested that GIPSA develop a method to analyze corn-soy blends for niacin to confirm the proper addition of a vitamin premix during the manufacturing process. In FY 1997, GIPSA completed the development of this method and offered it as a service to FSA. The analytical method involves extracting the corn-soy blend with a dilute aqueous solution of acetic acid, filtration, and quantitation using high-performance liquid chromatography (HPLC). In FY 1998, FSA is expected to add niacin testing to its requirements for corn-soy blends; GIPSA will be providing this analytical service.

Odor Assessment

Odor is an important grain grading factor because it affects the acceptability of grain for many end uses. The presence of an objectionable odor results in the grain being assigned the lowest official grade, Sample grade. This, in turn, directly affects the value of the grain. The current official odor assessment method requires subjective determinations on the part of inspectors who directly smell grain samples contained in shallow pans. GIPSA has been working with the Agricultural Research Service (ARS) to develop methods to improve the safety and objectivity of grain odor determinations. In FY 1997, an inspection aid that further reduces the potential for risk and enhances GIPSA's current program to minimize exposures was further evaluated and the instrument design was refined to improve performance and improve manufacturability. In FY 1998, several pre-production prototypes will be fabricated and tested in official inspection laboratories.

GIPSA and ARS continue collaborating on electronic odor sensing instruments. In FY 1997, sensory panel and instrumental analyses were completed for most of the several hundred samples collected to represent different grain types, and different types and intensities of acceptable and objectionable odors. GIPSA and ARS worked with three manufacturers of newly developed "electronic nose" technology to determine whether that technology has the capability for rapid, relatively low-cost odor assessments. The manufacturers did not complete development of automated methods, so testing of grain samples was not completed in FY 1997. In FY 1998, GIPSA and ARS will continue to encourage progress on the electronic nose methods, and participate in feasibility tests of the methods when they are completed.

Pesticide Residue Testing

GIPSA continued to participate in the Pesticide Data Program in FY 1997. Due to funding problems, the start of the Pesticide Data Program in FY 1997 was delayed approximately 4 months, but GIPSA did complete the analysis of all wheat samples collected during the 1996 growing season. In FY 1997, the Pesticide Data Program was expanded to include the collection and analysis of wheat and soybean samples for pesticide residues. Due to methodology differences, it was necessary to validate the soybean method prior to analyzing any soybean samples.

In FY 1997, approximately 66 wheat samples and 120 soybean samples were analyzed for pesticide residues. The information GIPSA provides will be part of a comprehensive database on actual residue levels found in the U.S. food supply and will be used by the U.S. Environmental Protection Agency to assess dietary exposure to pesticide residues.

Pilot Tests of New Services

In FY 1998, GIPSA plans to conduct limited pilot tests of new services such as protein in barley and protein, oil, and starch in corn to assess achievable accuracy of and industry interest in such official services.

Polymerase Chain Reaction (PCR) for Varietal Identification

GIPSA is investigating the application of Polymerase Chain Reaction (PCR) to the identification of grain varieties. PCR, a relatively new technique, amplifies target segments of nucleic acids. Target DNA sequences are chosen using the unique nature of nucleic acids between and within a species. This technique has been successfully applied to the identification of microbiological contaminants, and has significantly reduced the analysis time and increased the sensitivity of pathogenic organism detection.

Sprout Damage Instrument Evaluation

In FY 1997, the Ektachem DT 60 instrument was evaluated as a technique for assessing sprout damage in wheat. The study involved two field offices analyzing wheat samples using both the Ektachem DT 60 and the two techniques commonly used by the field offices: the Falling Number, an industry-recognized measure of end use quality, and visual examination of the wheat for sprouting. The study showed a strong linear correlation between alpha-amylase activity and the Falling Number, but alpha-amylase was not a good predictor of the Falling Number. The study concluded that alpha-amylase activity, as measured by the Ektachem DT 60, cannot be used to replace the Falling Number, but that alpha-amylase activity may be useful to the industry as an additional measure of end-use quality. In FY 1998, GIPSA will investigate alternative objective tests for assessing sprout damage.

**U.S. versus ISO
Bulk Density**

The official U.S. method for measuring grain bulk density (test weight) differs from methods used in other parts of the world. In FY 1997, GIPSA assessed the differences between the U.S. official method and a commonly used International Organization for Standardization (ISO) method for measuring the bulk density of wheat. U.S. test weight results for wheat that were converted to metric equivalents were found to be substantially lower than results obtained using the ISO method. As a result, improved conversion equations from U.S. test weight to metric bulk density were implemented for wheat in May 1997.

Wheat Classification

Throughout FY 1997, GIPSA field offices continued to collect hardness data on wheat samples using the Perten SKCS 4100, a single kernel classification (characterization) system (SKCS). Information obtained from this sample collection program will aid in the development of an objective classification system for wheat, offer the industry quantifiable evidence of the overall impact such a system would have on the wheat marketing, and allow GIPSA to refine the classification definitions in the Official U.S. Standards for Wheat. To date, GIPSA has analyzed over 9,400 samples for this study. Additional samples will be analyzed to refine the parameters for classification of hard and soft wheats. Research efforts using this technology to objectively differentiate red and white wheats also are continuing.

Wheat Dockage

The official procedures for assessing wheat dockage require different methods depending on the types of dockage present in wheat samples. GIPSA worked with ARS and Kansas State University researchers in FY 1996 and FY 1997 to develop a new wheat dockage procedure that could be applied uniformly regardless of the type(s) of dockage present. That project will be completed early in FY 1998. During FY 1998, GIPSA will further evaluate the developed method to assess the feasibility and market impact of changing to a uniform wheat dockage procedure.

