

**THE DEVELOPMENT OF USDA'S
NATIONAL ANIMAL IDENTIFICATION
PROGRAM**

HEARINGS
BEFORE THE
**COMMITTEE ON AGRICULTURE
AND THE
SUBCOMMITTEE ON LIVESTOCK AND
HORTICULTURE
HOUSE OF REPRESENTATIVES**
ONE HUNDRED EIGHTH CONGRESS
SECOND SESSION

MARCH 5, 2004, HOUSTON, TX,
JULY 22, 2004
AUGUST 17, 2004, FAYETTEVILLE, NC

Serial No. 108-24



Printed for the use of the Committee on Agriculture
www.agriculture.house.gov

U.S. GOVERNMENT PRINTING OFFICE

94-703 PDF

WASHINGTON : 2004

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THE DEVELOPMENT OF USDA'S ANIMAL IDENTIFICATION PROGRAM

FRIDAY, MARCH 5, 2004

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Houston, TX.

The committee met, pursuant to call, at 10:00 a.m., at the Houston Livestock Show and Rodeo, Reliant Center, Houston, TX, Hon. Bob Goodlatte (chairman of the committee) presiding.

Present: Representatives Lucas, Moran, Gutknecht, Hayes, Osborne, Burns, King, Nunes, Neugebauer, Stenholm, Peterson and Ross.

Staff present: William E. O'Conner, Jr., staff director; Brent Gattis, Pete Thomson, John Goldberg, Elizabeth Parker, Pam Miller, Josh Maxwell, and Andy Johnson.

OPENING STATEMENT OF HON. BOB GOODLATTE, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF VIRGINIA

The CHAIRMAN. Good morning. This field hearing of the House Committee on Agriculture to review the development of USDA's Animal Identification Program will come to order.

I would also like to make an announcement that if time allows after the last scheduled witness we will open the hearing to interested speakers who have signed up with committee staff. However, there will be a time limitation of 2 minutes per speaker in order for this hearing to conclude at its scheduled time of 2 p.m.

I have an opening statement and before I get into the written portion of that let me say what a great pleasure it is for me to be here. This is my first visit to Houston but it is not without having a connection to this city, because Sam Houston was born in my congressional district in Rockbridge County, Virginia. [Laughter.]

Let me take this opportunity to thank the Houston Livestock Show and Rodeo and the International Livestock Congress for the tremendous amount of help in putting together today's hearing. Field hearings necessarily involve a great deal of on-site assistance and guidance. It has been a pleasure to work with such a professional group of people who have been most supportive and have extended every hospitality to the House Agriculture Committee, and we have an explanation for that too because Dan Gattis, the director of the show, is the father of our Deputy Chief of Staff Brent Gattis, so we feel very much at home right here.

Animal identification has become a front burner topic in Washington and within the livestock sector. Throughout the fall discus-

sions regarding the various proposals to implement a nationwide animal identification system have gained a new intensity. This is an idea that has been discussed for many years, and I believe there is growing awareness about the potential value of a system. The recent BSE finding and the Secretary's December 30 pledge to speed up the process have given these discussions more urgency.

I think it is important to begin any discussion of animal ID by reminding folks that it is not a preventative measure. True, it can be used to help prevent the spread of contagious diseases, but it cannot be seen as an alternative to continued vigilance regarding animal health.

The other notion that is important to remember in any discussion of animal ID is that everyone has a different concept about what it is, what it can and cannot do and what value it has to producers, processors, retailers and consumers. For this reason it is necessary to take a cautious, deliberative approach so that we end up with a system that benefits that all of the interested parties and does not come at the expense of any one sector of our livestock production system.

Our hearing today will consider testimony from the administration, the largest of livestock producer groups and our host, the International Livestock Congress. We purposely kept the witness list small. For today's hearing we have deferred to the folks who want to talk about the many available identification products, members of the academic community and the broader range of the livestock community. Animal identification is a big topic, and we will consider the views of all these parties in future hearings.

In the last several months, we in Washington have experienced a parade of companies briefing the Congress, the livestock interest groups and the Department of Agriculture, each with a hardware and/or software product more spectacular than the last. While most of us are dazzled by the whiz-bang technologies now available to identify and track animals individually or by lots, I hope to focus today's hearing on the associated policy questions. The reality is that as lawmakers we will not be wrestling with the challenges of integrating a new technology into our livestock herd. We will be struggling with how to integrate these new technologies with the Government and many questions remain unanswered.

For instance, do we need a universal mandatory system or will a voluntary system with relatively high participation be sufficient to address animal health goals? What is the price tag of this system, and who will incur the costs? How do we protect the information collected from being used by other Governmental agencies or even public interest groups who take an adversarial approach to producers? Should we adopt a system that serves only animal health purposes or do we include provisions to serve the needs of food safety, commercial, consumer, environmental and financial communities? Do we ensure that producers are able to employ all of the existing animal ID products currently available or pick a single universal product for everyone? How important is it to have a system that allows producers the flexibility to add features which contribute to the value of their product or that accommodate emerging technologies? Is it time to adopt a United States-only approach or should we integrate our animal ID system with Canada

and Mexico? These are a few of the questions I have as we begin today's hearing. I look forward to the testimony and the participation of my colleagues since they will address some of these questions and certainly raise many more.

At this time it is my pleasure to recognize a distinguished Texan, the ranking Democrat on the House Agriculture Committee, Congressman Charlie Stenholm.

**OPENING STATEMENT OF HON. CHARLES STENHOLM, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS**

Mr. STENHOLM. Thank you, Mr. Chairman, and thank you for scheduling this hearing in Houston, TX and allowing your continuing education to proceed as you have already acknowledged today. [Laughter.]

It is a particular fitting place for us to hold this hearing and particularly fun for me, because the first time I came to the Houston Livestock Show was 1963. I was a vocational agriculture teacher. Brought a boy down and caught a calf in the Houston calf scramble, and it was particularly fun to watch it last night again. But, boy, how things have changed here. The facilities now, the tremendous work that goes on here at the international show now and all of the aspects, just tremendous. Now over \$100 million of scholarships that will have gone to young people of Texas. Now, sometime this year we will break that—\$8 million this year alone—what goes into the continuing education of the future leaders of this country. And that is what this is all about.

And this hearing today is particularly timely because it goes without saying that the livestock industry plays a very large role in United States agriculture. As the Nation's No. 1 producer of beef, cattle, sheep and goats and as a major producer of almost every other class of livestock, Texas as a State has a huge interest in livestock production. One might even say our State has a Texas-sized interest in anything to do with the U.S. livestock industry, and that is why it is so timely for you to have scheduled this meeting today here at Houston, at one of the largest livestock shows in the Nation and in conjunction with the 2004 International Livestock Congress. As you have mentioned in your remarks, it is something that we are paying and will pay additional continuing attention to the international aspects of the decisions that we make, both in the case of animal identification and all other areas that pertain to animal health.

This hearing is obviously also very timely given the subject matter at hand. The question of how to securely, permanently and efficiently identify and track livestock for the purpose of dealing with livestock diseases has been important for years. In light of recent developments in Canada and Washington State, however, the question has gained newfound prominence. Let me clear on this: It is time to develop and implement an animal ID system. This is something the livestock industry must want to do and be intimately involved in its formulation. It is not something Government can or should simply impose from on high.

Mr. Chairman, it is also critically important that we have real cooperation between the public and private sectors for the valid reasons you mentioned in your opening statement. Obviously, there

are some very significant questions yet to be answered. Who will decide what technology to use? How much will it cost? Who will pay? How will the data be kept secure? How will privacy be maintained? These and other questions remain unanswered. It is my hope that today's witnesses will candidly share their concerns with the committee along with their suggestions for addressing these challenges. And I am hopeful that today will be a good beginning on the kind of open debate we need in order to move forward deliberately and carefully. Mr. Chairman, I look forward to working with you as we continue to consider the best approach to animal identification.

The CHAIRMAN. I thank the gentleman. Are there any other Members who have an opening statement that they would like to make? I would remind them all that if they have anything that they would like to submit for the record in writing it will be made a part of the record.

[The prepared statements of Members follows:]

PREPARED STATEMENT OF HON. ROBIN HAYES, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NORTH CAROLINA

Chairman Goodlatte and Ranking Member Stenholm, I want to thank you for holding this hearing on the development of a national animal identification system. In the wake of the one BSE case, this issue is getting a considerable amount of attention by the administration, the livestock industry and Members of Congress.

I applaud the efforts made by the industry to work with USDA to develop the U.S. Animal Identification Plan (USAIP). Two weeks ago I spoke to producers at the North Carolina Cattlemen's convention and the North Carolina Pork Council convention. There was great support for the USAIP and the work that has been done on this plan over the last 2 years. This is a system that requires producer input in order for it to work.

However, there are a few things that need to be addressed as we move forward such as how to pay for the system; will it be mandatory or voluntary; how do we ensure confidentiality of the information; and do we take a U.S.-only approach or a North American approach, involving Canada and Mexico.

I realize legislation has been introduced calling for a mandatory national animal id program, and some of the bills try to fix these concerns. But I believe this hearing is crucial to address these hard questions first in order to give the administration and Congress guidance on how to proceed.

Following this hearing, I anticipate holding additional subcommittee hearings. This is a system that can have great value for the livestock industry, but we must not take the responsibility lightly. There are some very critical decisions that must be made to have a beneficial, cost effective and confidential system.

Mr. Chairman, I look forward to today's testimony and the insight that USDA and the producers will provide. Thank you again for holding this hearing.

PREPARED STATEMENT OF HON. STEVE KING, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF IOWA

Thank you, Mr. Chairman, for holding this hearing. I appreciate you bringing us down here to learn more from producers on the issue of animal identification.

The announcement in December of the discovery of BSE in the United States was bad news but not entirely unpredictable. Given that thousands of live Canadian cattle are imported to the United States and that the Canadian border is not a commercial or biological barrier, my personal analysis of the statistical odds was that we would find a case of BSE in the United States.

With that said, there has not been so much fuss made over a single cow since Mrs. O'Leary's cow kicked a lantern over in a shed in Chicago and a lot of the fuss is justified. We have a \$35 billion beef industry, a very safe and nutritious food supply to protect, and an important export market to re-open.

I have been working for the past year with livestock producers, processors, and the USDA to accelerate a national system for source verification and traceability for cattle and hogs. The BSE announcement only strengthened my argument that we need an animal identification system to give us an efficient tool to trace cattle from

the farm of origin to and through processing. When and if this ever happens again, we need the tools to quickly identify the path that the animal traveled and also be able to potentially identify sources of feed supplement.

I look forward to hearing ideas on how exactly this system can become a reality. Again, Mr. Chairman, thank you for holding this field hearing.

The CHAIRMAN. Our first witness is Mr. Scott Charbo, Chief Information Officer of the U.S. Department of Agriculture, who is accompanied by the Honorable Nancy Bryson, General Counsel of the U.S. Department of Agriculture; Dr. Jim Butler, Deputy Under Secretary for Farm and Foreign Agricultural Services of USDA; and Dr. Keith Collins, Chief Economist of the U.S. Department of Agriculture.

Mr. Charbo, please begin with your testimony, and we would welcome that. We would remind all of our witnesses that their entire statement will be made a part of the record.

**STATEMENT OF SCOTT CHARBO, CHIEF INFORMATION
OFFICER, U.S. DEPARTMENT OF AGRICULTURE**

Mr. CHARBO. Mr. Chairman and members of the committee, thank you for the opportunity to participate in this hearing on a national animal identification system. I would like to discuss the purpose and benefits of a national identification system and USDA's plan for implementing such a system.

Increased animal disease outbreaks over the past decade including the recent finding of BSE in Washington State have intensified public interests in developing a national animal identification program. Our purpose for an animal identification system is to address veterinary and animal health issues. Early identification of animal disease can contain and reduce the costs associated with a disease outbreak. While there is currently no nationwide animal identification system, some segments of certain species are required to be identified as part of current disease eradication activities. In addition, some regional voluntary identification programs are in place and others are currently being developed and tested. Over the past years USDA has supported several State and State sponsored animal identification programs. In addition, the U.S. Animal Identification Plan, also known as USAIP, developed a partnership of more than 100 animal industry and State and Federal Government professionals to describe an animal information system and infrastructure to enable the identification of all animals and premises potentially exposed to disease of concerns within 48 hours. Based on these efforts we believe there is a solid foundation on which to develop a national system. However, we must also be mindful of the diversity and complexity of our animal industries and the lack of experience with animal identification for a large number of U.S. producers. This extreme diversity and complexity makes immediate scaling of current projects that have been funded by USDA difficult until a thorough evaluation of those projects for potential use on a national scale and for a significantly broader scope than intentionally tested can be conducted.

Our goal is to create an effective, uniform, consistent and efficient national system. We believe this goal can be achieved by adhering to several key objectives. The first objective, a system should allow producers to the extent possible the flexibility to use current systems or adopt new ones. Producers should not be bur-

dened with multiple identification numbering systems or requirements.

Second, this flexibility can be achieved by having a system that is technology neutral so that all existing forms of effective technologies and importantly new forms of technologies that may be developed in the future may be utilized.

Third, the national system should use and build upon the excellent data standards developed by the USAIP. Provisions to ensure data confidentiality are an essential part of this objective.

Fourth, the system must not preclude producers from being able to use it with production management systems that respond to market incentives.

Fifth, the national system must be designed so that it does not unduly increase the role and size of Government. The president's budget proposal for fiscal year 2005 requests \$33 million to fund activities for system implementation. No funds have been appropriated for fiscal year 2004. Since we plan to begin implementation during fiscal year 2004, we are considering alternate methods of funding.

USDA plans to move forward with implementation of a national identification system this year, first on a voluntary basis and eventually with a requirement for premises and individual animal identification for all animals. At this point, we can provide general indications of our plans for fiscal year 2004. Implementation will begin with an assessment of those existing systems now in use and funded by USDA. This review would determine the capacity of any of these systems to serve as national premises and national identification number allocation and repository systems. Based on this review we would select the most promising infrastructure to fund to develop the national allocation and repository system.

Our first priority is to get the national premises allocator and the repository in place in fiscal year 2004 and begin allocating premises identification numbers to cooperating States, tribes and other entities that are ready to register premises. We envision providing funding through cooperative agreements to States, to tribes and other entities so that they could develop the capacity to interface with the national number allocators and repository systems. Once cooperators are integrated into this national system and premises are being registered we would be in a position to use animal identification numbers to producers through these early cooperators.

The technologies used by producers and non-producers to identify and track movements of animals would be worked out through these cooperative agreements with the input of States, the animal health officials in those States, producers and the industry. USDA plans to be technology neutral. Our interests are in setting information standards or performance standards, developing a national database system to which States and other entities can readily connect and receiving data from those entities.

Many issues must be resolved before we can accomplish the task being identified for 2004 and beyond. We look forward to working with the Nation's producers, the industry, the animal health officials, the steering committees on USAIP and the Congress to successfully achieve a national identification system. Thank you and

we would be pleased to respond to any questions you may have at this time.

[The prepared statement of Mr. Charbo appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Charbo. Do any of the other panel members have an opening statement to make?

I will start with a question. Mr. Charbo, some have said that a single universal mandatory program is not necessary to serve the purposes of monitoring animal health. Others assume that the system being contemplated by the USDA will be mandatory and apply to all commercial animals. Can you outline for us what the Department's intentions are in this area?

Mr. CHARBO. We believe coming out with a voluntary system to begin with that there is a lot of momentum going currently with the industry to initiate a voluntary system and get participation so we can learn early on working closely with the regional producers, the animal health officials. We believe also that we are not looking for a product out of the box, that there are a lot of initiatives that are currently going on, and if we set those data standards, the information needed to respond in an animal health emergency, information about a premises and an animal, that we can work with the systems that are currently out there to bring those into a national system, and that would be the point of data that the animal health officials would use to respond to that emergency.

The CHAIRMAN. Animal ID systems currently in use range from a clipboard on the dash of the truck to state-of-the-art hardware and software packages. Will you design a plan to accommodate this entire range or will USDA's plan impose a specific technological solution?

Mr. CHARBO. No. As we said, we wanted to remain technology neutral for those purposes that you mentioned. What would be a requirement is the data standard coming in from those multiple systems. That would be a standard of the Department for the industry's work force. That would also be the standard for these national repositories where the data would be connected to.

The CHAIRMAN. Many are advocating the U.S. Animal Identification System, USAIP, while others say we should base it on existing information, such as brucellosis vaccination and veterinary health certificates to create a national animal ID system. Have you done an analysis of existing information sources?

Mr. CHARBO. We are currently doing that. We are familiar with those programs. There is a need for national identification consistency across those programs. Premises are being identified in a lot of those programs. There is not a unique numbering system in there to identify. In other words, you would get duplicate numbers coming in from multiple systems or multiple programs. We feel it is important to move forward with these data standards in order to clean some of that up.

The CHAIRMAN. Ms. Bryson, can you guarantee that the information collected out of the Department's Animal Identification Program will be protected from release under the Freedom of Information Act by this or future administrations? Will this information be shielded from other governmental agencies, such as the Internal

Revenue Service, the Environmental Protection Agency, the Food and Drug Administration, et cetera, or should it be?

