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Swift & Company

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March 8, 1999

98-052P
98-052P-1
Leonard J. Huskey

FSIS Docket Clerk
Docket #98-052P, Room 102-Cotton Annex Building
FSIS, U.S. Department of Agriculture
Washington, DC 20250-3700

RE: Docket No. 98-052P
Fee Increase for Inspection Services

As a participant manufacturer in many of the USDA sponsored commodity programs, Swift & Company is a frequent user of USDA-AMS grading services. Also our company operates three swine slaughter (11% of total U.S. slaughter) and two processing plants, all of which are required to pay any overtime costs associated with inspection.

The reasoning cited for the proposed increase is an average pay raise of 3.1% for Federal employees and projected increased travel and overhead costs of 1.9% due to inflation. These increases total to 5.0%. **Why then, do the proposed rate increases far exceed the projected cost increases as shown below?**

	Current/Hour	Proposed/Hour	% Change
Base Time	$32.88	$37.00	12.53%
Overtime and Holidays	33.76	36.84	9.12
Laboratory Fees	48.56	50.88	4.78

Even given the fact that, from a timing standpoint, implementation of the rate increase would trail the pay raise, this would not begin to explain the magnitude of the proposed increases in base and overtime pay rates. There is no explanation provided to explain this huge disparity.

Further, in the proposed rule, there is an attempt to rationalize that small establishments would not be affected adversely. Two of our facilities are small and are not selling directly to consumers, but to food service or retail establishments. **It is highly unlikely that these excessive cost increases can be passed through, especially in today's low inflation or even deflationary environment.**

If we average the base time and overtime charges, we have an average increase of 10.83%. This is an excess of 5.83% over the cited cost increase of 5.0%. The estimated cost impact of the 5.83% non-justifiable increase is $68,094 annually for our plants and for the pork slaughter industry alone, it would project to $619,040.

Recently the U.S. pork slaughter and processing industry has been encouraged by the National Pork Producers Council and by USDA to increase slaughter capacity on weekends and to participate in bidding on USDA commodity purchase programs. All of this has been designed to alleviate the large supply of live hogs and pork products and thereby to strengthen the prices received by pork producers. In light of this, the proposed increase in rates is counter-productive and in direct conflict with these efforts to support the pork producers.

For the reasons cited, we are strictly apposed to any rate increase in excess of the documentable cost increases (5.0%) for wage and overhead adjustments. There is no basis for imposing any increase in excess of this.

Sincerely,

Leonard J. Huskey

Leonard J. Huskey
Senior Vice President
Product Integrity, R&D

LJH/jl