Promoting Standardization

Standardizing Commercial Grain Inspection Equipment

In FY 1997, GIPSA continued to participate in the cooperative effort with the National Institute on Standards and Technology (NIST) and the NCWM to standardize commercial grain inspection equipment as part of the National Type Evaluation Program (NTEP). GIPSA serves as the sole NTEP laboratory for grain inspection equipment. During FY 1997, one additional grain moisture meter model was certified as conforming to NTEP requirements, bringing to seven the number of NTEP-certified models. The calibration data collected during fiscal years 1995, 1996, and part of 1997 were used as the basis for numerous grain moisture meter calibration changes to improve the accuracy and consistency of commercial grain moisture measurements.

GIPSA continued to provide technical support and guidance to the NTEP Technical Sector dealing with specifications and tolerances for commercial grain test weight measurements.

In FY 1998, GIPSA plans to continue to support NTEP as a laboratory for testing grain moisture meters and, resources permitting, to begin testing NIR wheat protein analyzers.

Informational Video

GIPSA and FSA jointly produced an informational video that was designed to facilitate the trading of U.S. bulk and bagged grain, rice, pulses, and processed commodity shipments by educating international customers about: (1) the importance of purchase contract specifications; (2) the process by which U.S. export commodities are handled and inspected from the point of packing until placed aboard the export vessel; (3) expected changes in quality that often occur in transit and in storage in overseas warehouses; and (4) complaint resolution, including drawing destination samples.

New Official Moisture Meter

GIPSA will develop standardization processes for the new official moisture meter, the Dickey-john GAC 2100, in FY 1998, and will use those processes to verify instrument operational status prior to using the instruments for official moisture measurements.

NIRT Standardization

In FY 1997, GIPSA continued to develop improved methods for standardizing the near infrared transmission (NIRT) instruments it uses for official wheat protein and soybean protein and oil determinations. Those methods were applied to standardize headquarters instruments in FY 1997. Use of the new standardization methods will be expanded to other official NIRT instruments in FY 1998.

**Quality Assurance/
Quality Control**

In FY 1996, GIPSA began implementing an enhanced quality assurance and quality control program to ensure the quality and accuracy of inspection results nationwide. The program includes a balance of national and localized monitoring, and emphasizes proactive actions to prevent problems from occurring rather than reacting to problems once they have occurred.

A new computer system allows data processing at the local level, thereby providing information to front-line inspectors to prevent problems before they occur. GIPSA currently is installing new custom quality control software in all field offices; new computers were installed at all field offices during FY 1997.

The quality assurance/quality control program will greatly improve GIPSA's efforts to provide our customers with the accurate and timely information they need to market America's grain.

Ship Fumigation

In-transit fumigation of grain cargoes can limit the availability of vessels, and especially U.S.-flag vessels, since current procedures prohibit the in-transit fumigation of 'tween deck vessels. In conjunction with industry and other government agencies, GIPSA evaluated the effectiveness of fumigating four 'tween deck vessels. The review concluded that two vessels were suitable for in-transit fumigation because there were not significant structural barriers within the vessels. The other two vessels will require a test shipment to determine if fumigation is effective. This action and future research should reduce the risk and potential costs of booking unacceptable carriers when fumigation is required by government contracts.

U.S. Rice Market

In March 1997, the U.S. rice industry notified GIPSA that certain tariff barriers, which had discriminated against premium quality U.S. rice products in the European Union (EU), were to be removed on July 1, 1997, on a trial basis, under the Cumulative Recovery System (CRS). This action should have enabled the U.S. rice industry to compete for a share of this expanding market. However, the new EU tariff rates required a specified level of quality to gain a favorable tariff rate. It was unclear how EU tariff officials would view high-quality U.S. rice inspected under the U.S. Standards for Rice versus European rice inspected under ISO.

In June 1997, USDA representatives held a meeting with a senior EU Commission official and U.S. rice industry groups in Houston, TX, to resolve this potential trade problem. Following this meeting, EU officials reported that the CRS quality specifications would be modified to better reflect U.S. export rice quality and that they planned to specify that all U.S. rice shipments to Europe must be inspected and certificated by GIPSA. This action will allow the U.S. rice industry to gain full access to the European rice market under the favorable tariff rates.

U.S. Standards for Grain

Barley. GIPSA implemented revised barley standards on June 1, 1997, to facilitate the marketing of U.S. barley. Specifically, the standards were amended to modify the barley classification system to better reflect current marketing practices by establishing two classes, Malting barley and Barley; revise procedures to permit applicants the option of requesting either the malting standards or barley standards for malting types; revise the standards for Two-rowed Malting barley by removing the "U.S. No. 1 Choice" grade designation; amend the definition for suitable malting type to include other malting varieties used by private malting and brewing companies; revise the dockage certification procedure by reporting results in half and whole percent with a fraction less than one-half percent being disregarded; amend the definition of thins to require the use of a single sieve (5/64 x 3/4 slotted-hole) only in the class Barley; and eliminate the numerical grade restriction for badly stained and materially weathered from the standards. In addition, GIPSA amended the breakpoint for dockage and established new breakpoints for malting barley to conform with standard changes.

Oats. GIPSA initiated a review of the oats standards to evaluate: (1) including hull-less oats in the definition for oats; (2) separating foreign material into three subfactors, wheat, barley, and other foreign material; (3) increasing minimum test weight requirements; (4) including thin oats as a grade determining factor; and (5) harmonizing the U.S. standards with those of Canada. GIPSA plans to publish a proposed rule in FY 1998, publish a final rule in FY 1999, and put the standards into effect in FY 2000.