Ms. BRYSON. As to the first part of your question, Mr. Chairman, we can't guarantee that it won't be released. The authority that we are working under right now is the Animal Health Protection Act, and that does not confer on us the authority to determine by ourselves what is confidential and what is not.

As you have indicated, we are, like all the other Federal agencies, subject to the Freedom of Information Act, and there are two exemptions to that act which are relevant. In general, the Freedom of Information Act favors disclosure of information that is provided to the Government. Exemption 4 excludes from disclosure information which is confidential, commercial and financial information or trade secrets. Exemption 6 also exempts information that is subject to the Privacy Act.

In the system that we have described, there is very good case law indicating that information that is voluntarily submitted to the Government will not be disclosed under the Freedom of Information Act. That is based on an en banc decision from the DC Circuit; Supreme Court denied review. It would be USDA's position that in a voluntary system information that is provided to us that is considered to be commercial and financial information would not be disclosed. If someone challenged us on that, it is possible that a court could look at the decision and reach a contrary conclusion, although our analysis of the law right now is that there aren't decisions going the other way.

Once we approach a mandatory system, the test becomes harder about what can be released and what can't be released, and in those situations information that is commercial and financial information will be released unless the submitter can establish that to do so would create a substantial competitive harm to him or her.

The CHAIRMAN. Thank you. Dr. Butler, if the USDA were to mandate an animal ID system to trace the movement of live animals within the United States, would we be within our rights under the North American Free Trade Agreement and the World Trade Organization to require that the same information be available for live animals imported into the United States?

Mr. BUTLER. I don't know the exact answer to that, Mr. Chairman.

The CHAIRMAN. It is an important question.

Mr. BUTLER. It is a very important question. Dr. Collins?

Mr. COLLINS. It is not a question that we have asked our Office of General Counsel to opine on yet; however, we have had some informal discussions about it, and we think you could go either way. You could have a mandatory ID system in the United States and not require it from countries exporting to us or you could require it provided you did it in an equitable way, that you treated foreign producers in the same way you treated domestic producers.

Ms. BRYSON. If I could just add to that. I think the analysis would be are identification systems that might be in use in other countries sufficiently similar to ours or equivalent that we would acknowledge them under our trade system.

The CHAIRMAN. Very good. My time has expired. It is my pleasure to recognize the gentleman from Texas, Mr. Stenholm.

Mr. STENHOLM. Thank you, Mr. Chairman. Continuing on the second question you asked, Mr. Chairman, Mr. Charbo, in your testimony you say that you don't want to have a system that is—or that you want to have a system, rather, that is technologically neutral. And I can agree with you if you mean by that not picking a singular particular company or product. However, in order to have a system that can work across the whole nation, won't you have to in some way ensure that a single type of technology is used? For example, do you think it would be problematic to have a calf identified with a rumin bolis in Alabama, nose printed as a backgrounder in Oklahoma, given a radio frequency ear tag on wheat pasture in Texas and then retinal scanned as a feed lot in Nebraska? Each of those would meet the general ID requirements you have described, but I don't think that sort of scenario would be quite the kind of system that we all have in mind.

Mr. CHARBO. We would agree with that. We feel also, though, that is best determined on the grassroots level with the producers and the industry. On a Federal level, we would be establishing those data and those performance standards of each of those systems so that the data is consistent and in an animal health emergency we would be able to respond using those repositories that we mentioned in our statement. The tendency for us on a technology level if we were to mandate technology level is in the event of change, which is the nature of technology. Technology changes very rapidly. We want the flexibility for producers to be able to make those changes without having a Federal requirement around that technology. That is the position.

Mr. STENHOLM. I think that is going to be key, and we also have to have a central place that whatever the technology can come into and be within the 48-hour frame be established in an identification system.

Mr. CHARBO. The repositories represent that place.

Mr. STENHOLM. The last question the chairman asked prompted me to make this observation to all of us in the industry as we seek this system. Be careful what you ask us to do lest we do it, because many times we do things domestically that do end up biting us from the standpoint of international trade. And there is a tendency among some in the United States today to in fact look at this as something other than what I hope we look at and this is an animal health question. This is not a trade question or a market question, and I think it is particularly—I will just express a personal opinion now in the light of where we are in the international group that meets here. I think that seriously that we should be looking at a system, voluntary system if you mean but what I like to call a mandatory voluntary system. And that is once we agree as an industry what it is that we need to do in order to protect our industry then it becomes mandatory, because you cannot allow individual producers for whatever reason to stay out of the system if it is going to work as it was intended. And that is always a difficult question for us because there are always, particularly in the livestock industry, those who have very strongly held positions.

But I cannot overemphasize and I think for most leaders in the industry today recognize that this is an idea whose time has come, and we are very fortunate that we have developed this system over

the years. As I mentioned in my opening comments, we have for years did everything possible to identify sources of animal disease because it is in our best interest as producers to do so. And we have done a pretty good job of educating the general population, because look at the consumption of beef in the United States as a result of BSE, look at the tremendous increase in consumption of beef in Canada as the Canadian consumers understood that they didn't have a health problem for humans. It was a problem that needed to be addressed and we are addressing it.

So as we look at this, I hope that we can, working with our neighbors to the south and to the north, work together on developing this concept as best that we can. And I think that is going to be critical, again, within the concept of a voluntary mandatory program.

Mr. Charbo—well, I am about out of time on this one. I will save this—well, it will take a little too long on this. Well, I will wait the next round and give my colleagues a chance. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. We are very pleased that we have 12 members of our committee, including a great many subcommittee chairs and ranking members. The whole committee consists of 51 members but to bring 12 of us to one location out of Washington is quite an accomplishment, so we are pleased that so many of our members participated in this hearing, and I want to recognize Congressman Frank Lucas from Oklahoma who is the chairman of our Subcommittee on Conservation, Credit, Rural Development, and Research.

Mr. LUCAS. Thank you, Mr. Chairman. I appreciate the opportunity today, and I would suspect the size of the delegation reflects the importance of this issue. It has brought us all here today. I did nine town meetings just a couple of weeks ago out in northwest Oklahoma in the panhandle, and those are—I would note for the panel who have been to those kind of events, those are very enlightening, very insightful events. And my constituents brought a number of questions to my attention on this topic, which I think it would be a great time to discuss with the panel. One of the issues they are very fired up about out there is whatever kind of a system we come up with that it doesn't turn out to be a source of user fees every time we record a movement of an animal to support USDA or any other Governmental entity. Many of them being a part of a number of different breed organizations, they are very sensitive about transfer fee costs, and they realize that between the birth of a calf and the arrival at that packing plant or leaving that packing plant that there may be 3, 4, 5, 6 transactions and they don't want to be assessed some fee that over the course of the animal's life builds a substantial price into that. So there is sensitivity about that, and we can discuss that in a moment.

There is also, as the chairman addressed, the question of proprietary information, it is very much on their minds out there. There is a sensitivity among my constituents that they don't want groups like, and they used the term, I did not, groups like PETA going to their computer to examine just how many calves on any given day or what their stocking patterns have been. That is absolutely important, and if that has to be addressed legislatively to make cer-

tain that is proprietary, then my constituents in Oklahoma are very, very focused about that.

And one other question, and I will throw this one to the panel, perhaps Dr. Collins or whoever, but the question was put to me and I couldn't answer it, if the real goal of this is improving animal food health quality, of course, and if the side benefit is reopening our international markets around the world, the question was put to me if we come to terms technologically and systemwise in calendar year 2004 and we implement that in calendar year 2005, the newborns, by the time those calves work their way through the process to the packing plant in 2006 they won't show up in that Tokyo supermarket conceivably until January 2007. If we come to an agreement on a standard and it is 2007 before that traceable produce winds up in that supermarket in Tokyo or Seoul or wherever, their question is will our friends around the world, based on our good intentions and efforts, give us the benefit of the doubt and respond immediately or are we talking about 2007 before we reenter those markets? And if anyone on the panel could address that, I would be fascinated by the answer.

Mr. COLLINS. Can I start with the last question, Mr. Lucas?

Mr. LUCAS. Absolutely, Dr. Collins.

Mr. COLLINS. I think we have to look at national animal identification systems in the context of all the other things that we are doing to ensure the safety of our beef and in food in general. I don't know of a country that has made a national animal identification system an absolute necessity for opening up their markets, so I don't think we have to wait to 2007 or 2008 for the Japanese. I have no timeline in mind to predict when the Japanese would open their market to our beef, but I think that our goal in working with them and other countries that have not opened up their markets is to convince them of the universe, the portfolio of programs that we have in place, that start with the non-ambulatory animals not being in the food supply, removing specified risk materials from animals 30 months and older, the test and hold strategy, the surveillance program which we are about to announce here shortly. We believe it is those protections that will motivate opening of those markets together with the work that is going to have be done with the Organization for International Epizootics.

I don't think necessarily working directly with OIE was a requirement to get Mexico and Canada to open their markets to us as they have, but it is going to be for countries I think like Japan. So I don't think we have to wait till 2008 for this to happen. I don't know if any of the other panelists have—Mr. Butler, do you want to make an additional comment?

Mr. BUTLER. Well, I would like to reference a previous question about our North American partners and neighbors. The Secretary has met with her counterparts and from that meeting in late January she has challenged Dr. J.B. Penn to lead our efforts for USDA to work with his counterparts to harmonize activities with relation to North America. As we have identified the areas that we want to harmonize, we have also discussed animal identification along with many other issues, so that will be a part of our discussion as we work with Canada and Mexico.

From an animal health standpoint, all countries do have the authority to set their standards for movement or testing for disease purposes before they move into another country, which is a separate issue, but the animal identification that we are discussing at this hearing will be a part of those discussions as we work to harmonize our activities with our trading partners to the immediate north and south.

Mr. LUCAS. Another round, Mr. Chairman?

The CHAIRMAN. Possibly so.

Mr. LUCAS. Thank you.

The CHAIRMAN. It is now my pleasure to recognize the gentleman from Minnesota, Mr. Peterson, who is the ranking minority member of the General Farm Commodities Subcommittee.

Mr. PETERSON. Thank you, Mr. Chairman. As you are aware, I think I have introduced H.R. 3787 which has a few things in there, but it has a FOIA exemption and I judge from your testimony that in order to be sure we would have to actually legislatively pass a FOIA exemption for you to be able to say 100 percent that we are going to be—

Ms. BRYSON. Yes, that is right.

Mr. PETERSON. Will the Department support that bill if I am able to get a hearing in the Government Reform Committee? Not the entire—just the FOIA part of the bill.

Ms. BRYSON. I think we are looking at all the bills, and we are working on our position.

Mr. PETERSON. But you haven't taken a position yet as to whether you should ask for a FOIA exemption?

Ms. BRYSON. We have not. We have been really focusing on the mechanics of putting this together and looking at some of the information that I talked to the chairman about in terms of looking at case law and what kind of protection can be afforded voluntary information since that is where we are thinking about beginning.

Mr. PETERSON. How soon are you going to make your recommendation to the Secretary on what plan you are going to recommend?

Mr. COLLINS. Well, I think we are going to do it very shortly.

Mr. PETERSON. What does that mean, a week or two?

Mr. COLLINS. Yes. I think within the next couple of weeks. We obviously are putting these things in writing, so we are in the drafting of a report right now to the Secretary.

Mr. PETERSON. Just for your information, I have talked to the chairman of the Government Reform Committee and once you have made your recommendations and that is moving ahead, I think he is willing to have a hearing on FOIA, so I would encourage you to get a position on that.

I understand I think what you are saying about how you are trying to put this voluntary system together but what I am concerned about is how you are going to get all of this stuff into a place where you can use it. If you have—as I understand what you are going to be recommending or you are thinking about is maybe States would have a database, maybe industry groups would have a database and that somehow or another all of that information either would be kept in the States but would be accessible by USDA. I sit on the Intelligence Committee and right now we are spending

a lot of time overseeing trying to get all these disparate databases into one place, and we are having a heck of a time. We have got issues, people reading it from different places. I am just concerned that we don't create a problem like that with whatever we come out with here.

Seems to me that you are going to have to at the minimum set a standard on how they are going to be able to transmit this data to some kind of a national database so we can get access to it, and that is not an easy thing to do. I mean the costs in a lot of these systems is getting that data from where you collected it into the system, and if you don't have a way to do it automated, it is going to cost a ton of money. And I assume you guys are thinking about that, but that is kind of where I was coming from in trying to say that I think USDA needs to control this data, we need to make it private, exempt from FOIA. And by the way, in my part of the country the concern people have is—my producers are concerned that the packers are going to have this information, and that is what they are worried about, more than PETA, from having an unfair market advantage.

So the voluntary—if we are going to have this voluntary system, do you envision that that would be what we would do for the foreseeable, just is that a way just to get the thing started and are you going to look at a mandatory voluntary system, as Mr. Stenholm has talked about, down the road, because I think eventually we have got to get everybody into this. Have you thought that far down the road?

Mr. CHARBO. We have thought through the initial voluntary program and the thinking is that at some point outward that it most likely would be a mandatory system.

Mr. PETERSON. But you have no timetable on that?

Mr. CHARBO. No.

Mr. PETERSON. You probably know this, but in my judgment if you don't have some kind of a mandatory situation, you are going to have a lot of producers that aren't going to get involved in this, that don't belong to any organization. If you don't do it, you are going to have to have the States do it or something or you are just going to have a lot of these little guys that are just never going to get into this. Most of them don't even know this is going on.

Mr. COLLINS. We are concerned about that, Mr. Peterson. I think one of the things that we have done is we have thought about the Federal resources that have to go into this, particularly in the first year, and that we want to fairly dramatically scale up the resources that up to now we have been thinking about putting into communication and education. We really have to have a national communication and education effort on this. We will see over time how effective that will be. I think, as Mr. Charbo said, at this point we don't feel we are prepared to make a judgment about mandatory. We think to get the program started it has to be voluntary. This country is just too big and too diverse, too many disparate situations. It has to be voluntary to get it going and then we can make a judgment to see how many people participate. Surely, we are not going to get 100 percent but what the right level is I don't know. Even the Canadians with a mandatory program have said they would be happy to get 95 percent participation. So you know

you are not going to get 100. I don't know what the magic number is, but we feel it is worth taking a hard shot through education and communication to see what we can do over the next year or two and then we will be in a better position to make that kind of judgment.

Mr. PETERSON. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. Next I would like to recognize the gentleman from Kansas, Congressman Jerry Moran, who is the chairman of our General Farm Commodities Subcommittee.

Mr. MORAN. Mr. Chairman, thank you very much.

I recognize that I am in Texas and so this statement is said with some fear, but although I can't claim that Kansas is more of a cattle State than Texas, I can indicate that there is no congressional district in the country where cattle prices matter more than the First Congressional District of Kansas. And this is a significant issue, and what USDA has done in response to the Canadian cow being found in Washington State has a significant impact upon all of us, and in our State represented here today has a huge impact not just upon ranchers but upon the entire State's economy. This is a huge, huge issue.

And I am pleased to learn just within the last few days about developments in regard to our trade relationship with Mexico, and I commend the Department of Agriculture for their efforts in seeing that our neighbor to the south becomes a purchaser of our products again. Anxious to see the publication of the rule in regard to Canada and reaction from cattle producers across Kansas, and ultimately I hope this is the key that opens up those markets that remain closed to the American producer. Mr. Lucas has had his 9 town hall meetings. Whenever we find a town we have a town hall meeting in my district, and the most common question is very much what do we have to do to get the Japanese to buy our product?

In regard to animal ID, somewhat as a consequence of those statements, what is the consequence of us not developing an animal ID system? Is there a belief out there by those in the industry, by people at USDA that this is not necessary? And if that is the case, what bad happens if we don't do what you are suggesting?

Mr. COLLINS. If I could take a shot at that, Mr. Moran. I think thinking has evolved a lot on that question over the last 5 or 6 years. You only have to look at USDA's emergency spending on the control of foreign animal diseases over the last 10 years—it has grown dramatically. And then look around the world at the outbreaks of animal diseases. Look at the foot-and-mouth disease in UK and in Europe. Tremendous costs on the economies over there. That has set in motion a lot of thinking about what you can accomplish by having a national animal ID program.

And the way this is done—I'll take a minute to explain what economists do to look at this. I know Mr. Lucas and I participated in this exercise, Silent Prairie, which was a simulated foot-and-mouth disease outbreak, and the costs of that outbreak were substantial. They were in the tens of billions of dollars. But we found through that simulation which used mathematical modeling of the spread of diseases that the faster you could track down the ani-

mals, the sooner you could control the disease, the fewer animals would have to be depopulated, the lower the costs could be, the sooner you could open up your foreign markets to trade. Surely, when you get something like foot-and-mouth disease you lose all your markets immediately, and then under the OIE requirements after you have depopulated your last animal and you have eliminated the infection completely, you still have to wait 3 months before trade can open up. That is the guidance that they give to countries. Those are all economic costs. So what economists have done is they have tried to model that. What happens if you can reduce the traceback time from 10 days to 5 days? It makes a difference of billions and billions of dollars in the event of a widespread foot-and-mouth outbreak. So that is what is motivating this.