Rye. In FY 1997, GIPSA drafted a proposal to revise the U.S. Standards for Rye to certificate dockage to the nearest tenth of a percent. The current method of dockage certification rounds the actual dockage percentage down to the nearest whole percent. This method may result in understating the level of dockage up to 0.99 percent on the certificate. Certification of dockage to the nearest tenth of a percent is more precise than the current method and should enhance the marketability of rye traded in domestic and export markets.

Wheat. In FY 1995, GIPSA began a 2-year study to determine if the wheat standards are current with respect to garlic tolerances. The study, which is being conducted at the University of Illinois, involves the collection of samples to evaluate the ability to remove garlic from wheat prior to milling, the negative financial impact of garlic on the milling process, and the potential economic implications of changing the current garlic tolerances for wheat. Preliminary findings indicate some changes to the current policies and procedures regarding garlic determination may be necessary. Further research and an economic impact analysis are scheduled for completion by December 1997. The complete research report is scheduled for delivery to GIPSA by April 1998.

U.S. Standards for Pulses

Pea and Lentil Standards. In August 1997, GIPSA published a notice in the *Federal Register* announcing its intent to revise the U.S. Standards for Whole Dry Peas, Split Peas, and Lentils. Specifically, GIPSA plans to establish a new class, Miscellaneous peas; eliminate the classes Persian and Mixed lentils; and establish a new grading factor for lentils, "Conspicuous Admixture." GIPSA plans to implement any changes to the standards during FY 1998.

Bean Standards. In August 1997, GIPSA published a notice in the *Federal Register* announcing its intent to revise the U.S. Standards for Beans. GIPSA plans to establish a separate grade chart for Cranberry beans and rename Black Turtle Soup beans as Black beans. GIPSA plans to implement any changes to the standards during FY 1998.

International Travel

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 GIPSA personnel to travel overseas. This travel involves representing the Agency at grain marketing and 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.

Such activities historically were funded through various programs administered by FAS, directly by USDA cooperators, or by GIPSA. The 1995 amendment to the U.S. Grain Standards Act extended to GIPSA the authority to charge, and be reimbursed, for travel, salary, and related expenses when a customer requests our consultative expertise. The authority to recover costs for providing consultative services has enhanced GIPSA's ability to facilitate marketing of U.S. grains, oilseeds, and related commodities.

**Summary of Activities
Involving International
Travel in Fiscal Year 1997**

Purpose	No. of Travelers	Country Visited	Dates of Visit
1. To facilitate the marketing of U.S. grains, oilseeds, and soybean meal, at the request of the Foreign Agricultural Service.	1	Slovenia Croatia	10/14- 17/96
2. To pursue the development of a Brazilian market for U.S. feed grains at the request of U.S. Feed Grains Council.	1	Brazil	10/22- 24/96
3. To participate in a regional workshop regarding a rice fungus at the request of USA Rice Federation.	1	El Salvador	10/29- 11/1/96
4. To give a presentation on U.S. grain quality and standards, at the request of U.S. Feed Grains Council.	1	Panama	11/12- 15/96
5. To give five 1-hour presentations on various aspects of the role and responsibility of GIPSA at a forum sponsored by U.S. Wheat Associates.	1	Russia	11/16- 11/23/96
6. To generate ideas on the development of new grain grading standards, at the request of the Agricultural Marketing Service.	1	Ukraine	12/1- 13/96
7. To set up a grain inspection laboratory, train local inspectors, and conduct a formal seminar on U.S. inspection methods and procedures at the request of U.S. Feed Grains Council.	1	Malaysia	1/10- 24/97

(continued)

Summary of Travel, continued

8. To investigate an alleged weight shortage on a shipment of bagged rice at the request of the exporter.	1	Haiti	2/21- 26/97
9. To give presentations to grain industries on GIPSA's role, corn and sorghum standards, mycotoxin testing, and export inspection procedures at the request of U.S. Feed Grains Council.	1	Venezuela Colombia	2/23- 3/1/97
10. To attend a grain quality meeting with the Canadian Grain Commission.	1	Canada	3/5-7/97
11. To address a corn quality discrepancy at the request of FAS.	1	Jordan	3/5- 12/97
12. To participate in wheat, rice, soybeans, and corn seminars at the request of a U.S. exporter.	1	Trinidad Tobago	3/9- 13/97
13. To participate in the USA Rice Federation Central America Rice Seminar, focusing on standards and sampling at the request of USA Rice Federation.	1	Costa Rica	4/16- 19/97
14. Part of an extensive cooperative project with Ukraine to assist Ukrainian agribusinesses and government officials review commodity standards.	1	Ukraine	4/13- 24/97
15. To participate in a grain marketing seminar at the request of U.S. Feed Grains Council.	1	Dominican Republic	4/13- 16/97

(continued)

Summary of Travel, continued

16. To accompany representatives of FAS, U.S. Wheat Associates, and member companies of North American Export Grain Association to lead discussions on India's contractual quality specifications for wheat.	1	India	4/22- 26/97
17. To give a presentation on grain standards development at a feed grain marketing seminar at the request of U.S. Feed Grains Council.	1	Chile	5/11- 13/97
18. To represent GIPSA in the Sorghum Short Course on sorghum quality standards at the request of U.S. Feed Grains Council.	1	Mexico	5/15- 17/97
19. To attend a computer software technical conference.	1	Canada	6/9- 14/97
20. To participate in the 31st International Grain Industry Program at the request of the Canadian International Grains Institute.	1	Canada	6/10- 12/97
21. To participate in the American Oat Association Conference at the request of the American Oat Association.	1	Canada	6/16- 22/97
22. To provide assurance to Chilean officials that GIPSA can deliver wheat that does not contain Karnal bunt.	1	Chile	6/21- 26/97