Now, it is a little bit intangible because we haven't had some of these catastrophic diseases in the United States. The last time we had a major foot-and-mouth disease outbreak I think was 1929 or something like that. So they are once in a decade events, but when they occur they could be catastrophic.

Mr. MORAN. What I am trying to do, Doctor, I am trying to do a cost-benefit, what the costs are of the system that you are developing versus the cost of doing nothing.

Mr. COLLINS. Right.

Mr. MORAN. But the intangible, the unknown is the likelihood of the outbreak.

Mr. COLLINS. Correct. It is an expected value. The expected value of the economic loss. And that is a function of the probability of the disease occurring and then the size of the damage when the disease does occur. We don't know those things. I mean you have to sort of guess at those things, but they can be very, very large. And you can reduce those costs by reducing traceback time, and you can reduce traceback time with improved animal identification systems. Obviously there are a lot of different systems that you could use.

Mr. MORAN. What is the estimated cost to produce the system that you are describing in your testimony, and how is it going to be borne, who is going to pay for it?

Mr. COLLINS. I can't give you a number on what the cost would be. There are cost estimates of different kinds of systems. Probably the quantified one I would point to is the USAIP, U.S. Animal Identification Plan. The 6-year costs on that were estimated by the USAIP group at about \$550 million. So this is going to be a costly exercise. Now, that of course assumes specific technology across all species groups. What we are trying to do is something that is more flexible. We think by leaving it up to the producers and being technology neutral, allowing flexibility of using current systems, that hopefully we can do this at less cost. Also, things we don't know about are as we ramp up to a national system what kind of economies of size will we see in the technologies that will be available to the producers? They may be available at a lower cost, we just don't know. But I think that combination of not us picking the winner but letting all the different suppliers out there compete, fostering great competition, building on economies of size, being flexible, I think we hope that we can bring the thing in at less cost than those half a billion to a billion numbers that you hear, but I don't have a specific number.

Mr. MORAN. Thank you, Dr. Collins. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Moran. It is now my pleasure to recognize the congressman from Arkansas. Before I do I want to note that we are very pleased to have a former congressman from Arkansas with us, Congressman Ed Bethune. Ed, wave to everybody there. And now I want to recognize the current congressman, Mike Ross, who is the ranking Democrat on the Livestock and Horticulture Subcommittee.

Mr. ROSS. Thank you, Mr. Chairman, and thank all of you for joining us here in Houston. I think it is important that we get out of the halls of Washington, DC and get out among the people. If we are going to represent the people, I think it is important we get out among them and listen to them and take their issues and concerns back to our Nation's capital.

Congressman Peterson and I have been working on this issue well before December 23. It has just gotten a lot more public attention and a lot more attention from the press since a single cow was diagnosed with BSE in Washington State on December 23. A couple of just quick questions, if I may, and before I do let me just begin by saying this, that I have had town hall meetings at barns in my congressional district. We have a lot of cattle producers in our district, some run several thousand head and a lot of them hobby farm where they have got a real job but they will tend anywhere from 20 to a couple of hundred head of cattle at night and on the weekends. So I am concerned about how anything that we do will impact producers, both large and small. That is one of my biggest concerns.

The reason I believe that we need a national animal ID program, the reason I am a cosponsor of Congressman Peterson's bill, H.R. 3787, is quite simple: Since December 23 when a single cow was diagnosed with BSE, we have lost pretty much all of our export markets. The last count I had was 52 countries. I know Mexico and Canada is coming around a bit, but the things they are coming around on, cattle under 30 months, is only going to take—we are still going to have about a 40 to a 50 percent loss in exports even in those countries, as I understand it. It is selective or cherry picking in terms of what they are going to allow and not allow. So I think something has to be done to get the export markets back. That is 10 percent and as many of you know, that is 10 percent of total sales in the U.S. beef industry that go to those countries, and of course 90 percent of that 10 percent goes to South Korea, Japan, Mexico and Canada. So I would encourage you all to continue as I have with my conversations, both public and private, with Secretary Veneman to continue to work with our USTR ambassador to try and get these markets back.

Some of us believe it is going to take a national animal ID program to get these markets back to restore confidence. Fortunately, we did not lose confidence in consumer beef consumption. America has not gone down, and that is why we have only seen about a 20 percent drop in prices for most cattle producers. But we have got to restore confidence and get those foreign markets opened back up. I think a national animal ID program is the way to do that. From the town hall meetings I have had in my district they have two concerns. One is privacy and I don't believe that you all can

regulate that through regulation. A lot of people say why do we need to pass the bill that Congressman Peterson and I have. It is because we address that issue of privacy in legislation. I am not really sure that you all could do that through regulation. So question No.1 is—and yes or no is fine so I can hopefully get answers to a bunch of these—do you feel like you can address the privacy concern strictly with regulation? Yes or no will work.

Ms. BRYSON. Maybe. We can address some of them. That is the short answer. Privacy Act doesn't apply to—

Mr. ROSS. I think maybe or some of them isn't good enough for our cattle producers, and that is why I think we need legislation to deal with this.

The other question, and it is in your testimony and I know you didn't read all 18 pages this morning and I thank you for that, but in your testimony you talk about the EU and UK and how they have been doing it one way but they are going to start doing it another way as early as April of this year. And then Canada you talk about. We have had 29 different tagging options, and by early next year we are going to have it down to one. The point I am trying to make is my little sell barns that I have got in Arkansas, Hope Livestock Sell Barn comes to mind, they want to make sure they don't have to have 20 computers lined up with 20 different softwares and 20 different scanners to read 20 different kinds of buttons or tags or whatever you want to call it. And that is why I think one technology is needed. If you want to have a bunch of folks selling that technology, I guess it is fine, although that makes about as much sense to me as this new Medicare drug bill does. It looks like to me if you have got one person buying the buttons with the low radio frequency, being USDA, for every cow in America you are going to get a much better deal than if you have got 20 or 30 people out there doing it. I mean that is what has made Wal-Mart so successful. They buy it by the barge-load and ship it over here from China or wherever they ship it from. And I just don't understand if you have got 20 or 30 vendors out there selling it, I know it is good for their business but it looks like to me it just increases the cost per cow.

Can you all expand on, one, how we get a system at USDA to where they can respond within 48 hours and know where every cow is within 48 hours? How can we do that with a bunch of different vendors with any confidence? And if we do it with a bunch of different vendors, what does that do to the price, and are those things that you all have considered? And, finally, if you could just share with me the last report I had we are still looking for 51 cows that we know had come in contact with that single diseased cow in Washington State. How many cows are we still looking for, and how many cows do you believe we would be looking for today had we had a national animal ID program that was mandatory and that used the kind of technology that could allow you to know in 48 hours? Did you get all that?

Mr. COLLINS. Maybe I could start with some of it.

Mr. ROSS. Thank you.

Mr. COLLINS. I think this question of USDA picking, mandating a technology has been a difficult one for us. We heard from a lot of people around the country, some of whom make the argument

you just made, that there will be chaos in the marketplace, that there will be critical movement points like auction markets that have to have a variety of different systems to take the different animals that come in the door. On the other hand, we have people that talk to us as referenced in the chairman's opening comments who keep their records in a spiral bound notebook and they don't want us to tell them that they have to pay \$2.50 an ear tag for each of their animals. So we take the role of Government as a serious policy issue that we have to decide on, and I think that we don't believe we are making a mistake by saying that the first response to solving a problem ought to be to try to let the market work and let the market work it out. And I think that is the position we are taking initially by having a voluntary program, working through States, working through cooperative agreements, trying to form consensus in partnerships on a voluntary basis. It may well be that we have one technology, it may well be that our proposal is nothing more than a platform for RFID to win and be the technology. But if it does, we would like to see it happen through the competitive marketplace and the private individual choices of producers and all the participants in the marketplace rather than have Uncle Sam tell people what they have to do.

I think our goal has been, as Mr. Charbo pointed out, developing the data standards. We want information. We don't want technology, we want information, and so our biggest contribution is to specify the information needs that we need, set up a place to put that information and make it easy for people to communicate that information to us through our software standards. So that is the best answer I can probably give you on that. It may be in the long run that we end up exactly where you are, but I have some faith that people in the private sector can work out some of these concerns that you raised about the confusion in the marketplace with many different readers and so on. So that is sort of the philosophical principle behind what we are doing. Where it goes we will see. It will depend on which technology is the most cost effective.

Mr. BUTLER. May I add on to Dr. Collins' statement that different species groups have advocated different types of technology. I think a lot of our focus and our thinking thus far has been on beef cattle because we have referenced BSE, but, for instance, the horse industry I don't think would advocate some type of an ear tag approach. So, again, another reason as we look at species beyond beef, sheep and dairy that we may be referencing this morning that we have all aspects of technology considered.

Let me shift, if I may, to answer your question about traceback of the animals with regard to the December 23 investigation. It is my understanding, and I don't recall the precise date that APHIS completed that investigation, so we are no longer looking for any of those 51 cows. To add to your question—

Mr. ROSS. You have found them all?

Mr. BUTLER. No, sir, we have not, but we have completed and terminated the investigation.

Mr. ROSS. But we are still looking for—we are not looking for 51, we just never found them.

Mr. BUTLER. Correct.

Mr. ROSS. So we have to assume the 51 we couldn't find aren't diseased and they are not associated with any of the cows that could become diseased.

Mr. BUTLER. That is the assumption we are making.

Mr. ROSS. And if we had a national animal ID program, we would have been able to find them within 48 hours? Not under a voluntary program but under a mandatory program?

Mr. BUTLER. In the case of this specific cow, under an ideal scenario, Canada and the United States would have had systems that were compatible, because recall she came from Canada into our country, and it was the fact that she did have an identification tag that allowed us to start that traceback.

Mr. ROSS. But if we had a voluntary program, if we had a voluntary program and all 51 of those cows were on the part of the voluntary program that did not have a tag or a button, then we wouldn't be any better off than we are today.

Mr. BUTLER. Correct.

Mr. ROSS. Thank you.

Mr. BUTLER. The whole goal is rapid identification for traceback purposes.

The CHAIRMAN. I thank the gentleman. It is now my pleasure to recognize the gentleman from Minnesota, the chairman of the Department Operations, Oversight, Nutrition, and Forestry Subcommittee, Congressman Gil Gutknecht.

Mr. GUTKNECHT. Those are all the departments that nobody else wants. [Laughter.]

Let me, first of all, say, Mr. Chairman, thank you for having this hearing and a big thank you on behalf of all of us to the good people here in Houston. This has been very impressive for all of us to see just how big this livestock show and rodeo really are, and you have treated us very warmly since we arrived yesterday afternoon, so we thank you.

Second, let me just say that I think there is good news for beef producers on many fronts. Yesterday, of course, with the reopening of the markets, apparently, in Mexico I think that is good news. I think consumers are voting with their pocketbooks. Today, McDonald's released its numbers for last month, and its store sales were up 20 percent. So, clearly, Americans' confidence in the beef supply here in the United States is strong and is growing stronger, so I think there is good news on that front.

I think I might also mention to the folks who are here that it is probably obvious to you, as it is to us, that there really is no consensus yet in terms of what direction we should go, and some might say that is bad thing. I happen to think it is a good thing. There was a President, I think it was Rutherford B. Hayes that refused to debate his political opponents and one time he was asked why, and he said, "Because I have to think before I speak." And I think sometimes Washington has a tendency to do the ready, fire, aim and come out with a policy before we have really thought it through, so I think these field hearings and the discussions that the Department are having are actually very good.

But, finally, I want to get to something that—I also serve on the Science Committee and there is a little agency, and I have mentioned this before and I will lead this to a question, it is an agency

in the Federal Government called NIST, the National Institute of Standards and Technologies, and I really think that they have to become more engaged in this whole discussion. Most people don't know much about NIST. I wouldn't even expect many of my colleagues would know. If I did not serve on the Science Committee I wouldn't know much about NIST, but they set the standards for virtually everything that we take for granted in the United States. In fact, if you look on the back of any packaged food product, you will see a little nutrition label. All that research is done at NIST. The frequencies used in our cell phones are determined by NIST.

And I think the point I want to make about this is, first of all, and a question I have for our panel here is have you engaged some of the people over at NIST yet in trying to come up with a standard that may make some sense? And then the second point is not really part of the question but people need to understand that NIST sets a lot of standards but they don't necessarily always do it at the request of some Federal law. Many times people in the industry determine that there is going to have to be some kind of a standard. So perhaps Dr. Collins or Mr. Charbo maybe you want to start and just say have you talked to the folks over at NIST yet about coming up with a standard and have people in the industry begun to talk to NIST about coming up with a standard?

Mr. CHARBO. We have not talked to NIST. We work with NIST in the Department, we work with them on our credentialing for security aspects and security standard designs for USDA systems, but on the animal ID I don't believe at least the committee here has not spoken to NIST. I would need to check to see if any of the USAIP Steering Committee and the APHIS people have spoken with NIST. Most of the guidance from USAIP has been ISO driven, looking at those ISO standards and how to apply those ISO standards to the animal identification system.

Mr. GUTKNECHT. Well, my sense is that a standard will emerge and that the industry itself will begin to say, "Hey, we need to have—we can't have half the country practicing at 120 volts or whatever and the rest of world going at 240 or the rest of the United States." It is sort of the whole idea of railroad tracks. I mean, ultimately, you have got to have a standard width for railroad tracks in the United States, and it may not be the same as the rest of the world but that is what it is here in the United States. So that is my advice.

There was a question that staff wanted asked and I will ask it. Does the FOIA exemption in Mr. Peterson's bill prohibit USDA from sharing the information with other Federal or State government agencies, and would those agencies, particularly State governments, be prohibited from releasing the information to the public? Have you done enough research to answer that question?

Ms. BRYSON. I don't think we can answer that question yet. The FOIA exemption for release to other Government agencies is fairly limited to enforcement purposes, and there have been questions asked about whether we could share information with other agencies for health purposes such as HHS, and we are just still looking at that.

Mr. GUTKNECHT. Thank you very much. I yield back my time.

The CHAIRMAN. I thank the gentleman. The gentleman from North Carolina, Mr. Robin Hayes, has a particular interest in this subject. He is the chairman of the Livestock and Horticulture Subcommittee.

Mr. HAYES. Thank you, Mr. Chairman, and thank you to the all you good Texans that have offered us incredible hospitality and to the Houston Livestock and Rodeo Association for providing scholarships. As many of you learned last night, one of our great staff members is a recipient of one of those scholarships. And while we are on that subject, while I was looking around this morning, Amber Bane and her Jersey cat Missy, Eric Richter, president FFA in Shanadoo, and Brady Brown, his aide, are looking for one of those scholarships. Any of you all on the committee here they are really fine young people. Put in a plug for them. [Laughter.]

To the panel, animal ID, if we had the right data, how much insurance would this be against closure of foreign markets to our livestock? And before I say that everybody in this room is in agreement that animal health and food safety is subject No. 1, so we are not overlooking that. And we do sit here and we watch when you shake your head yes, when you shake your head no and when your head just goes down and you go to sleep on us. So thank you for that input as well.

Mr. COLLINS. It depends on the disease episode. The answer to your question depends on the disease episode. Let us take the BSE case in Canada as an example.

Mr. HAYES. Don't get too involved. I have got about six more questions. Can you come up with a list of things that we can do working in conjunction with our international trading partners to get an insurance policy against those markets closing if we do it right?

Mr. COLLINS. Yes. And I mentioned that before but just to give you an example Canada had a mandatory animal ID program and yet the world shut down Canada's beef exports when BSE was discovered there. So an animal ID program in and of itself is not going to prevent the closure of markets, but it can shorten the duration that the markets are closed. That is the important thing. What is going to keep markets open is the overall set of programs that we have in place that ensure the safety of our food.

Mr. HAYES. OK. And we have got to work with our foreign trading partners and others, not to good partners. Are you opposed to any other entity besides the Federal Government keeping the data?

Mr. CHARBO. From the administration of the data we believe that USDA needs to have management of the program. We don't believe that those systems need to necessarily be under a USDA roof. We currently have lots of systems, probably most of the committees you serve on, the agencies you work with have systems that are contracted out or supported out by vendors or contractors to support that. I think that is an option that we have discussed. We haven't come to any closure, but from the administration or management of the program, including the data, we believe that USDA should administer that information.

Mr. HAYES. So the answer to the question, are you opposed, is yes.

Mr. BUTLER. Additionally, if I might add, Congressman, we also know that we will need to work in coordination with our State animal health regulatory authorities.

Mr. HAYES. Now, a consortium of our different livestock associations with a database you couldn't live with that? I am worried about what Ms. Bryson said, they can't ensure—the Freedom of Information Act can't ensure that that wouldn't be released to folks that don't need it, so I am just looking to you to come up with some way that we can put that data outside the Government so it is used for what it is intended and not for other questionable purposes. And we will be having at your direction and the chairman's wishes additional livestock hearings to build on the input from the folks that are here in the audience and their counterparts in other States as well. So I am leading you down a path, can we do outside of Government? All right?

We were talking earlier, I think we need to have one objective and all kind of technologies to fulfill that objective so that competition in the marketplace can do its part to keep our producers competitive. That is all I have for now, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. It is now my pleasure to recognize the gentleman from Nebraska, Congressman Tom Osborne.

Mr. OSBORNE. Thank you, Mr. Chairman, and I would like to add my thanks to the people here in Texas and thank you for coming this morning. And I guess as I travel my district, which is like many others here, a heavy livestock concentration, I hear really two major concerns that keep surfacing. One is confidentiality of information and, second, what is it going to cost, who is going to pay for it. Those are basically the two things. I would like to offer one observation and then I will ask a couple of questions.

First of all, I would agree, I think that Mr. Peterson mentioned the fact that we probably need a date where mandatory ID is going to have to happen, because if we just kind of leave it floating out there, there will be a lot of people who procrastinate. And I certainly agree with the idea that we need a voluntary system for a while here but unless we set a finish line, I think we may have some problems.

The second thing that, again, I think has been talked about a lot and it may be more of an observation than a question but that was simply on the confidentiality issue. If you could help us as to whether we really do need new legislation to ensure confidentiality or if there are some ways that can be handled through guidelines, that would really help this committee and those interested in the problem. Because it is beginning to look like maybe we need legislation, but whatever guidance you can give us would be great.

Now I will ask a couple questions. First of all, I agree with your idea that we should be accepting a wide variety of technologies. I think competition is important. I don't think we want to settle on one real quick, but it just seems to me that there may be some technologies that are not very reliable and I would wonder if you don't believe that at some point you may have to have some regulatory agency saying, "Well, we will accept this and this and this and this, but we aren't going to accept this and this and this." And I hear anybody addressing that issue. Do you feel at some point

you will need to make some judgments as to what you will accept and what you won't?

Mr. CHARBO. We believe that through the voluntary and through the cooperative agreements that we are doing with the States, with the animal health officials, with the industry that a lot of those concerns will be addressed in those voluntary programs. We can also address it in terms of which technologies are able to deliver the data required, which is the program that we focused on from USDA's perspective on the repositories of the data. So that if a certain technology isn't delivering the data effectively to those repositories, then we are able to act upon it and address some of the questions that you have raised there. But we really believe that we can work through those issues on a grassroots level with the industry and State health officials in doing that.

Mr. OSBORNE. I would certainly agree that is a place to start, and I guess what you are saying is, OK, what we are going to do is we are going to set up what is required, the information that we need, and we are going to put in a database and if we are not getting it from a certain technology, then we may have to say, well, we are not going to allow that. But it does seem like at some point you are going to make a value judgment if something just isn't producing results. Is that correct?

Mr. CHARBO. Correct.

Mr. OSBORNE. OK. Then I guess the last question that I would like to ask has to do with the funding issue. I know we have \$33 million allocated for 2005 and nothing for 2004 but it seems to me that there is an awful lot of people going to be scrambling in 2004 to get something set up. So it may be that an awful lot of the cost is going to be borne this year, and I noticed in your testimony that—and I think I am quoting you correctly—it says you are considering alternative methods of funding. This is for Mr. Charbo. Can you amplify that a little bit, because I am sure folks would like to know what that is going to be.

Mr. BUTLER. We are reviewing our authority under the CCC funds and are putting some proposals together, they are going through the Department for 2004; yes, sir. And, again, that is related to testing the system, if you will. We are describing that in these cooperative agreements that we keep referencing where different types of technologies could be utilized. We could learn lessons from what does work and what does not work, but, yes, sir, we are putting together a CCC request for 2004 funds.

Mr. OSBORNE. OK. And you can't be any more specific than that at the present time as to amount or just a ballpark figure, what you are looking for and what pot of money or—I know CCC is pretty broad, I think, so it is a matter of whose ox is going to get gored in this process.

Mr. BUTLER. We are sensitive to those requests because we know we are also making a request for our surveillance plan associated with the recent case of BSE. We know we need to increase our efforts in that regard. We have looked at the existing cooperative agreements that have been utilized over the past several years, the amount of dollars associated with them, what we have learned and tried to amplify those to projected needs for the future. We are also aware of our request in 2005.

Mr. OSBORNE. You would have made a good football coach because you know how to dance, don't you? [Laughter.]

Mr. COLLINS?

Mr. COLLINS. I would just add to what Mr. Butler says that this is more complicated than it appears. We can go to CCC, as Mr. Butler said, under emergency authority, but that is really a one-time request from CCC. After that it would have to be appropriated discretionary funds, and so when we use CCC like that the Appropriations Committees look at us very carefully, because if we are setting something in motion using mandatory funds, then that puts them on the hook for discretionary appropriations in future years. And so we just have to balance these things. We have to have adequate documentation for OMB, and we have to make sure that what we are doing has adequate buy-in. And so it is not something that we just do overnight, and so I know people have been frustrated that we haven't come forward with a number and all of that yet, but we are getting there. We are doing our documentation now and we hope to be able to say something in the near future.

Mr. OSBORNE. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. I would now like to recognize the gentleman from Georgia, Congressman Max Burns.

Mr. BURNS. Thank you, Mr. Chairman. Thank you for holding the hearing here in Houston; we appreciate the hospitality. I have a fairly unique perspective on this problem because I spent 30 years in information systems and information technology and I have had cattle all my life. And so when I started trying to understand the challenges that we face as we address this issue, I am a little bit concerned that it is a major policy issue and we act perhaps more than we would like to. Let me go back to Mr. Stenholm's comments about voluntary mandatory. That is a very interesting choice of terms. I am not seeing many Federal voluntary programs be successful, and I am not enamored with the prospect of mandating anything. So I would like for you to kind of help me understand how do we get from where we are, what are the incentives for us to move through this process in a more voluntary basis?

Mr. CHARBO. We have several requests right now from States, from industry wanting to move forward with identification programs. We think that is a real good indication of this initial voluntary program of moving toward some success currently. What they are looking for is some guidance, some standards of how to move forward with that implementation, and that is what we are working on and what we are describing here in our statements, both from where USDA would play in terms of setting data standards and these national repositories where data would move towards. That data is coming from these cooperative agreements with the species, the States, et cetera.

Mr. BURNS. My concern is as we go from voluntary for a period of time if we determine that indeed the voluntary system is inadequate, then we are faced with a tougher decision to begin to make some expectations and some requirements. In Georgia, we mostly do cow-calf, we are cow-calf producers. There are very few feed lots, almost no feed lots, no major packers. Let us talk about the small cow-calf producer and how this system would impact that segment of our industry. Dr. Butler?

Mr. BUTLER. Having had experience like yourself being one of those small producers, one, we know we will need education. In our 2005 request and in our 2004 emergency request there are dollars associated for education. I sense there is a will in the industry to assist and to come forward because I think this is—the season has come for this, and I would suspect the next panel will be more specific the industry's willingness to come forward.

As we implement this and phase it in over time, I agree, Congressman, that there will be those who won't come forth voluntarily. So that small cow-calf producer may have to look to their, quote, "service provider," and that service provider might be the local auction market, and that local auction market may have to assist them in some way, accepting a type of technology, complying with whatever possible regulations might come forward in the future to allow that calf to move from the ownership on the farm to the next segment of the market and to pass through that market to the next owner. So education will be a key part of this, and those that are involved in every segment of the market chain from a cow-calf producer standpoint need to be involved, participate and provide some information and incentive. And I think the market itself will drive that incentive ultimately for the small cow-calf producer to—

Mr. BURNS. When we were, and we still are, dealing with the issue of country-of-origin labeling the potential impact of COOL on a small cow-calf producer might force some of them to reconsider being a part of that marketplace and pushing them out of that business. And, again, part of the concern that I have is where in the chain do we first begin to identify and track this animal's movement? And as you suggest, it may be at that first point of entry into the marketplace. Is that a fair statement?

Mr. BUTLER. That is correct.

Mr. BURNS. As opposed to—and I had the same issue with the COOL. I heard Dr. Collins' comments about certainly the potential economic impact of foot-and-mouth or other major challenges that we have in our food chain. Have we done a good job of lessons learned yet on the BSE outbreak? Again, I want to commend USDA for the way they handled that. I thought it was an excellent response. Secretary Veneman came and we discussed that. What more should we have been able to do in the most recent example of the challenge that we have faced on a national level, and does animal identification address those issues?

Mr. COLLINS. If I could respond to that. I think to answer that question of what more we could do you could turn to the international review team's report. The Secretary created an international review team to look at what we had done and what we need to do, and, generally, that report was pretty favorable towards the Department of Agriculture on what we had done. That report did, however, commend us for wanting to move forward with a national animal identification program.

Mr. BURNS. But you point out that Canada had an animal identification program at a national level and they were not immune to the kinds of consequences. Is that true?

Mr. COLLINS. Correct. It is part of the plan. It is part of the overall strategy of measures that can be taken to protect consumers

and producers and to ensure that there is confidence in our food supply. So it is part of that.

Mr. BURNS. I thank the committee. Final comment, I support a voluntary program, and I support a standards-based approach as opposed to a mandated technology. I think, again, the marketplace is more than willing and able and capable of meeting the needs. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman, and it is now my pleasure to recognize the gentleman from Iowa, Congressman Steve King.

Mr. KING. Thank you, Mr. Chairman. As I sit here and listen to this, I look back at last May and I will say that my analysis of the statistical analysis of the probability of BSE showing up in the United States as far back as last May was that it was probable that it would happen here. And I regret that it did, and every day that goes by that we don't find a second case takes me closer to hopefully a conclusion that this is at this point still an unexplained anomaly, and the best thing I hope for is that it becomes an explained anomaly.

A couple of points I would make is I listened to Mr. Stenholm's explanation about the different types of identification systems we might have. That is an interesting analogy and it is one we do have to evaluate in the implementation of this. I would throw out another one that might be closer to the ultimate identification system, and that would be if we had a chief DNA identification system, something that you might take a punch out of an ear and put that in a ziplock bag and run that DNA test through there and put an animal identifier on. And the other part of this equation that we haven't talked about is the food chain, and it is important for us to trace back through herds but it is also important to immediately be able to trace the food chain and shut that down as quickly as we possibly can. And I am interested in that aspect of it as well as that the packers are going to have to deal with any identification system that we might put together, and we aren't hearing from them today, and hopefully we will hear from them in the future, but there are only a few of those that will be efficient enough that you can run cattle through the shoot at the plant in an efficient fashion and be able to identify those animals that way.

So I will say that—and another point I would make is that the carcass identification or the carcass information that we will get from that I want to know from the panel your perspective on how valuable that information will be to producers. I do support statutory language protecting that information from Freedom of Information Act. I think it should be proprietary to the producers, but your opinion on the value of that information to producers as to whether that in itself will offset the cost of our identification system. Whoever would like to address any of that rambling series of questions and comments I would like to hear from you.

Mr. CHARBO. Let me just start with what type of data is being collected here. Carcass data is not part of this product. There is really two data products that are here, and one of those is a premises. Where are these animals and what part of the country are they located, who is the operator on that? The other part of that

is strictly an animal identification number and a date and time stamp at a location really.

Mr. KING. But, Mr. Charbo, is there anybody in the beef industry that thinks we should not be collecting carcass information while we are putting this system together, that we have the capability for producers to collect their carcass data?

Mr. CHARBO. The capabilities would be there if that producer believes that there is some value in that and those incentives, but in terms of this system for the repositories, that data isn't a requirement of being uploaded.

Mr. KING. And isn't there a significant downside if we devise and agree on and approve of a system of animal traceback that does not leave into the account for carcass information? Aren't we selling ourselves short if we don't talk about the added value of carcass information that can come along with at really no extra cost this animal ID system?

Mr. COLLINS. This is a difficult issue. I think there is no question about the value of carcass information. It is tremendous throughout the supply chain. It adds value to producers, it is what more and more retailers want. The question is what do we need in a national repository to protect animal health, and we are trying to make that as minimum an amount of data as required to satisfy veterinarians so they can undertake their epidemiological studies. It doesn't mean that that information won't be collected and shouldn't be collected and isn't of value; it is. What we would envision is we have a premise number, we have an animal number. What we want to know is about the movement of that animal, so we want dates. But think of that information as a computer record with a whole bunch of other fields, and in those other fields could go breed, could go yield, could go all kinds of other information. And all that could go into the database that the producer is reporting to, that the producer gets the premise number from, that the producer gets the animal number from. And then that database peels off the fields of interest to us which go into the national repository.

So that data is out there, and that data can be used, and we want a system in the national repository that is consistent with being able to collect that kind of data, add it as additional fields and do it efficiently so the producers, packers, retailers can use that information. But we don't think it is necessary for animal health purposes to be in the national repository, and it does help us deal with this confidentiality issue as well, because the more of that value data we get, the more private, commercial, business information that we get, the more producers get concerned about who has access to that data. So getting a good response from producers, and confidentiality in our animal health data are partly dictating I think what we want in the national repository.

Now we have met with retailers, we have met with the Food Marketing Institute, we have met with individual branded retailers. They want that information, and they are going to pay for it, and they are going to get it, and it is going to be in their systems working all the way back to producers, but it is another question of whether it should be in a national repository for animal health purposes.

Mr. KING. Thank you, Dr. Collins. I really appreciate that that is in the record. You have given a very definitive response on that question. And it is a response also to it if Mr. Ross' proposal of a standard technology is approved, that standard technology has to allow for those additional fields which are proprietary to producers.

Mr. COLLINS. Yes. I agree.

Mr. KING. Thank you very much. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. I understand that the gentleman from California, Congressman Devine Nunes, doesn't have any questions, but I did want to acknowledge his presence here because it shows the great length and breadth of the country. We have representatives here from coast to coast and from our northern border to our southern border.

And now I will recognize another distinguished Texan, Congressman Randy Neugebauer from Lubbock.

Mr. NEUGEBAUER. Thank you, Mr. Chairman. It is good to be in Texas. I wanted to start off with Dr. Collins, and there is a lot of discussion out there about what a national ID program can and cannot do for the industry, and I think it is important to kind of answer that question before you even get into an analysis of the cost versus the reward of a program like that. Can you just briefly touch on that, Dr. Collins?

Mr. COLLINS. I think in a nutshell a national animal identification program would aid in surveillance of animal diseases, it would aid in identifying where an outbreak occurs, but most importantly in traceback to all of the animals that have been potentially exposed to that disease, and it would accelerate the traceback. That is the important thing, it accelerates traceback so that you can contain an animal disease outbreak. The more infectious the animal disease outbreak, the faster it transmits, the more value a national animal ID program has, I believe.

Mr. NEUGEBAUER. And I think the second question I have as I have listened to the testimony this morning, and I will let others address this, if we had had a national ID program in place in December, would the outcome have been much different of where we are with some of our trading partners?

Mr. COLLINS. In my view, probably not, no, because the world has not been ready to keep their markets open for a finding of BSE. I mean just look at the history of this. No country in the world is taking meat from a country that had BSE with the exception of those countries trading with one another in Europe and what we did in taking beef from Canada and now Mexico from us. So we have been setting precedent here in 2003 and 2004 on the trade rules with respect to BSE. So I think maybe several years from now the answer to that might be, yes, it would be different, but in 2003, no, I don't think we were quite ready for that because of the world trading regime with respect to BSE.

Mr. NEUGEBAUER. And certainly as a new Member of Congress that has recently come from the private sector, I am a firm believer in letting markets put their own internal checks and controls into a system, and you being an economist I would hope that you have some agreement with that. I think the thing that I think about between a voluntary and a mandatory program is that with the heightened awareness of some of the ramifications of a discovery

of a disease that the marketplace is going to be very sensitive about keeping records and when they buy an animal along the chain, whether they are buying it from a cow-calf operation and putting it into a feed lot or from a feed lot to a packer and all along, I would think that there is going to be a certain amount of additional requirement in the marketplace for that information to be furnished and that the Government is not going to have to have a lot of mandatory incentive for the marketplace to require that.

Mr. COLLINS. Well, we hope so. I mean that is what we are trying to achieve during the initial stages of constructing a national animal ID program. Movement is incredibly important data. When people have tried to look at the value of a national animal identification program what they have found is the more diverse the production sector, the more animals move from premise to premise, the more complicated the marketing system, the more valuable is a national animal ID system, because those complicated production and marketing channels mean longer traceback times. When you have a vertically integrated industry, like hogs or poultry, then there are more questions about the value, and that is why the hog industry has been very interested in having not individual animal ID but lots or group ID which will reduce the costs of that. Because you can do traceback faster in a vertically integrated system, but when it is more complicated like the cattle industry then the benefits of an individual animal ID system go up.

Mr. NEUGEBAUER. And the lot concept was something that I had thought about. In today's cattle market, would you say—how many cattle are we talking about that changed locations on a—more than three times or more than four times?

Mr. COLLINS. Yes. I don't have a real good estimate of that, but, certainly, there are a lot of cow-calf operators that will sell to a backgrounder, and a backgrounder will go to a feed lot and then a feed lot to a packing plant. There might be an auction barn in the middle of that somewhere. So you could have a lot of premises in cattle. In hogs, increasingly, of course, that market has been evolving with specialization. It used to be all farrow to finish and now it is pig farms, and pig lots are moving to finish farms. So you are getting some movement in hogs but not to the extent that you have it in cattle, I believe. So you do have a lot of movements and it is important to be able to track those movements. And if you look at the ID systems around the world, I think even the countries who have been ahead of us in developing their ID systems are realizing that. The Canadian ID system, for example, does not track movements. It records origin and it records termination, but they are moving toward tracking movements as well.