(continued)

Summary of Travel, continued

23. To participate in bilateral grain consultation meetings with the Canadian Grain Commission.	1	Canada	6/26-27/97
24. To give a 2-day presentation on U.S. grain standards at the request of U.S. Feed Grains Council.	1	Venezuela	7/08-11/97
25. To give a presentation on U.S. corn standards at the request of U.S. Feed Grains Council.	1	Colombia	7/20-23/97
26. To give a presentation at the U.S. Wheat Associates South Asia Buyers Conference.	1	Singapore	7/11-19/97
27. To attend the American Agricultural Economics Association Conference.	2	Canada	7/27-30/97
28. To conduct a compliance review, computer inspection, and site visit at GIPSA's Montreal Field Office.	3	Canada	9/08-12/97
29. To investigate a quality discrepancy at the request of an importer.	1	Finland/ Estonia	9/20-24/97

Briefings with Visiting Trade and Governmental Teams

GIPSA personnel frequently meet with delegations visiting from other countries to brief them on the U.S. grain marketing system, the national inspection and weighing system, U.S. grain standards, and GIPSA's mission. Many of these delegations are sponsored by USDA cooperator organizations like U.S. Wheat Associates and U.S. Feed Grains Council, which arrange visits to grain production areas, GIPSA field offices, onsite laboratories at export grain elevators, and the Agency's Technical Center in Kansas City, MO. 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 the various services available from GIPSA, 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.

These briefings foster a better understanding of the U.S. grain marketing system and the official U.S. grain standards and the national inspection system, and enhance purchasers' confidence in U.S. grain.

In 1997, GIPSA representatives met with 81 teams from 38 countries, as shown below. Some countries were represented on several different teams.

**Summary of Briefings with
Visiting Trade and
Governmental Teams in
Fiscal Year 1997**

Albania	Nigeria
Armenia	People's Republic of China
Australia	Philippines
Belgium	Poland
Brazil	Republic of South Africa
Canada	Russia
Chile	Slovakia
Colombia	Slovenia
Croatia	South Korea
Czech Republic	Sri Lanka
Egypt	Taiwan
Jamaica	Thailand
Japan	Turkey
Jordan	Turkmenistan
Kazakhstan	Uganda
Korea	Ukraine
Mexico	Uzbekistan
Morocco	Venezuela
Nicaragua	Vietnam

Providing Official Inspection and Weighing Services

Automated Grain Handling and Weighing

GIPSA continues to assist major export elevators in their ongoing efforts to integrate automation into official weighing and grain handling operations. Five fully automated weighing systems have been approved; five systems are being installed or debugged; and one system is in the proposal preparation stage. GIPSA continues to respond to inquiries from other elevators regarding automation initiatives.

Customer Outreach

To further GIPSA's commitment to providing market-oriented inspection and weighing services, a nationwide program was initiated in FY 1997 to encourage and facilitate GIPSA field office/official agency outreach to the U.S. agricultural community. Agency representatives conducted group and private meetings with field office/official agency managers and producers, handlers, and processors throughout the United States to promote the official system, demonstrate the Department's commitment to U.S. agriculture, and explore better ways to serve the industry.

Quality Audits

In March 1997, FSA began a 6-month pilot program to evaluate the use of "Total Quality System Audits" (TQSA) to ensure the quality of processed commodities. TQSA combines features from the ISO, Hazard Analysis Critical Control Point (HACCP), and Quality Control Analysis (QCA) systems to emphasize quality in the manufacturing process rather than the traditional emphasis on end-product inspection. TQSA holds the manufacturer, not the government, responsible for ensuring quality control and contract compliance.

Current inspection procedures rely almost entirely on finished product inspections and laboratory analyses as indicators of quality and contract conformance. Under TQSA, an audit of the quality control process is conducted before, during, and after production, and includes a detailed review of each step in the production system. TQSA is further supplemented with destination reviews and random laboratory verification tests on products obtained at locations not under the manufacturer's control. When FSA approves TQSA for use, GIPSA will begin the cooperative inspection program on products selected by FSA.

GIPSA is also cooperating with the Processed Products Branch (PPB), Fruit and Vegetable Division, AMS, to audit the quality assurance systems and verification of sanitation system at food processing facilities. PPB offers this auditing service to companies as a means of obtaining an impartial review of their suppliers. Processors also may request these services to gain an objective assessment of their own operations. GIPSA is working with AMS to reduce their costs of conducting these audits.

**Inspection Program Data
Fiscal Years 1995-1997**

Item	Fiscal Years		
	1995	1996	1997
Quantity of Grain Produced ¹ (Mmt) ²	425.5	345.6	402.0
Quantity of Grain Officially Inspected (Mmt)			
Domestic	138.0	134.7	124.0
Export by GIPSA	89.6	86.5	74.0
by Delegated States/Official Agencies	<u>32.5</u>	<u>28.1</u>	<u>27.5</u>
Total	260.1	249.3	225.5
Delegated States/Official Agencies			
Delegated and Designated States	8	8	8
Designated States	10	9	8
Private Agencies	<u>48</u>	<u>48</u>	<u>49</u>
Total	66	66	65
State AMA Agreements	16	16	15
Number of Official Original, Reinspection, and Commercial Inspections			
GIPSA	164,122	158,055	125,292
Delegated States/Official Agencies	<u>2,420,577</u>	<u>2,144,073</u>	<u>1,935,050</u>
Total	2,584,699	2,302,128	2,060,342
<i>(continued)</i>			

¹ Source: USDA Crop Production Reports.

² Million metric tons.

Item	Fiscal Years		
	1995	1996	1997
Number of Grain Inspection Appeals			
Field Offices	10,510	6,706	3,140
Board of Appeals and Review	2,094	1,006	683
Number of Commercial Inspections			
GIPSA	3,003	1,889	545
Delegated States/Official Agencies	<u>245,681</u>	<u>286,076</u>	<u>322,953</u>
Total	248,684	287,965	323,498
Number of Wheat Protein Inspections			
GIPSA	68,963	60,679	35,218
Delegated States/Official Agencies	<u>496,873</u>	<u>490,699</u>	<u>415,661</u>
Total	565,836	551,378	450,879
Number of Soybean Protein and Oil Inspections			
GIPSA	18,095	15,919	16,379
Delegated States/Official Agencies	<u>4,416</u>	<u>3,442</u>	<u>4,157</u>
Total	22,511	19,361	20,536
Number of Aflatoxin Inspections	66,520	68,418	62,582
Number of Vomitoxin Inspections	31,677	46,240	21,109
Quantity of Rice Inspected (Mmt) (milled basis)	4.3	3.8	3.5

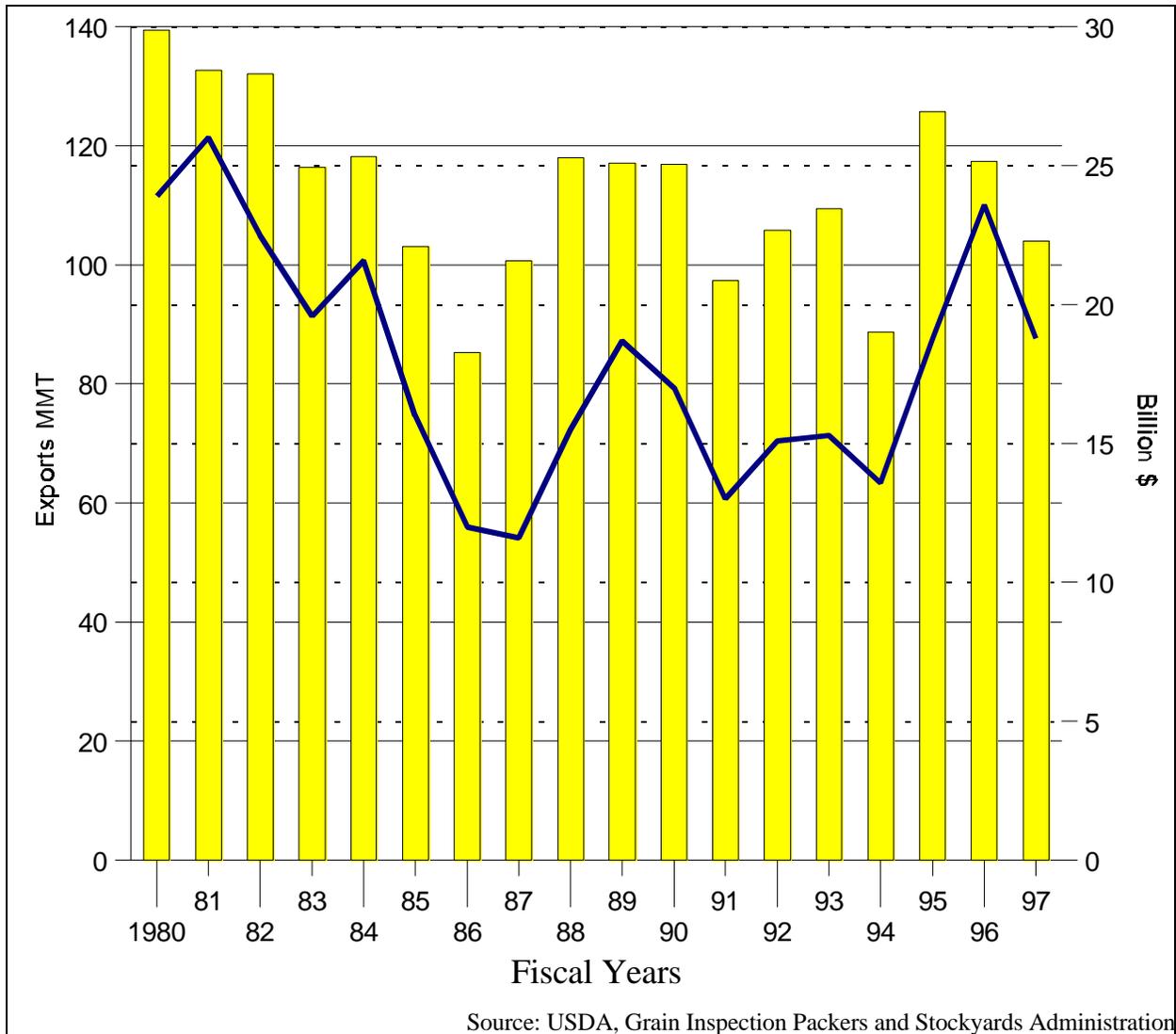
Weighing Program Data
Fiscal Years 1995-1997