Mr. NEUGEBAUER. Thank you. My time has expired, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. Rather than do a second round of questions, I think I will simply ask the committee members if they have any additional questions.

I do have one for either Dr. Butler or Dr. Collins, and that is very pertinent to Texas. We import a million cattle from Mexico each year. Few argue the fact that we now have a North American livestock production system. What steps are being taken to coordinate with our neighbors to the north and south? Dr. Butler?

Mr. BUTLER. We have had systems to track the movement of animals from both of those countries. In particular, I am more familiar with the one from Mexico for a number of years because they have had some endemic health problems that we have been concerned about. Tuberculosis, for instance, comes to mind. Only certain states in Mexico are able to send those animals here, and only certain sexes of animals are allowed to come into the United States. Are we 100 percent harmonized at this point in time? The answer to that is no. Can we work with them in the upcoming months and the upcoming years to get a system where we are as compatible as possible? The answer to that is, yes, Mr. Chairman.

The CHAIRMAN. Thank you. Dr. Collins, do you have anything to add to that?

Mr. COLLINS. I would just say that we have funded, I believe, and that is what I was just checking with Mr. Charbo, I believe we have funded two projects in New Mexico and I think Texas, one in Texas and one in New Mexico, to look at this very question of animal identification as animals move across the border.

Second, I would say that if countries have a system like Canada where they have animal numbers, we want our system to be compatible with that. I mean one could envision this record I talked about where we have a premise number in one field, an animal number in another field, and if it is an imported animal, it could be the Canadian animal number is put into that record. So if we track that animal through our system, we could then track it back through the Canadian system using the Canadian infrastructure. So we would want our system to be compatible with theirs as well and any other country that has an identification system.

The CHAIRMAN. Very good. Thank you. The gentleman from Texas, Mr. Stenholm.

Mr. STENHOLM. Mr. Chairman, thank you. One question, one observation, though, first is I think we tend to overwork this term, "voluntary," from a philosophical standpoint. To me voluntary means getting the various industries—the cattle industry, for example, is different from the sheep industry, is different from the hog, and therefore you can't design one system that fits each of the species. And also it is critical that the industry itself decide whether this is something that is good or bad. Once you make that decision if it is an overwhelming majority, you have gone through that voluntarily, then it must become mandatory or it will not work. Give, for example, the boll weevil control program. Once you allow any farmer or any group of farmers to opt out, you destroy the whole program. And in this case if—we either decide this is something good for the industry and we do it as you have just described in making it compatible particularly with Canada and Mexico or let us forget it. I mean all of these arguments we hear from individuals that say this is not necessary, et cetera. Either it is or it isn't. Let us get more personal, let us look at homeland security, let us look at the fact that we have a voluntary system of allowing people to come into the United States—people. We have from 10 to 14 million illegals in this country and we don't seem to care. Oh, you hear folks espousing and going about the problem, et cetera, but we are not willing to make those steps necessary, ie. an identification system that will prove who is legal and who is not. We are not willing

to do that voluntarily. Fine. That is a decision that our country makes.

So as we talk about this, that is one of the value of hearings like this in which those of us who are represented to elect the people, as I have heard my colleagues, and I share that when we talk when we hear from our constituents. That is what we represent, but it is also important for us to think it through from a standpoint. And as I said in my opening statement, an identification system is absolutely critical to the future of the livestock industry for health reasons, and we do this regularly already. We just need to improve on it and do it feasible, financially what is affordable, and this can be done, I believe.

My question of you is why haven't you talked to NIST? As you are developing, we have one agency of Government in which spend their time assessing science and technology, and yet your answer to Mr. Gutknecht's question is you have not talked to them?

Mr. COLLINS. Our answer to Mr. Gutknecht's question was that we have not talked to them. Mr. Charbo said it is possible that USAIP has. We have adopted the data standards of USAIP. A tremendous amount of work, years of work have gone into that. Perhaps NIST could add more to that, and Secretary Veneman, I believe, in response to Mr. Gutknecht before a House hearing, said she thought that was a good idea, that we ought to talk to NIST. We just haven't done it yet.

Mr. STENHOLM. Well, this is one of the longstanding frustrations that I have had with previous administrations, the unwillingness or the inability to talk to each other within government. It is a longstanding frustration that I have, and it is just amazing that we continue to—and maybe we don't. I am going to accept your answer that—

Mr. COLLINS. It is not an inability nor an unwillingness. It is simply you work so many hours a day, you get to it when you can get to it. Right now this is a USDA responsibility. We have talked with other agencies. We talked with Food and Drug Administration, for example. They have done work on national animal ID systems. We talked with Centers for Disease Control. We do talk with other Federal agencies, we do talk with the Office of Homeland Security. Our liaison at the Office of Homeland Security was the State vet in Indiana. There is a lot of interaction going on between USDA and other Federal agencies. Perhaps we were remiss in not dealing with NIST. I think Mr. Charbo will try and remedy that.

Mr. STENHOLM. Thank you.

The CHAIRMAN. Are there other members of the committee who would like to ask additional questions? The gentleman from North Carolina.

Mr. HAYES. Mr. Chairman, thank you, and I apologize, I have to leave here very shortly along with Mr. Peterson, but we assure you the Livestock Subcommittee chairman at the chairman's direction of course, we will have additional hearings to build on the input that has been gathered here today. And let me ask the Department to look into the issue of pilot programs. Our people in North Carolina like a pilot program that is going on in Kentucky and I am sure there are others that can add to that. Let us look at those suc-

cessful operations and look forward to seeing you back in Texas. When does deer season open next year? [Laughter.]

The CHAIRMAN. I thank the gentleman. The gentleman from Arkansas, Mr. Ross.

Mr. ROSS. Thank you, Mr. Chairman. If I could go back to Dr. Collins for a minute and follow up on something that our ranking member Mr. Stenholm said on this whole voluntary business. I am trying to follow you all's logic. How do we do a voluntary system that is going to allow us to be able to identify 100 percent of the cows that have come in contact with an infected cow in America if it is done on a voluntary basis?

Mr. COLLINS. I don't think we can do that.

Mr. ROSS. So when you say you want to do a voluntary program is that just a way of killing this whole idea and continuing to keep export markets shut down?

Mr. COLLINS. No. Secretary Veneman was very clearly asked in a hearing whether she thought this ought to be a voluntary or a mandatory program, and her response was that, "I think producers may have to be required to participate." So I think she had in mind that this may have to be a requirement at some point in time. So I don't think we are starting out saying that this will never be a requirement. I think what we are saying is that we feel reluctant to say at this point that this is a required program, a mandatory program before we have tried to overcome all of the consensus-building issues that Mr. Stenholm talked about. We want this to be something that works for State governments, for animal health officials, for producers, for auction markets, for processors, and so there has to be a period of time in which they can work together. A lot of work has been done in some States. We know Michigan, we know Wisconsin, we know the FAIR Program. Mr. Hayes just mentioned the Kentucky Beef Network, the Southeastern Beef Network. There is a tremendous amount of activity going on right now, but there are a lot of problems that have to be resolved in all those things, and so we just want to give them some breathing room, we want to see how fast we can work those problems out, and we want to put Federal resources into it to work those problems out. So we are not prepared yet to say that we are going to make this mandatory next month, next year, but we are saying that we think that we want full participation in this country, in this program. The Secretary has said that.

Mr. ROSS. How many people at USDA are working on this issue?

Mr. COLLINS. Who knows.

Mr. BUTLER. Dr. Collins is saying, "Who knows," over here privately.

Mr. COLLINS. Privately. Mr. Butler knows.

Mr. BUTLER. We know that the four of us have been tasked, I have recently joined the group, but our Chief Information Officer, our General Counsel and Dr. Collins have been tasked by the Secretary to help move this plan forward. Prior to that we had numerous employees from the Department that worked with USAIP in developing the plan. We extend that from our immediate family to those State health regulatory authorities, our States veterinarians across the United States so they will provide an excellent input

through their national association, the U.S. Animal Health Association, et cetera.

Mr. ROSS. So your response is you don't know how many people at USDA are working on this.

Mr. BUTLER. Precisely, I do not.

Mr. ROSS. OK. And how long have this unnumbered number of people at USDA been working on this?

Mr. BUTLER. The USAIP Program has been under development for approximately 2 years if I am not mistaken.

Mr. ROSS. So at USDA we don't know how many people have been working on this but we know they have been working on it for a couple of years. And here we are having another hearing today and meanwhile we have got 50 countries that refuse today to accept U.S. beef. My point, gentlemen and lady, is that, and I hate to keep going back to Wal-Mart as an example, but I mean they have got the radio frequency technology, they are requiring it now in every case and when it is put on a barge they can track it from the time it leaves the factory in whatever country until it enters the ship at your local store. And I mean if technology is so inexpensive that then that radio frequency chip is thrown away with the box. I mean I don't think they have spent 2 years and had an unnumbered number of people at some Federal agency and had hearing after hearing after hearing to figure this thing out. And in your own testimony, page 6, you talk about EU and UK and how they looked at it one way, they are now changing it. Canada, they had 29 programs. Now they are going to go to one. Australia, they are changing how they do theirs effective July 1. I mean this is from your own testimony.

My deal is, and to quote Dr. Collins, "try it out," I mean the longer we try it out the longer the producers continue to have cattle that they cannot export to other countries, and they will continue to lose 10 percent of their market. I mean can't we learn from Wal-Mart and UK and EU and Australia and Canada? I mean why do we need to try it out again?

And then, finally, this business of having—there are 95 million cows out there, OK, 95 million cows, and for the life of me I am trying to figure out how 10 different companies can provide that technology, divide up the 95 million cows and provide that technology for a lesser cost than one entity can provide it and that entity being a non-profit entity, that being USDA. I am having trouble understanding how USDA can't implement this, so 95 million cows for less money than for-profits would do when you have got 10 different competing interests out there trying to share 95 million cattle, and I guess that is just a—maybe you went to a different math school than I did but the bottom line is the technology and let me just reemphasize that we have got to have technology that works. Homeland Security has been around now since late 2001, early 2002. The FBI and the CIA are still trying to figure out how to talk to each other, and so we have got to have a way to where no matter where that cows ends up we are able to read it and it is able to make sense. Otherwise we are spinning our wheels.

And, finally, Dr. Collins, you had mentioned you didn't want Uncle Sam to tell people what to do. Well, that is exactly what

USDA did when they ordered a herd of about 400 cows killed. I have just got to think there is a better way to do this to protect your producers as well as the safety to the consumers that are out there.

Mr. COLLINS. Mr. Ross, you are expressing a sense of urgency which I can appreciate. If I could comment on a couple of your points regarding having USDA do it cheaper than the private sector and what math school I went to. I would say that my career experience has been when you say let the Government do it, it often costs a lot more than letting the private sector do it, just the reverse of your conclusion on that issue.

I would say that there are a couple of things that are sobering. You have cited the testimony about what is going on in foreign countries, and it is true that these foreign countries are making some decisions. They are not all the same decisions that you just described. For example, the Australian program right now is a voluntary program. And look at the size of those animal industries in those countries. The Canadian industry is 14 million head of cattle. One of the things in our testimony along with the description of what is going on in foreign countries is the description of the U.S. animal industries, and I personally am very sobered by the fact that we have over a million cattle operations in the United States. In a steady state world, the technology that you are describing that we should take off the shelf and mandate for USDA, RFID, \$2.50 an ear tag, I don't know, call it \$2, whatever you want to call it. Every year 37 million cattle are born in the United States. After you have paid all the infrastructure costs, all the data development costs, you have built all the databases, you have reformatted your packing plants all over the country and you have put in the stations and you have put in the readers and you have sunk all of those costs, then in a steady state world you have got 37 million animals every year that have to have an RFID tag put in their ear. At \$2.50 a head, that is \$100 million a year. That doesn't count labor costs, that doesn't count all those other sunk costs. This is a big deal, and I just don't feel comfortable and I think we don't feel comfortable saying, by God, we are going to mandate it and you are going to do it in 90 days and it is going to be RFID technology. That is where we are coming from. Do we feel the same sense of urgency as you? Absolutely, we feel that same sense of urgency, but we also think we need to do it in a deliberate, reasoned way, and so that is what we are trying to do.

Mr. ROSS. A single cow, a single cow and our prices have dropped 20 percent. All I can tell you gentlemen and lady is you better just pray that we don't see foot-and-mouth or hoof-and-mouth or whatever you want to call it in America before we get our act together on this issue, because if you think a 20 percent drop was bad, it will totally devastate—

Mr. COLLINS. I agree.

Mr. ROSS [continuing]. Bankrupt the cattle industry in America if foot-and-mouth gets here before we get through studying all of this and figuring out a way to do it.

Mr. COLLINS. Well, we are not studying.

Mr. ROSS. We are the leader of the free world and all these other countries have already figured it out and here we are still debating

on how to do it, and the only people hurting are our cattle producers.

Mr. COLLINS. I don't think they have all figured it out. Canada is using barcoded ear tags for which they have a huge problem of lost ear tags, they are not tracking movements, Australia has got a voluntary system, Europe has got a system. If you are in the UK and you want to sell cattle, you are cow-calf operator, you get issued a book. It is about 5 inches by 7 inches by 3-quarters inch thick. It is a passport, it has got tear-out pages in it, and everywhere that animal goes you tear out two pages, you fill it out, you turn those pieces of paper in, you put the data into an electronic database, you keep records on your own farm. It is an incredibly costly exercise. I don't think they have got it all figured out. I have talked to producers in the UK and they have said to us, "Please, come up with a better system than we have." So we are not testing, we are going forward in 2004, we are beginning to implement a national system. It is not a question of testing. We are going to ramp this thing up beginning in 2004, we are not waiting any longer.

Mr. ROSS. Let me just close by saying that I spent some time last night with a small cow-calf producer in Canada, I think he runs about a quarter million cows, and he thinks their system works pretty well and reminded me that it was their system that allowed us to do what little bit of tracing we were able to do with the cow was diagnosed in Washington State.

The CHAIRMAN. I thank the gentleman. Let me just point out to the gentleman that the 50 countries that ban our cattle from going in their country now not one, not one of the 50 have made this a condition for reopening their borders for admitting the cattle. We need to proceed expeditiously. I certainly agree with the gentleman's objectives. We also need to proceed expeditiously to get these borders reopened and our cattle exports there as quickly as possible, and one should not confuse one of those two urgent needs with the other urgent need, and I fully agree with Dr. Collins that we had better get this right, and I also agree with him that when you tell people that the Government is going to take care of it for you, watch it.

The gentleman from Iowa I believe has a question.

Mr. KING. Thank you, Mr. Chairman. First, I would like to open with a response to Mr. Stenholm's national security remark and that would be it may be true that America is not ready, but I would be happy to ear tag all 12 million, Charlie, and in fact I would skin the coyotes while I am at it. But the question I want to address to the panel is we have not brought up the subject matter here and I know it is something that I know won't make the producers happy that we are talking about it but it is one I think we need to air before the panel, and that is that I raise the issue about tracing it once it gets into the food chain, and we can go back to that, but there is also some merit, I believe, into having a way to identify contaminated feed, and in the case of the two BSE cows, one north of the border and one south of the border, and I realize that they were both born before we had the limitations on feed, the restrictions on feed, but say for example we had a rogue renderer and we had identified another case of BSE and that food supply might have—feed supply might have been from a rogue rendering

company. Now, wouldn't we want to also know where that feed supplement might have gone? And I would just like to hear you discuss the merits of, and I certainly don't want to start any KGB feed records police here but I do want to know the USDA's opinion on the value of feed records or the value of being able to trace that feed to different herds in the case that that might be the contaminant.

Mr. COLLINS. I guess I would say something and let Mr. Butler continue. I don't know enough about what FDA requires now to really be able to answer that. FDA has had regulatory authority over feed and so I really can't answer that. Maybe Mr. Butler can.

Mr. BUTLER. Only to add that since December 23 I believe they are reevaluating their current regulations, taking under consideration the international review team report that has been referenced this morning in the hearing, and I don't believe they have made final decisions about modifications in their regulations, but it is a very important issue, tracking and working, as we begin implementing our surveillance plan, our aggressive surveillance plan that again was referenced in the international review team report. We will be cooperating with the renderers you referenced. Those renderers obviously will be cooperating with FDA. They have stated that they will increase their inspections, work with their State counterparts to increase inspections of feed manufacturing facilities. So the jurisdiction of feed does lie within Food and Drug Administration.

Mr. KING. And, again, my recommendation would be to give significant emphasis to that so that it is part of our discussion as this moves forward and we don't look back on it and say, "Gee, we left that one out," and there could be a significant component there, and I don't allege that there is, I just caution that we should take a good look at it.

And then I would ask also the panel to discuss to some degree how we might trace then the, I will say, beef through the food chain once there would be—if there is a future outbreak of BSE, for example, and that had been introduced into the food chain? Under an animal ID system how does that work its way through the integration of the retail market? How do we identify that within, say, within hamburger, for example, versus a more muscle tissue like steaks and what would be the merits of a DNA identification system that might be able to identify in a pound of hamburger six different cattle?

Mr. COLLINS. Again, I will start this and other members of the panel can jump in. I think with respect to trace forward we are not proposing anything different than what is being done right now with our proposal for a U.S. animal identification system. It essentially goes to termination of the animal and that termination is death, it is slaughter or it is export. Beyond that the systems that we have in place are the recordkeeping systems that are kept by processors, by wholesalers and retailers and when we do trace forward now, such as the recall for the beef in the State of Washington, it is using that record base that we rely on. Now that record base is getting better all the time because retailers want better records. We met with one giant corporation that retails food directly to consumers through its fastfood chains and they told us

that they have an interest in and they are pursuing, 4-hour traceback from a hamburger patty to the farm of origin. Four hours, that is their goal. So there are people in the industry delivering food to consumers that want to accelerate that, and they are demanding that in the systems that supply them in their food supply chain.

Mr. KING. And I would suggest that in an ideal world from the producer approach we have got, say, the United States of America, Western Hemisphere, for example, the broad side, the top side of an hour glass, everything funnels in through the packer and comes out the other side and gets spread out again the other way.

Mr. COLLINS. Right.

Mr. KING. And an ideal system would be one that would go then from birth to plate. And I raise that issue of the DNA because I think that is the ultimate and I hope we discuss it. That would conclude my questions, except, Dr. Butler, you had a comment?

Mr. BUTLER. I think you raise a very valid question about DNA, and if I am not mistaken we have some existing systems in the United States that are utilizing that technology to identify superior genetics, obviously to identify such traits as tenderness, so it would be our goal as we move forward in these cooperative agreements that if there are some existing systems using that technology as well as other technologies that have been referenced, that we could incorporate them, learn from that and see if that is valid for the future.

Mr. KING. Thank you, Dr. Butler. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. I understand the gentleman from Texas, Mr. Neugebauer, has an additional question.

Mr. NEUGEBAUER. Thank you, Mr. Chairman, and first of all I want to concur with something you said and that is sometimes we need to be careful what we ask for. It seems the last 20 plus years of my life in private business, small businessman from Lubbock, TX I have seen the outcome of where Government reaches out to help fix a solution only to cost those businesses hundreds of thousands of dollars with no real meaningful results for those good ideas, and so I am reluctant to jump onto really good ideas from the Government until we have run through a process where we are visiting with the industry groups. And I know that there has been some ongoing dialogue with the stakeholders in this issue. I would like to hear from Mr. Charbo what kinds of dialogue are you having with the industry stakeholders and how you feel like that process is going.

Mr. CHARBO. Since the Secretary's announcement, one of the things that she encouraged us to do is go out and being to speak with some of those industry groups, getting the perspectives from the production side all the way out through, as the gentleman from Iowa was discussing, through the food chain of understanding what does traceability mean, what does animal identification mean, is there any value in animal identification? That has been discussions that we have had as a group to try to frame some of those issues, and that has helped us put together the statement that we have provided. That is where we have been as a panel here.

I think it is important to reference the USAIP which has been out for 18 months, which has included a lot of grassroots, industry,

species groups working together to formulate what we believe is very important, the data standards of how this information could be collected and some strategies of implementation that were actually used and some of the implementation that we are suggesting here. So there has been a lot of those discussions that is going on. We hope through the cooperative agreements that we have referenced as well that more of that will happen, not just in a pilot stage but in the actual implementation of moving forward with the animal identification on a premises and an individual animal basis.

Mr. NEUGEBAUER. Is it your opinion that there is consensus in the industry for an animal ID program?

Mr. CHARBO. I don't know if I am in the position to answer that. I believe that it is as good as it has been. I do have to say that if you look at the USAIP plan and the comments that are there, there is a lot of people with concerns about an animal identification program. It is clear as you look at the equine area they have very strong concerns about moving forward with an ear tag. That brings a lot of chuckles but it is a fact. Those people have concerns about if that is the plan and these hard standards that are put out there and the Government moving forward with the plan, they have concerns. So I think from an industry basis it is as good as it has been. Moving forward with the way we plan with a voluntary program we will have some successes on the premises registration, we will have successes from the animal identification, and we will be able to build upon that on a permanent basis.

Mr. NEUGEBAUER. Do you feel like you have a clear model or business plan of how you go and what the role of USDA is in implementing a voluntary program?

Mr. CHARBO. We believe it is in setting those data standards, of saying this is the type of information required to respond to an animal health emergency. That is where our authority lies, as Ms. Bryson has mentioned. It is under the Animal Health Protection Act is where our authority to do this, and it is important to keep that frame of reference as we move forward. The data we are asking for in these repositories, working with these cooperative agreements, species groups, State health officials and connecting to their information and bringing it back to our repository is strictly directed at that animal health emergency.

Ms. BRYSON. I might add if I—

Mr. NEUGEBAUER. That really wasn't my—really my question is do you feel like you have a clear and does the industry understand your plan of how—

Mr. CHARBO. Not yet. I mean—a part of our plan is a strong communication program. I think it is always underestimated in implementations, and we have tried to get ahead of that expectation, and that communication is going to be major. Purchasing a system, as people want to say there is a system that we go out and buy, is not the cost. The cost is the impact down at the producer level and the industry and what they have to do to change to accommodate these new requirements. That is the major expense that isn't recognized when we talk about buying something off the shelf and implementing it. The expensive part is in that implementation.

Mr. NEUGEBAUER. Ms. Bryson?

Ms. BRYSON. If I could just add to this answer. I doubt that people understand exactly what we are talking about. What we have in our testimony that has been submitted today is an outline of as far as we have been able to get in terms of our collegial thinking based on discussions we have had with people to date. As with all of the programs that USDA has issued for voluntary or mandatory identification programs in the context of disease eradication or our other authorities, there is going to be plenty of opportunity for public comment. There is going to be lots of outreach, and we are going to continue to be listening to everybody because we really think that a system that works is going to be based, as it should be in a public process, on getting the input and developing a system that accommodates everybody's concerns and interests. So we are not there yet, but we are working towards it.

Mr. NEUGEBAUER. And my final comment about going to one architecture and one system is that we have a system like that where we just had one system, no competition. That is called Medicare. And that didn't work too good and hasn't worked too good. But what we did do with the cellular telephone service, for example, is we allowed a lot of different architecture to happen out there, people figured out a way for that architecture to communicate together, and we have a lot of different companies providing those services. And now today we have seen the cost of that service drop dramatically because we let the technology and the competition in the marketplace work itself out. So any plan to reduce the competition in the marketplace to make it less incentive for the producers and the people to participate I think it does them a disservice. What we need to do if in fact we put a system like this in place if the producers, if the industry groups believe that this is something we need to do, we need to put in place something that is always encouraging the price and the cost of doing that service to go down and not let the Federal Government regulate it in such a way and choke it in such a way that it is not a competitive product. Thank you, Mr. Chairman, for the time.

The CHAIRMAN. I thank the gentleman. Last call, anybody else have a question for this panel? We need to move on to the next one. Well, ladies and gentlemen, thank you very much. This has been a very informative discussion. Let me say that I am in agreement with your general approach. I want to join with those who have expressed some sense of urgency, we do need to get on to a definite plan that we can carry out. And I want to also agree very much with the gentleman from Texas, Mr. Stenholm, that the sooner you reach out and talk to those other Government agencies like NIST and other countries, particularly Canada and Mexico, to make sure we are all on the same page together, the more smoothly is going to go. We do need to get about it, and we do need to have everybody on board as we do. So I again want to thank this panel for your very valuable contribution and we will now move on to the next panel.

We will now invite our second panel to the table. This is Jan Lyons, president of the National Cattlemen's Beef Association of Manhattan, KS; Ms. Joy Philippi, who is a pork producer from Bruning, NE on behalf of the National Pork Producers Council; Mr. A.H. "Chico" Denis, vice president of the Texas Sheep and Goat

Raisers Association of San Angelo, TX, on behalf of the American Sheep Industry Association; Mr. Charles Beckendorf, chairman of the National Milk Producers Federal of Tomball, TX, and Dr. Gary Smith, vice president of the International Stockmen's Education Foundation of Houston, TX.

I will remind all of the members of this panel that their entire statement will be made a part of the record, and in order to move to the questions as quickly as possible we would ask that you limit your testimony to 5 minutes. And we will start with Ms. Lyons. Welcome.

STATEMENT OF JAN LYONS, PRESIDENT, NATIONAL CATTLEMEN'S BEEF ASSOCIATION, MANHATTAN, KS

Ms. LYONS. Thank you, Mr. Chairman. Mr. Chairman and members of the committee, I am Jan Lyons. I am president of the National Cattlemen's Beef Association, and I am a producer. I am a producer from the Flint Hills region of Kansas near Manhattan where along with 3 generations of my family I manage our angus seed stock business. I really appreciate the opportunity to testify today on behalf of the members and the State affiliates of the National Cattlemen's Beef Association. I appreciate being able to discuss animal identification which is an issue of great interest and concern for cattle producers across this country. Obviously, the recent discovery of BSE in a Canadian cow in Washington has given the discussion a tremendous sense of urgency.

Animal identification is a tool and it is a tool that can be used on conjunction with our animal health infrastructure to identify and isolate animals and premises that have been associated with animal disease, but it is not a substitute for this infrastructure, and NCBA will oppose any efforts to pay for an animal identification program or system by cutting existing animal health infrastructure. Animal identification is a confusing and complicated topic which has endured several years of debate to come to a consensus but there is still much work to do.

In order to forge broad consensus, NCBA worked with more than 70 organizations and over 400 individuals to draft what is known as the United States Animal Identification Plan, and as a matter of NCBA policy, and let me be clear about this, we support the USAIP as the foundation of the national identification system and we support the ongoing work that has taken place here. The USAIP focuses on establishing technology standards so that the system is uniform, workable and consistent. USAIP establishes radio frequency identification, or RFID, as the currently preferred identification method. RFID has been readily adopted by livestock producers and adoption of the RFID standard within USAIP acknowledges the existing use of this technology.

Full and complete implementation of USAIP is estimated at \$545 million over the next 6 years. The USAIP estimate includes the information system, the data collection, the infrastructure and identification devices. Clearly, this amount is a tremendous outlay of resources for any one party. A potential funding approach which we would like to present could be that the Federal Government would pay for the establishment and the approval of the standards, the Federal and State governments partnering on infrastructure instal-

lation and then the Federal and State governments cost sharing with producers on the identification devices. Producers are clearly concerned about the cost of the identification program and the need clarification of what the Government is going to pay and when that would be.

Any effective identification, animal identification program would provide the traceability needed to contain, isolate and eradicate the spread of an animal disease that has the ability to disrupt the livelihood of producers. The creation of a system for these purposes should not result in the invasion of producers' privacy. Therefore, NCBA believes that any information provided by producers for the animal identification system should be exempt from release under FOIA. Additionally, the Privacy Act protects private and personal data from release without the written consent of the party that provided that information. Producers want assurances that their information and their records will be kept confidential. There should be no unintended use of producer communication.

Consideration also needs to be given to clarification regarding producers' duty of care. Producers need confidence that they will not be held to standards beyond ordinary care so long as they perform their management practices within the law, such as complying with feed bans, product withdrawals and other laws.

The question of mandatory versus voluntary obviously was a big issue here today, and it is one that we think should revolve around how best to achieve the level of participation needed to make the system effective and make it work. Privacy concerns, cost to producers and the appropriate implementation plan will have as much bearing on the success of the program and producers' willingness to support that plan, and as well whether or not it is mandatory or voluntary.

The USAIP calls for initially starting with a premise identification system, then moving forward with individual animal identification. It is critical that a premise allocation system be defined soon that meets USAIP guidelines and recognizes that interstate nature that takes place for livestock movement. It is also extremely important that implementation of the program be in step with how cattle are marketed and moved around this country. We must take into consideration the constraints that exist at livestock markets, processing facilities and feed yards. Additionally, many cattle are already identified through existing marketing and management programs. If the systems in which these cattle are already identified, are consistent with the standards set by USAIP, then these systems should be available to provide data to USDA for the purposes of producer participation in this system.

It is critical that there be international harmonization in international identification standards and systems. Our Five Nations Working Group, which includes Mexico, Canada, Australia, New Zealand and ourselves, is in agreement that there should be harmonization in our animal identification systems. NCBA supports the adoption of the RFID standard within USAIP. However, should Congress act on an identification bill, no statutory provisions should be included which establish RFID technology standard. Keeping the technology standard within the regulatory responsibil-

ity of USDA maintains the flexibility that is needed to adopt new technology as this develops.

USDA has the authority under the Animal Health Protection Act passed in the 2002 farm bill to implement an identification system. NCBA will monitor the implementation of that identification program by USDA and, as stated previously, NCBA is supportive of an industry-implemented program that is accessed by USDA for animal disease purposes only. We are confident the current path we are on will result in the development of an effective animal identification and traceability program for not only the cattle industry but for all of animal agriculture, and I thank you.

[The prepared statement of Ms. Lyons appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Ms. Lyons.

Ms. Philippi, we welcome you, and we welcome your testimony.

STATEMENT OF JOY PHILIPPI, PORK PRODUCER, BRUNING, NE, ON BEHALF OF THE NATIONAL PORK PRODUCERS COUNCIL

Ms. PHILIPPI. Good morning, Mr. Chairman and members of the committee. My name is Joy Philippi. I am a pork producer from Bruning, NE, and I am a member of the National Pork Producers Council Board of Directors. I do have a hog operation in southeast Nebraska that handles nursery pigs. I would like to thank the chairman for holding this hearing today, and I ask that my complete statement is part of the record.

In recent months, it has become clear that the issue of national animal identification system has become increasingly important to our animal health officials, livestock producers and consumers. Developing and implementing a national animal ID system is far more complicated than simply just identifying every animal at birth. The pork industry considers a national animal ID system part of protecting the Nation's critical food and agriculture infrastructure in case of an animal disease outbreak or intentional or unintentional introduction of a pathogen or toxin.

We believe that most Americans now better understand the importance of animal health in protecting food security and safety in this country, and they are willing to support the development of an affordable, accurate and sustainable mandatory national animal ID system. I would like to focus my comments today in three areas. First, the pork industry's current mandatory swine identification; second, ways to enhance the current system; and, finally, a comment on where the pork industry sees outstanding issues in further developing the national animal ID system.

Today, we have five categories of mandatory ID for swine and interstate commerce. One is the individual ID of all replacement breeding swine; two is individual ID for all breeding swine at comingling and slaughter; three is the ID of feeder swine; four is the marketed swine identified back to their owner at a Federal inspected plant, and five is feeder swine movements across State lines within a production system based on the written health plan and production records.

This current interstate swine system has been in place since 1988 and we recognize there are some changes that need to be

made. First, the backtag system currently being used to identify cull breeding swine has a very low tag retention rate. It is only about 15 to 20 percent. This retention rate is the result of the identification system that does not meet the species-specific needs in regard to handling the animals on the way to market. When a national premises ID system is implemented, we would be able to apply just a premises ID tag to these animals. That would source identify them back to their farm.

Second, the identification of market hogs back to the premises instead of just the owner's mailbox will result in a more rapid and accurate traceback to a suspect premise in case of an animal disease situation. We believe that improved accuracy in this area could facilitate further traceback to origin of the premises. And, generally, because our hogs move in lots and groups, we feel that it would be much simpler in the recordkeeping area as well.

Today, our industry is holding our annual meeting in Atlanta, and there will be a resolution presented this afternoon that they support animal identification and that we support the USAIP plan. We believe it will receive overwhelming support there in our group. The USAIP process has been going on since April 2002. There are 109 stakeholders representing over 70 industry organizations and we have been part of that, but we want to be very clear about what USAIP is and what it isn't. It simply defines the standards and framework for implementing and maintaining a national animal ID system for all of U.S. livestock. It includes standards for a national premises numbering system, individual and group lot numbering systems and performance standards for ID devices.

We also know there are some outstanding issues regarding the USAIP that we would like to see addressed. Of those five issues, one would be should the system be mandatory or voluntary; two, how do we protect and maintain the confidentiality of the producer data; three, we recognize the importance that there is species-specific information and differences that needs to be hammered out; four is how do we maintain technology and, finally, funding, who is going to pay for what? Some of these issues have been talked about today. I am not going to get into a lot of detail on that. Our organization is very much in belief that a mandatory system is necessary when it comes to disease management. We also believe that the confidentiality and security issue has to be addressed. We have to know that if USDA doesn't have the authority to protect the producer information or doesn't know how to do that, then we are going to need Congress to move something forward to be able to address that.

The third issue that I did bring up was about the specific information and how those things work. We do realize cattle industry has looked at the radio frequency identification tags as something they can use. That makes a lot of sense in the sense of a cow that has one calf a year. It is just going to cost you \$2 a year to use an RFID tag, put a new one in a new calf. In our business, we have 22 to 24 pigs a year from a sow, so we are talking a short \$50 a year for radio frequency tags. That is why we believe that the idea of using the group and lots for our industry would be probably more cost effective and acceptable to producers.

The fourth issue is related to the technology flexibility. We believe that that system has to be put together with things in mind in regard to what information we want in that data information and in then take it out to the industry. We do believe that if that is done that way, it will drive down the cost to our producers if done correctly.