Item	Fiscal Years		
	1995	1996	1997
Official Weight Certificates Issued			
GIPSA			
Class X ¹	95,618	102,328	76,453
Class Y ²	<u>21,904</u>	<u>15,820</u>	<u>11,344</u>
Total	117,522	118,148	87,797
Delegated States/Official Agencies			
Class X ¹	22,985	28,472	21,777
Class Y ²	<u>159,690</u>	<u>141,706</u>	<u>144,498</u>
Total	182,675	170,178	166,275
Exported Grain Weighed (Mmt)			
GIPSA	89.5	86.4	74.0
Delegated States	<u>29.4</u>	<u>24.8</u>	<u>23.7</u>
Total	119.0	111.2	97.7
Number of Certified Scales in Service			
Export Elevators	299	272	253
Number of Railroad Track Scales Tested	114	110	136

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



insert Domestic Inspections/Grain Supply here

insert domestic rice inspections/supply here

insert export grain inspections/supply here

insert volume of export grain by port area here

Protecting Integrity

Administrative Claim

On March 25, 1996, a class action suit was filed against USDA by 346 wheat farmers and 2 elevator operators from Montana, North Dakota, and South Dakota. They claim that they sustained damages in merchandising wheat between May 2, 1993, and January 24, 1994, due to USDA's alleged negligence in developing, adopting, and retaining skewed and miscalibrated technology for determining protein in wheat. The suit is currently in the U. S. District Court for the District of Montana at Great Falls.

Alleged Violations and Case Activity

At the beginning of FY 1997, 16 cases involving alleged violations of the U.S. Grain Standards Act and the AMA were pending further action. During FY 1997, 26 cases (19 alleged violations and 7 inquiries) were opened and 28 cases were closed, leaving 14 cases pending. Alleged violations include: deceptive loading, grain handling practices, adding non-grain substances to grain (adulteration), false weighing, altering official certificates, falsely representing that grain was officially inspected, improperly using USDA's name in brand-product advertising, attempted bribery, accepting gratuities, performing official duties improperly, misgrading grain, and employee misconduct.

To address the 26 cases opened during FY 1997, GIPSA personnel conducted 10 onsite investigations, and the USDA's Office of the Inspector General (OIG) reviewed 3 cases. GIPSA referred one employee misconduct case to another USDA agency for evaluation and addressed the remaining cases by reviewing information received from its field personnel.

GIPSA took administrative action in 13 of the 28 cases closed during FY 1997. These actions included a \$4,000 civil penalty; 9 cautionary letters to various grain firms, official agencies, and licensed personnel; and various personnel actions and procedural changes. Fifteen cases were closed due to insufficient evidence to prove a violation. Official agencies initiated corrective actions where appropriate and accepted the resignation of one licensee.

Moreover, during FY 1997, OIG and the Justice Department completed criminal action in two multimillion-dollar fraud investigations. Three men, including a former GIPSA employee, were convicted on various charges for underfilling soybean oil containers and billing USDA for several million pounds of product never delivered. They received prison sentences ranging from 2.8 to 6.7 years and were ordered to pay restitution ranging from \$5,000 to \$1 million.

In the second case, ConAgra, Inc., pleaded guilty to charges of adulteration, misgrading, and misweighing of grain by its subsidiary, Peavey Company. GIPSA's investigation revealed that company personnel added water to grain to increase its weight, purposely misgraded soybeans, gave gratuities to licensed employees, misweighed grain, and violated other Title 18 provisions. ConAgra paid \$8.3 million in penalties and signed a Compliance Agreement with USDA. Also, five former managers of ConAgra, Inc., pleaded guilty to criminal charges and received sentences including imprisonment and fines.

AMA Program

GIPSA administers a program of cooperative and reimbursable commodity agreements with States under the AMA. There are 13 States with delegation or designation agreements that also participate in this program. In addition, two States that do not provide grain services provide commodity services. AMA agreements are permanent unless GIPSA or the State decides to terminate the agreement. GIPSA is evaluating the potential for contracting with private firms to provide additional services.

Compliance Reviews

Compliance reviews are independent third-party reviews of the FGIS field office circuits. During FY 1997, GIPSA personnel conducted compliance reviews of seven FGIS field offices and five suboffices; and seven State and private agencies (official agencies) delegated for export or designated to provide domestic services. Review teams evaluated customer satisfaction (including potential service delivery discrimination), management effectiveness, and procedural compliance. GIPSA found no instances of service delivery discrimination; but it did find various noncompliance and procedural problems within the national grain inspection and weighing system. None of these findings appear to have affected the overall integrity of the Agency's programs, the inspection system, or the mission of the Agency. All identified problems have been or are being corrected. Overall, the field offices and official agencies are performing satisfactorily, thus meeting GIPSA's mission. GIPSA personnel also conducted one special review to evaluate the effectiveness of one technical program administered on a nationwide basis.

Conflicts of Interest

At the beginning of FY 1997, four designated agencies were operating with granted discretionary conflict-of-interest waivers. GIPSA reviewed the operations of one of these agencies during FY 1997 to ensure that it was continuing to comply with the conditions of the waiver and found that it was. GIPSA added another agency to the four when it designated a new private agency to replace a former State agency. Prior to granting this waiver, GIPSA thoroughly evaluated the proposed arrangement.

Delegation and Designation Program

Sixty-five State and private agencies are designated to provide official services at interior locations. Of these, eight are State agencies that are also delegated to perform official inspection and weighing services at export locations. Delegations are permanent unless GIPSA or the State decide to terminate the agreement.

Under GIPSA's triennial renewal procedures, 25 official agency designations automatically terminated in FY 1997. Of these, GIPSA renewed 24 for full 3-year terms after reviewing their performance. The designation of one State agency was not renewed because it passed legislation authorizing privatization of its functions; consequently, GIPSA designated a new private agency in its place. Prior to officially designating this agency, GIPSA determined that it was the best qualified applicant for this geographic territory.