And, of course, the last issue is on funding, who is going to pay for what? We believe the premises identification system is the basis for the animal ID system, and we believe it is a Federal responsibility that that is carried out. We also believe that USDA needs to develop the information system to allow that animal movement data to be captured, stored and accessed when needed.

In conclusion, Mr. Chairman and members of the committee, I have outlined why the National Pork Producers Council supports a mandatory animal identification system. I thank you again for holding this hearing and for your time and attention to this matter, and I will be pleased to answer your questions at the appropriate time.

[The prepared statement of Ms. Philippi appears at the conclusion of this hearing.]

The CHAIRMAN. Thank you, Ms. Philippi. Mr. Denis, I am reliably informed by several people that I botched your name as well. I apologize for my first try at that, and you are welcome and you we are pleased to have your testimony.

**STATEMENT OF A.H. "CHICO" DENIS, III, VICE PRESIDENT,
TEXAS SHEEP AND GOAT RAISERS ASSOCIATION, SAN ANGELO,
TX, ON BEHALF OF THE AMERICAN SHEEP INDUSTRY
ASSOCIATION**

Mr. DENIS. Thank you very much, Mr. Chairman, and also the other members of the committee. On behalf of the Nation's sheep industry, I appreciate you holding this hearing and giving us the opportunity to address you on this matter. I am a sheep producer, I am also a feeder, I am also chairman of the board of a processing plant there in San Angelo. So I mess with those little wooly bugars from the time they are born till the time they die.

Today, I represent my State organization here as well as the American Sheep Industry Association. I can personally attest that the livestock identification was a hot topic at our national board of director meeting late in January. ASI has been involved with USAIP since it was started, and we should have and will have a sheep-specific ID plan to USDA APHIS by this spring.

Our industry has had a national health identification program in place that includes mandatory identification, namely the Scrapie Eradication Program. We have over 50,000 sheep operations nationwide already enrolled with premise identification and millions of identification tags distributed. This program implemented by regulation in August 2001 provides the basis for our view that we believe a model fitting the sheep industry and to a national ID system. We approve national policy at our board meeting, and I believe the points are important to this discussion. The cost of identification supplies and devices should be provided by the public sector. A national ID system for livestock should not duplicate our National Scrapie Eradication Program requirements. Transition into a

livestock system must be planned and announced well in advance with supplies available through a well organized distribution channel.

We have a wide variance of production systems for sheep in the United States, and an ID program must accommodate all, including group movement of animals through feeder and slaughter channels. I get a lot of—into my feed lot I get a lot of producers that bring their animals, they have never been anywhere else. They go in the feed lot and they stay all together and then they go to the slaughter plant all together. They need to be identified just simply as a group. A national ID system should also contribute to the management and marketing and business needs of the U.S. sheep industry, as has been discussed here today. The producer needs some way to access his information that is collected.

A national ID system for sheep should be thoroughly field tested before implementation to demonstrate the technology is compatible with the normal operations of the industry. It must be electronic and automatic in some form. There is no way that we have the labor necessary to grab each sheep and read an ear tag and write that number down.

The system must be thoroughly reviewed and field tested prior to implementation. This includes a database function which needs to be provided and maintained by the Federal Government. It must not be subject to any public records request, as has been discussed here today. We must recognize the needs of the entire industry involved from auction markets to processors as well as ranchers such as myself. We also need to remember the cost on a per unit basis is very different. As the pork people mentioned, costs of an ID on \$125 lamb could be much larger than on a market steer that is worth four or five times that much.

The additional item that weighs heavily on our sheep discussions is the need to identify sheep and lambs by lot, as I mentioned, not by individuals, as long as those lots stay together and are not commingled. Such a system makes more sense when hundreds of lambs per truckload are moving together through the feed lot and through the packing plant.

Key issues that I also believe must be addressed by the sheep ID group include procedures for lost tags. Typically, the tags we have today we lose about 10 percent per year. All the ID tags and associated equipment we believe on a national basis must be compatible. The price of the data that is collected by national identification must be guaranteed.

The second thing that I will ask is that the Government, USDA and this committee continue to draw on the experience of all the various livestock organizations in bringing this program online so that it will work for us as well as for the program. With that, I thank you very much, and I would be glad to answer any questions.

[The prepared statement of Mr. Denis appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you. Mr. Beckendorf, we will be pleased to have your testimony.

**STATEMENT OF CHARLES BECKENDORF, CHAIRMAN,
NATIONAL MILK PRODUCERS FEDERATION, TOMBALL, TX**

Mr. BECKENDORF. Thank you, Mr. Chairman. My name is Charles Beckendorf, I am a fourth generation dairy farmer from here in Harris County, about 45 miles from where we are. Those of you that flew from out of State probably got here quicker than I did today. It took about 2 hours this morning to get over here. We are on the other side of Houston. I serve currently as the chairman of the board of the National Milk Producers Federation and on the corporate board of Dairy Farmers of America, and I appreciate this opportunity to talk to you today.

The National Milk Producers Federation is headquartered in Arlington, Virginia. It develops and carries out policies that advance the well-being of the U.S. dairy industry. National Milk Producers has 32 cooperative members, about 60,000 dairy farm members, and I am here representing those people today. As members of the National Milk Producers, we join together to better assure that our Government in Washington will understand and recognize those economic, legislative and regulatory issues that most impact our livelihoods and our communities back home.

The need for a uniform national animal identification program in the United States is urgent, as the recent discovery of BSE in Washington clearly illustrates. It is absolutely critical to be able to rapidly track back and verify all animal movements associated with all birth cohorts of an infected BSE animal including their offspring. I am sure we have not seen or felt the complete ramifications of this one cow in Washington State. BSE is no longer just a foreign animal disease; it is here in the United States.

Another thing we can say for certain is that we do not have a workable uniform national identification program for our animals and for tracking a plan in place in the United States to address any future disease outbreaks. Until we do as producers we must constantly live in fear of a potential outbreak of a foreign animal disease or emerging animal disease in the United States that could devastate our herds, our markets and our national security. In the case of foot-and-mouth, a disease outbreak, it would be even more critical to be able to quickly track both forward and backward all animal movements associated with all potential sources of infection. It is imperative regardless of whether the disease, foot-and-mouth, was introduced here naturally or intentionally.

The U.S. needs a uniform system that establishes minimum standards for identifying all physical locations and premises where individual animals and groups of animals are routinely raised and animal lots are located. In addition, the U.S. needs uniform minimum standards for the identification of individual animals, groups of animals and lots of animals. Lastly, a uniform national organized system for reporting and storing specific information required for tracking animal movement between premises is necessary. Without these it becomes impossible to quickly respond to an animal health emergency and avert any potential negative public and marketplace consequences.

We at National Milk recognize the advantages of implementing a uniform national animal ID system as envisioned under the U.S. Animal Identification Plan, the USAIP. This plan has been widely

recognized within the livestock industry. For the past 2 years, more than 70 national livestock organizations and approximately 400 producers and experts representing these organizations have labored to develop USAIP as a national umbrella operating plan. Under this plan, all species of food animals, from cattle to fish, can be properly identified and tracked for both disease surveillance and emergency management purposes.

A number of different species working groups are organized under USAIP to develop final implementation plans for introduction of USAIP into their respective industries. The dairy species working group is now in the process of finalizing for implementation of USAIP and the U.S. dairy industry. Dairy and beef cattle interests will soon come together to formulate overall cattle industry recommendations for implementation of USAIP within the entire cattle industry sector. Likewise, both the pork and small ruminant industry, such as sheep and goats, are working to establish final recommendations to implement USAIP in their respective industries.

Specific concern of dairy producers is the imperative to maintain confidentiality in the animal identification and tracking information that will need to be stored in a simple database under USAIP. This information may be limited to premises identification numbers, individual animal numbers, group numbers, animal lot identification numbers and dates and locations of movement. It is important that this information be maintained in a confidential business environment. When such information is combined into one central database, it could be misused by those who have motivation to do harm to the livestock producers. We recommend that everything be done to keep this information confidential.

With a broad base of producer and livestock marketing support, USAIP has been developed as a model national animal identification and tracking plan driven by industry needs and expectations that we believe are both realistic and achievable. An effort is being made to keep USAIP technology-neutral so that each species may select and adopt the technology which works best in their respective industries. A timeframe has been established under USAIP to begin to track the movement of cattle, swine and sheep in both interstate and intrastate commerce. National Milk believes that this should be initiated just as soon as possible. To allow the process to get started, USAIP operational models should be implemented without further delay. Congress can help facilitate this implementation process by recognizing USAIP as the system of animal identification that we would like to see in place.

Animal agriculture at the farm level is \$100 billion industry. Preventing the introduction of foreign animal diseases that could disrupt our national economy is paramount of importance to overall public confidence in our food supply. Therefore, the public, we feel, should share a substantial portion of the up-front costs associated with the introduction of a workable and sustainable national identification program. USAIP, if properly implemented, can become the foundation for monitoring and surveillance for many diseases. A national laboratory surveillance system cannot be effective until a workable uniform national identification plan is implemented. Foreign consumers won't embrace our products until they have con-

fidence that our uniform national U.S. identification plan is implemented and demonstrated. This is a major but essential undertaking for the national benefit, and Congress can assist by addressing the substantial cost that is going to be borne by the industries.

Mr. Chairman, just in closing I would like to reiterate my 4 final points. Number 1 is the absolute need for a national uniform animal ID program. Number 2 is that USAIP is our choice. Dairy and beef have both come out in support of that program. Number 3 is that we have funding by the Government as much as we can. Cost sharing or full funding is what I would ask for if you ask me. And confidentiality. Confidentiality is absolutely crucial for this program to work, and I feel like I am preaching to the choir listening to this part of the program today because it sounds like you are all in agreeance with what we need to have done. I appreciate the opportunity to visit with you, and I would be happy to answer any questions if I can later.

[The prepared statement of Mr. Beckendorf appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Beckendorf. We appreciate your observations. And now we will welcome Dr. Smith.

STATEMENT OF GARY C. SMITH, VICE CHAIRMAN, INTERNATIONAL STOCKMEN'S EDUCATIONAL FOUNDATION, HOUSTON, TX

Mr. SMITH. Thank you, Mr. Chairman and members of the Committee on Agriculture. I need to start by describing to you what the International Stockmen's Educational Foundation is. It is a non-profit organization. We hold a congress each year in association with the Houston Livestock Show, a conference in conjunction with the Calgary Stampede in Canada. Our board is comprised at the moment of members from the United States of America, Canada, Australia and Uruguay. We do not have policy as such because we actually operate the congress and the conference as thinktanks. We invite in, depending on what the subject is, 50 to 80 people that we think are thought leaders relative to the issues that we are going to consider at that particular point in time. And, basically, at the end our conclusions really are recommendations from someone with third party affiliation as a foundation, just recommendations that the industry might consider as they decide how to meet each of those issues.

Let me just use three or four examples to show you where we think a national identification plan and traceability concept are really needed. In our ISC, International Livestock Congress Beef Program, in 2002, we were concerned about small and medium size producers being able to survive in the face of concentration and consolidation. And one of the things that we felt was essential for them to be able to do that was to be able to develop markets for their own product using source verification, process verification, knowing where the animals came from and how they were treated as a part of their opportunity to compete with the much larger firms that were there. In that same conference, we became concerned about agricultural bioterrorism as it affects specifically animal agriculture, and our feeling was the best possible deterrent that we could have to a bioterrorist was for them to know that we

could rapidly trace animals that had a disease or that had someone had attempted to give a disease.

The following year we were trying to determine how we could help people produce consumer-demanded beef, and we wound up again with those same recommendations. The quality and consistency and safety and protection of the public health all really revolved around the opportunity to use traceability and source verification and process verification to identify their products. In that same conference, we were concerned with how we were going to implement COOL because at that point it would have gone into effect this fall. And so as we developed a plan for how the industry would react to that need, an integral part of that was a traceback, trace-out, trace-forward system that involved national animal identification.

At that point, every time we talked about traceability we were saying that it should be voluntary. By the time we got to the International Beef Industry Conference in Calgary last year, we had had the BSE incident in Canada and so Dr. Richard McDonald who represented ISEF at that meeting said, "Implementation of a traceability system in the United States of America is inevitable and necessary. The drivers for traceability are animal carcass and beef performance for certification, food safety and public health." This year at our International Livestock conference we dealt with the issue of BSE in North America, in Canada and in the United States, and among the things that we said in that conference was, first of all, we applauded Secretary Veneman saying that we were in fact going to have a national animal identification program as a major part of USDA public policy for mad cow disease prevention, and we also were encouraged by the fact that in President Bush's fiscal year 2005 budget there would be an increase of \$47 million, \$33 million of it directed toward helping to identify a national animal identification system.

I close with the fact that the International Stockmen's Education Foundation would like to urge Members of the United States Congress to move forward expeditiously to implement a coordinated national identification and traceability system for livestock. Thank you very much.

[The prepared statement of Mr. Smith appears at the conclusion of this hearing.]

The CHAIRMAN. Thank you, Dr. Smith. We will now proceed to questions. I would like to direct my first question to the entire panel, anybody who wants to answer this question. Each of you has raised concerns about confidentiality, but the USDA cannot guarantee that the information held by the Government would never be released under the Freedom of Information Act. Would you still want to go forward with a Government-run program or would you accept a program operated by the private sector as an alternative? Don't everybody jump at once. Mr. Denis?

Mr. DENIS. My thought would be that if the USDA can't guarantee the privacy of the information, we don't want to release it to USDA. And if that holds true for the rest of the Government, then we would not want to release it to the rest of the Government either. So either I heard discussed this morning about legislation to make sure that it is held private. If that is possible, then that is

fine. That is how it ought to be done, and USDA ought to still manage the information. If that is not possible, then the only way I see to do it is through a private entity that does not have to.

The CHAIRMAN. And let me add a refinement to my question. If the USDA cannot guarantee that it cannot retain the information and has to release it to other Government agencies, setting aside the question of whether it then gets released outside the Government, would your answer be the same?

Mr. DENIS. Mine would be the same.

The CHAIRMAN. OK. Thank you. Ms. Lyons?

Ms. LYONS. Yes, Mr. Chairman. I would say that the success of the initiative, the success of the Animal Identification Program is going to be participation by producers of all segments. Producers absolutely will not participate unless there is confidentiality of the data. They have told us that loud and clear on numerous occasions, so if they will not participate in the program, the program would not be effective unless that confidentiality is respected.

The CHAIRMAN. Thank you.

Mr. BECKENDORF. One other issue.

The CHAIRMAN. Mr. Beckendorf.

Mr. BECKENDORF. I think confidentiality is probably one of the biggest issues for any people that are opposed to this National Identification Program. I have been schooled never to say you can guarantee anything, much less the USDA guaranteeing it. But my animals are all identified several different ways, through the bolt studs, through National DHIA and so those kind of things would roll into the USAIP I would think, but we do need something but confidentiality is a major, major issue.

The CHAIRMAN. Thank you. Ms. Philippi.

Ms. PHILIPPI. Our industry definitely feels the confidentiality industry is important. There has been discussion on if there would be a third party that would manage the data and things like that. Some of those things I think will be hammered out on the details when some of the plans are done, but, again, we do believe that if necessary Congress is going to have to take some type of action to ensure that USDA can handle that data. I think that would be most acceptable.

The CHAIRMAN. Thank you very much.

Ms. LYONS. Mr. Chairman, if I just might add, one of the proposals obviously would be that the Government have access to that information as it relates to animal health issues and that the other data would be held in the database and they would not have access to that. And, certainly, that could be entity or entities outside of that Government.

The CHAIRMAN. Thank you. Dr. Smith, your testimony lends considerable support to the notion of product traceability which I perceive as distinct from animal ID. While retailers, processors and packers talk about traceability in terms of food safety and quality control, some suspect their interests really lies in shifting liability to producers. How do we protect producers from being dragged into liability fights that take place somewhere else in the food production system?

Mr. SMITH. I think unquestionably that has been one of the great concerns. One of the studies in my other life as a university profes-

sor we were trying to determine in the average 4-ounce ground beef patty how many animals might have contributed a piece of muscle or fat to that 4-ounce patty. And when we determined that the least number of animals would be 56 and the greatest number would be 1,084, the odds of us being able to trace bacteria, for example, back to an individual animal or chemical residues back to an individual animal just honestly don't exist. So I don't think we fear that as much as we do the thought on the part of others that we would be able to trace it back to a farm, and that individual farmer or rancher become liable. It is huge concern and one that everyone in animal agriculture is concerned about.

The CHAIRMAN. Thank you. My time has expired. Did you want to add to that answer?

Ms. LYONS. I might just add, Mr. Chairman, that producers have told us they are very concerned about that liability and where would that stop and end, and certainly they do not want to be held to a higher standard than ordinary care, that if they provide an perform those practices and abide by the laws as far as withdrawals for medications and those kinds of practices, they believe and want to see assurances that that will be the level where their ordinary care liability would end.

The CHAIRMAN. Thank you, Ms. Lyons. The gentleman from Texas, Mr. Stenholm.