Drug-Free Workplace Certification

In accordance with USDA policy, GIPSA received certifications from each of the delegated States, designated State and private agencies, and States with AMA agreements that they provide a drug-free workplace. GIPSA will re-certify each of the designated official agencies as they become eligible for designation renewal.

Pilot Programs

In FY 1997, GIPSA continued two previously established pilot programs to provide information on the effect of allowing more than one designated official agency to inspect or weigh grain in a single geographic area. Originally intended to be 1-year programs, the pilots were extended to continue until October 31, 1999.

The first pilot program addresses improving timeliness of service provided to facilities from official agencies. The program allows official agencies to provide services to facilities located outside of their assigned area on a case-by-case basis, when official services could not be provided within established timeframes. During FY 1997, 12 facilities received 94 inspections under this pilot program; all were for barge or railcar movement.

The second pilot program established criteria for an "open season" during which official agencies could offer their services to facilities outside their assigned area if no official services had been provided there during the previous 3 months. This timeframe was reduced from 6 months to be more responsive to the needs of the customers. During FY 1997, 47 facilities received 4,459 inspections under this pilot program. These were for barge, railcar, truck, and carrier movements; of these, 4,294 were railcar movements.

While only about 3,500 inspections have been provided under the pilot programs since they were implemented in November 1995, it appears that they have improved service to some customers without jeopardizing the integrity of the official inspection system. GIPSA is evaluating the potential for new pilot programs to further improve service delivery.

Registration Program

During calendar year 1997, FGIS issued 83 Certificates of Registration to firms that exported grain from the United States.

**Field-Based
Investigative Team**

GIPSA field-based personnel conducted several onsite investigations during FY 1997. These individuals have enhanced GIPSA's ability to take immediate action on reported violations to existing policies and procedures. Additionally, they helped investigators conduct market surveys to ensure that grain facilities comply with existing grain handling rules.

**Complaints from
Importers**

USDA administers a formal grain quality and weight discrepancy process administered under the regulations of the FAS. If an importer of U.S. grains files a complaint under this process, GIPSA analyzes samples retained on file from the original inspection, as well as 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 that the original inspection and weighing service provided at the time of loading was correct, based on all available information. If GIPSA identifies the source of a 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 that 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.

In FY 1997, GIPSA received 19 quality and 4 quantity complaints from importers on grains inspected under the U.S. Grain Standards Act, as amended. Complaints involved 34 lots loaded aboard 27 vessels.

Importers' complaints in FY 1997 involved 552,886 metric tons, or about 0.5 percent by weight, of the total amount of grain exported during the year. The 19 quality and 1 quantity complaints GIPSA received in FY 1996 represented approximately 0.6 percent of the total tonnage of grain exports.

**Summary of Complaints
Reported by Importers on
Inspection and Weighing
Fiscal Year 1997**

Complainant	Grain	Number of Complaints	Nature of Complaint
Africa and Middle East			
Jordan	Corn	1	Damaged kernels, mycotoxins
Syria	Soybeans	1	Foreign material
Saudi Arabia	Corn	1	Heating, damaged kernels, broken corn and foreign material
Turkey	Wheat	1	Ergot
Asia			
China	Soybeans	1	Foreign material
Japan	Barley	1	Rocks
	Barley	1	Mice
	Wheat	1	Damaged kernels
Kyrgyzstan	Wheat	1	Karnal bunt
Russia	Wheat	1	Damaged kernels, infestation
Europe			
Finland	Corn	1	Broken corn and foreign material, moisture, heating
Greece	Wheat	1	Karnal bunt
Israel	Soybeans	1	Weight
	Wheat	1	Protein, shrunken and broken kernels
	Wheat	1	Weight
Malta	Corn	1	Moisture, odor
<i>(continued)</i>			

Complainant	Grain	Number of Complaints	Nature of Complaint
Latin America and the Caribbean			
Ecuador	Wheat	1	Protein
El Salvador	Corn	1	Broken corn and foreign material
Guatemala	Corn	1	Test weight, moisture, damaged kernels, broken corn and foreign material, caking
Honduras			Weight
Mexico	Wheat	2	Protein
Trinidad &	Wheat	1	Heating; moisture;
Tobago	Wheat	1	damaged kernels; wheat of other classes; dark, hard, and vitreous
TOTAL		23	

Management Initiatives



Management Initiatives

Customer Survey

In November and December 1996, GIPSA surveyed over 9,000 customers of the official grain inspection and weighing system. Close to 19 percent of the grain program's customers responded, as follows:

- 90% of customers feel that they receive results in a timely manner;
- 88% feel that they receive official certificates in a timely manner;
- 88% are satisfied with the overall quality of the official services that they receive;
- 87% feel the services that the system provides meet their needs;
- 84% feel that inspection personnel are courteous and knowledgeable;
- 78% feel that official results are accurate; and
- 76% feel that official results are consistent.

Results from the survey are allowing the official system to quantitatively assess customer satisfaction and will also serve as benchmarks against which further progress will be measured.

Grain Program Restructuring

In FY 1997, as part of GIPSA's continuing effort to ensure that field operations are streamlined and efficient, the Port Allen, Louisiana, Suboffice was closed and all functions were transferred to the New Orleans Field Office. This closing reduces the number of grain inspection field locations to 21 (13 field offices, 2 Federal/State offices, and 6 suboffices), compared to an FY 1994 total of 31 locations (21 field offices, 2 Federal/State offices, and 8 suboffices).

Strategic Plan

In 1993, the Federal Government joined the "performance management revolution." The Government Performance and Results Act of 1993 (GPRA) directed Federal agencies to join private industry and many local, State, and National government entities in decentralizing, establishing a shared vision, and assuming accountability for results, not processes. In implementing the GPRA, GIPSA is not merely complying with the law, but is working to improve our ability to manage and to articulate the benefits of our programs and services to our customers and the American public at large.

The GPRA requires each Federal agency to prepare a 5-year strategic plan that includes, but is not limited to, goals, objectives, and performance measures. In GIPSA's Strategic Plan (see Appendix A), the goals and objectives are drawn directly from the Agency's authorizing legislation, the P&S Act, the U.S. Grain Standards Act, and the Agricultural Marketing Act of 1946. The performance measures support the goals and objectives and provide measures against which the Agency's progress can be measured.

Explosion Data

GIPSA receives information on grain dust explosions through the cooperation of universities, insurers, trade groups, GIPSA personnel, and a news clipping service. GIPSA does not investigate grain dust explosions, and the public sector is not required to report explosions to GIPSA.

**Summary of Reported
Grain Dust Explosions,
Fiscal Years 1993-1997**

	1993	1994	1995	1996	1997
Number of Explosions	6	19	12	16	16
Number of Injuries	9	27	6	26	14
Number of Deaths	1	1	2	1	1

**Summary of Reported
Grain Dust Explosions,
Fiscal Year 1997**

Facility	Location	Date	Injuries	Fatalities
Farmers Cooperative	Craig, IA	10/01/96	0	0
Angus Co-op Elevator	Angus, MN	10/12/96	0	0
Golden Grain Co.	Bridgeview, IL	10/24/96	0	0
Carroll's Foods	Laurinburg, NC	04/07/97	0	0
Heinz Bakery Products	Venita, OK	05/16/97	1	0
Crain Walnut Shelling	Richfield, CA	05/19/97	6	0
Foxley Grain Company	Grainton, NE	05/21/97	2	0
Stanton Co-op	Stanton, NE	05/21/97	0	0
Frontier Co-op	Mead, NE	05/29/97	0	0
Spangler's Feed Mill	Mount Joy, PA	07/07/97	0	0
Lakeland FS Inc.	Shelbyville, IL	07/12/97	0	0
S. Dakota Wheat Growers	Huron, SD	07/14/97	0	0
Gateway Cooperative	Conroy, IA	08/12/97	3	0
Georgia Proteins	Cumming, GA	08/13/97	0	0
Agri Co-op Elevator	Elm Creek, NE	08/22/97	2	1
AgServe Co.	Ogden, IA	07/19/97	0	0

Financial Overview



Financial Overview

Inspection and Weighing Fees

Effective June 15, 1997, GIPSA increased 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 (62 *Federal Register* 31701) by 3 percent. The increase was designed to generate additional revenue required to recover operational costs created by mandated cost-of-living increases to Federal salaries.

Effective October 1, 1997, GIPSA increased the administrative metric tonnage fee charged for official inspection and weighing by 12.5 percent. The increase was designed to cover indirect field office and headquarters operational costs and to maintain a 3-month operating reserve for the inspection and weighing program.

Rice Inspection Fees

Effective January 1, 1997, GIPSA increased its fees for Federal Rice Inspection Services (61 *Federal Register* 34714). This fee increase was intended to cover the projected operating costs and to generate sufficient revenues to maintain an appropriate operating reserve.

Commodity Inspection Fees

Effective February 18, 1997, GIPSA increased and established new fees charged for inspection services for commodities other than rice (61 *Federal Register* 66533). The fee adjustment allowed for (1) increases in hourly and unit fees; (2) charging actual travel and per diem costs; (3) charging for sanitation inspections, pre-inspection conferences, and related services; (4) establishing hourly fees at time and one-half for service provided on Saturdays, Sundays, and Federal holidays; and (5) changing the fee structure for stowage examinations from an hourly rate to a unit fee.

**Status of GIPSA Fee-Supported Accounts
Fiscal Year 1997**

Program	Revenue 9/30/97	Obligations 9/30/97	Profit/(Loss) 9/30/97	Trust Fund 9/30/97
U.S. Grain Standards Act				
Inspection and Weighing	21,527,695	22,972,026	(1,444,331)	(419,417)
Canadian Operations	227,626	220,013	7,613	(170,787)
Official Agencies	1,431,887	1,375,506	56,381	4,323,550
Registration	14,006	35,610	(21,604)	59,243
USGSA Subtotal	23,201,214	24,603,155	(1,401,941)	3,792,589
Agricultural Marketing Act of 1946				
Rice Inspection	3,566,030	3,342,988	223,042	(1,171,148)
Commodity Inspection	4,661,883	4,483,895	177,988	56,484
AMA Subtotal	8,227,913	7,826,883	401,030	(1,114,664)
Total Fiscal Year 1997	31,429,127	32,430,038	(1,000,911)	2,677,925

GIPSA's Appropriated Budget Authority
Fiscal Years 1992-1997
Dollars in thousands

Description	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
Appropriated Funds						
Budget Authority						
Packers and Stockyards Programs	12,009	11,996	12,082	11,973	12,109	12,376
Federal Grain Inspection Service	11,397	11,397	11,532	11,300	10,965	10,752
Total Budget Authority	<u>1/</u>	<u>1/</u>	<u>1/</u>	<u>1/</u>	23,074	23,128

^{1/} Consolidated financial reporting for GIPSA's two program areas began in FY 96.

Appendix A
GIPSA Strategic Plan



The U.S. Department of Agriculture (USDA) prohibits discrimination in its programs on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, and marital or familial status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at 202-720-2600 (voice and TDD).

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