Mr. STENHOLM. I don't think there is anyone in the audience or anyone that has been listening today wouldn't agree with the general statement that the purpose of this hearing is individual animal identification, and anyone that deliberately, deliberately contaminates our food system should be punished. The question is deliberate and this "lawsuititis" that we have got in the United States today in which everybody is looking for ways to sue at the drop of a hat is what causes the reluctance of producers to want to share any information, even information that is in our own best interest. Now, I don't know how we deal with that but we are going to continue to try. But the best way to do it is to absolutely ensure privacy of this information and then work on the other problems.

In doing that I think I had a question sent up to me—actually, it is a question or a statement from the audience a moment ago. It says, "Every American has an ID number. It is called a Social Security number. Can you find any person in the United States in 48 hours?" And the answer is obviously no. Social Security numbers are protected by the Social Security Act. You do not have to issue your Social Security number to anybody unless you want to; it is voluntary on your part. But the Social Security Act demands that that number be retained for purposes of Social Security only. Now, anybody that wants a Social Security number you can probably go out on the streets in Houston, Texas and buy you one today. You can buy you a driver's license today. And my point in bringing up—if it doesn't matter, you look to the person to your right and look to the person to your left. Does it matter to you whether they are a legal citizen of the United States or not? If you say, no, then we don't need to worry about it, but if we have got 14 million illegal persons in this country, some of which are al-Qaeda tied, it bothers me. If it doesn't bother you, then it is not a problem.

That is why I bring that up because we are talking now about something to protect our own industries. Every single one of the five witnesses here have come forward in saying basically in your own words you want it voluntarily developed because that is the best way to do it. You sit down as an industry and you decide how you best will police your individual industry, and you are going to find some differences between the five industries there, well, at least three of the five. Dairy and beef are pretty much going to be on the same program. But the rest are going to have to have some individual adjustments made to it, but the system when we say voluntary and why I use the term, "voluntary mandatory," voluntarily let us decide what is in the best interest of our industry, and then if the majority decide that is what the industry needs to do and that is what the Department is working through now with the industry is deciding what and how we should do it. But everyone has said it has got to be mandatory.

Now with those that believe otherwise, I respect that. We have great freedoms in this country. But my freedom to swing this arm ceases when it contacts Mr. Lucas' nose, and that is something that we have to remember as an industry. Our individual desires have to be superseded by the desires of the majority or otherwise you suffer the consequences, and that is something that every one of the leaders here are going through, and as you find the differences within your own industry I know what you are going through in this.

But every one of you have testified. I want to ask one specific question of both the pork and the lamb. Mr. Denis, you have talked about lambs being shipped across States lines must already be identified in some way because of the Scrapie Program. Could you describe in more detail what that system is, how well it works for traceback and traceforward in the event of the identification of a disease? And the same I would like to Ms. Philippi to do it regarding the group lots and how well it is working for hogs.

Mr. DENIS. My understanding is the Scrapie Program has no effect traceforward from slaughter. My understanding is it has worked very well. The scrapie tags have worked very well. They are read at the point of slaughter. The only purpose in that program is to catch that diseased animal at the point of slaughter. Then that tag does have to premise identification, so if you find a reactor where she came from or he came from. You don't know where it has been all up and down the chain necessarily, but you do know where it came from. To that extent it is working very well.

It would not work in this situation because it is a little tiny metal tag that you have to have a hold of the animal and read it, and if you were trying to do every one of the sheep every time they moved, you would be overwhelmed by the work that you would have to do. But for the scrapie eradication I believe it is working very well.

Ms. PHILIPPI. In our industry, with the pigs that move across State lines they have traceback through health papers and things like that to the premise where the pigs came from, the location. We use that in our system some and it works well. As far as actual ID device at this time, we don't use anything that I am aware of on the pigs that are within a production system moving across

lines, things like that. And then with the sows and that it is identification to the slaughter plant.

Mr. LUCAS [presiding]. The gentleman's time has expired. The Chair now turns to himself. Just for an appreciation of the magnitude of the challenge we face and not discussing the adult, mature breeding animals, Ms. Lyons, just off the top of your head how many beef cattle calves are born every year, 40 million?

Ms. LYONS. Roughly, 40 million.

Mr. LUCAS. How many piglets hit the ground every year in this country would you guess?

Ms. LYONS. You might be asking a question that I can't answer for sure.

Mr. LUCAS. But it would have to be a substantial number, certainly in excess of the 40 million beef cattle, so we could be talking 80 million maybe?

Ms. LYONS. That is right. I would say that would be possible.

Mr. LUCAS. How many lambs are born every year?

Mr. DENIS. I am going to guess there is in the neighborhood of 8 million?

Mr. LUCAS. And milk?

Mr. BECKENDORF. Forty to 45 million.

Mr. LUCAS. So even if we don't address the adult creatures, just the animals being born, we are talking, oh my goodness, 165, 170 million individuals a year, and depending on how they are tracked in groups, recording that movement through sounds like a pretty daunting task no matter what.

I turn to the panel once again as a whole for another question. One of the issues raised by my constituents is not so much the question of tracking back for particular diseases but a concern over some of the mundane routine stuff. From a beef cattleman's perspective in an industry where we have one part of the segment that raises calves and in my part of the world stocker operators with their wheat pasture and then of course the feed lots and whatever else, the things that we do at every stage of the way. I vaccinate calves at 2 months and when my stocker neighbors buy them and put them on wheat they go through an entire vaccination series again, and when they go to the feed lots they are vaccinated again, all basic good health. The question one of my constituents asked was, well, if someone shoots in the wrong place, uses a dull needle, it is not clean and that quarter has to be thrown away at the processing point, in this kind of a system, in theory, you track back down. The question was who would be responsible for the bad shot, so to speak, when it would be indistinguishable? I guess my question is from the perspective of this group the stuff you have seen from the Department so far, the discussion you have had internally in your own associations, is there going to be any way to address those kind of problems? I mean right now the packer takes the loss. Doctor?

Mr. SMITH. Since I grew up on a stocker cattle operation in Cato County, OK I am familiar what you are saying. And since I have worked on injection site blemishes in cattle using beef checkoff funds for the last 15 years, what we did when those first started occurring was not try to blame people, not try to point fingers, not try to go back and do that but to put into place an education pro-

gram that allowed us to teach everybody concerned what they should be doing. So I just don't think there is that kind of mentality to take it back and say that to an individual producer. I think we tried to educate our way out of it. Yes, it could be used for that, but I just don't think that is the way our industry operates.

Mr. LUCAS. The flip side of the coin, with this sort of a system identifying all the way through the process is there a probability that producers who use good genetics, good breeding practices, who are state-of-the-art would be rewarded for their, in the beef cattle, for instance, their greater rib eye size and their more consistent weight going through the packing plants? Do we see where that potentially would be a possible benefit on down the road?

Ms. LYONS. I would say that the success of this program is going to be determined on the pull-through nature of the benefits, and as producers see the fact that if their calves are identified when they enter commerce, that the person who is purchasing those pays more dollars for that animal, then those kinds of incentives encourage producers to participate in the program. So I would say, yes, you would be seeing incentives as that becomes available, as we see that marketing system and that free enterprise system at work.

Mr. LUCAS. So there is a little sunshine even in the shadiest clouds once in a while.

Ms. LYONS. I have seen that incentives provide a much better, greater opportunity and encouragement for participation than do penalties.

Mr. LUCAS. Very good point. The gentleman from Arkansas.

Mr. ROSS. Thank you, Mr. Chairman, and thank the panel for coming to Houston and being a part of this. This is very important, and let me make it clear, I mean I am here. Out of 51 members I think 12 or 13 of us are in Houston, and let me just say that I am here because I want to find a way to make this work for producers. My frustration at USDA is certainly not aimed at you all, it is just we have been studying this thing for about 4 years and I guess we are going to study for a few more years, and I would just like to get things done instead of study them all the time, and that is why I get a little frustrated with how our Government operates. They were talking voluntary but maybe someday mandatory. You all pretty much, as I understand it, believe it has got to be mandatory to every work; is that right? Yes, no, yes, yes and no?

Ms. LYONS. I would qualify that. I would say that our position is and our belief, strong belief is that there must be an adequate level of participation for this program to be successful. We do not believe at this point in time that that needs to be mandatory. Certainly, the voluntary aspects and participation at a high level to have producers participate should be aimed at and achieved, and you do that by implementing and stressing the right program, the program that does provide for things like confidentiality of the data, not a lot of burden, back on producers. And as you design the program, you make it something that they want to participate in and see benefits to participating.

Mr. ROSS. My thinking is if we do this, and I am talking cattle specifically here, if we do this for 95 million head of cattle, I am told we can get it down to about a buck a piece. So at a buck a piece you would still want to keep it voluntary and you would want

to offer an incentive at the time of commerce to encourage them? So if it only costs a buck to do it, what is the kind of incentive you are wanting to offer, 50 cents, a buck, a buck-50? Any idea?

Ms. LYONS. I would say the market must determine what that incentive will be. And as every step as those transfers take place, that will be determined in the system as it works. The whole debate about voluntary versus mandatory seems to me it puts emphasis on the wrong thing. Our producers tend to respond and react adversely when they are told they have to do something. I would much rather have them come forward because they see benefits to participating in this program. And that if we do a good job to educate them and to bring them to that point and to explain that, I think we have a much better chance for success for the whole program.

Mr. ROSS. I have done a number of town halls, not town halls, meeting with the cattlemen association groups in my district and they were a lot more standoffish about this whole national animal ID thing before December 23, and at least in my area now they are beginning to embrace it and recognize that long term that something needs to be done to keep their price from dropping. My only concern is if it is—and voluntary may be the way to go, but if we go voluntary with the thing, it is like the 51 cows we finally quit looking for. If those 51 happen to be the 51 that aren't tagged, then we haven't really accomplished anything with this new technology.

In terms of the cost, I believe, and Congressman Peterson and I in our bill we require USDA to pay most if not all of it. I mean if we can spend a billion dollars a week paying interest on national debt, surely, goodness, we can come up with \$100 or \$200 million to restore the markets to the producers as well as assure the safety to the consumers.

Another quick issue is on this technology business. What I am fearful of is you get a bunch of people out there with a different kind of technology because no one is going to sell the same kind of thing because they all want to make theirs a little bit different, and if you have got one kind of technology that you invest in from one private company and then when you get to a sell barn they say, "We don't accept that kind of technology. Now you have got to pay us so many dollars to pop that button out and put a different button in before it can keep entering the chain," I just see a lot of problems if we have a bunch of different kinds of technology. Would any of you all like to elaborate on that?

Mr. BECKENDORF. I think we do need one uniform plan all the way across the country.

Mr. ROSS. Does everybody agree with that? Just raise your hands if you believe there should be one uniform type of technology.

Ms. LYONS. Mr. Ross, I would just say starting out that certainly is the advantageous way to go with what is available out there. And I agree with you and your comments earlier regarding the fact that as they enter commerce, even if I am to sell to my neighbor, my neighbor is not going to have a bunch of different readers if he is buying calves from everyone. So starting out it needs to be, but I think let us not cast it in stone what the future may hold because as technologies develop and come aground there may be other ways to go that would be endorsed.

Mr. ROSS. In closing, Mr. Chairman, let me just quickly point out two things. One is we now live in a global economy, and the fact is that when I used to spend time on my grandpa's farm we would go 8 miles to the sell barn in Hope, Arkansas and we would sell it and they would be slaughtered somewhere near there and be sold somewhere near there. And now we have got cows that see no borders and we have got the technology to deal with these new changing times that we have.

Finally, on the privacy thing, and that has to do with privacy. USDA by regulation cannot guarantee us privacy; they stated that this morning. We can by regulation, and that is what Congressman Peterson's legislation and my legislation does. Finally, let me just caution you, if we do end up having these databases owned by the private sector, don't forget that it is much more difficult to control the private sector than it is a Federal agency with a Federal law. And a case, an example, I will leave you with: I recently had someone approach me to let me know—this is a private company now—IRS, there is no way the IRS could ever give me this information without getting in a whole lot of trouble, but a private company came to me and said, "You know, for your reelection campaign we can sell you, we can sell you everybody in your district who has disposable income over \$750,000 and tell you which charities they have donated to and whether they are a Democrat or Republican. And I was appalled by that. But that technology is out there and available in the private sector, and I am real concerned that if these databases are maintained in the private sector, that this information ends up in the wrong hands. Just something to kind of chew on for a while. Thank you, Mr. Chairman.

Mr. LUCAS. The Chair now turns to the gentleman from Minnesota.

Mr. GUTKNECHT. Thank you, Mr. Chairman. Mr. Ross, if you would just give me the names of those Republicans, I would—
[Laughter.]

Mr. LUCAS. I will give you the name of the company and for \$6,000 you can buy it. I mean it is crazy but it is out there.

Mr. GUTKNECHT. well, it is amazing and I was just going to mention that I don't have any real specific questions because most of the questions have already been answered. And I want to thank all of you; your testimony has been excellent. I do want to mention in terms of technology, again, having served on the Science Committee for all of my 9 years we learn a lot about technology, but the technology in this field is emerging very, very rapidly. My colleagues would be disappointed if somewhere in my presentation I did not talk about prescription drugs because I have become very involved in the whole issue of tracing prescription drugs. And back in my office, and I apologize, I should have brought with me two little vials that I have. One is—in a little vial about this big I have 150 microcomputer chips. They are being developed. They are the next generation of the UPC code, and they will start emerging, you will start seeing them in grocery stores within the next 2 years, and the cost right now for those little computer chips is about a nickel. They believe they will drive them down to probably less than 2 cents as the market emerges for those. The other thing I have in my office is a vial of a product that has been developed by

a little family owned feed and seed company up in Minneapolis called Cargill and it is a family owned company. It is not a family farm but anyway they have developed microscopic taggets made essentially of corn starch, and they are going to be incredibly cheap. So I think this technology will continue to emerge and develop and become more affordable.

I just want to thank all of you, and I think the testimony has been excellent today from all of you, because I think the concerns are real, but I think the concerns are solvable, and I think as we go forward we will forge this consensus and take the world's safest food supply and make it even safer. Thank you very much.

Mr. LUCAS. The gentleman from Kansas.

Mr. MORAN. Thank you, Mr. Chairman. Did anyone on this panel hear something this morning from USDA that you wish we would have asked about, any flags raised, concerns that—a number of you have items in your testimony, lists of things that you think need to be done before we bring animal identification into play, but did you learn anything that USDA is doing that causes concern? I take that as a no? That is encouraging. Nice to know that the industry and the Department are on the same page.

The other thing that I thought was interesting was the amount of money that was suggested this may cost, \$550 million. If we were going to spend \$550 million in the livestock world, is that how you would want the money to be spent is on developing an animal identification? Is this your highest priority?

Mr. DENIS. I think from the sheep industry it is. In other words, until we had the BSE in Washington we thought we were protected so it wasn't very big. Today it is big. We could have lost a lot more than we lost.

Mr. BECKENDORF. It was BSE this time. Next time it could be foot-and-mouth or BSE again somewhere else. We have TB here in Texas. Today we are testing every dairy herd, every purebred cattle herd here in the State. It is absolutely imperative that we have some type of a program to identify where those cattle are and where they have been.

Ms. LYONS. And I would say, Mr. Moran, that certainly that is our highest priority. The ability to track and trace back quickly from an animal disease perspective is probably the most important issue right now facing our industry and the beef cattle industry.

Ms. PHILIPPI. The swine industry looked at this prior to the BSE outbreak. We thought that it would be very important to have a plan put in place to be able to trace back to the last premises. I believe in our situation animal health is the beginning of food safety, and that is one of the steps that we were hoping that would be taken to provide a traceback. I think we have also become a little more aware of agri-terrorism issues. I think that is why we see it as a priority.

Mr. BECKENDORF. Can I comment one more time?

Mr. MORAN. Certainly.

Mr. BECKENDORF. This USAIP is an animal identification program, not a food safety program. I think the food safety would come in as consumers know that we know where those cattle are and can find them.

Mr. MORAN. When we as members of this committee have a discussion with our colleagues who perhaps are less oriented toward agriculture, it seems to me one of the issues that we face in this process is how much it is going to cost and who is going to pay? When we are asked the question for justification of why someone other than the producer should pay what is the response to that question to our more urban colleagues?

Mr. BECKENDORF. Well, this isn't a food safety issue. The cattle industry or the animal industry is going to be forced to do the labor to put these—to carry this out. The cost, I think, is in the public interest more than just in the cattle industry, and so because it is in the public interest, I would think that we need some public funds, at least cost share in the program.

Ms. LYONS. I would say that it is an imminent threat not only to the cattle herds but that could devastate not only our economy but the whole economy, and certainly from that perspective it is a national issue and therefore the Government should participate in that program.

Mr. MORAN. Thank you all very much for your testimony, and I appreciate Chairman Goodlatte organizing this hearing and his staff putting together with USDA followed by you. I think it has been a good dynamic for us to hear from both of the panels, and I appreciate your testimony today. Thank you, Mr. Lucas.

Mr. LUCAS. Thank you, Mr. Moran. The Chair turns to the gentleman from Georgia.

Mr. BURNS. Thank you, Mr. Chairman. Again, it is good to be in Houston. It is good especially to have a panel who have multiple livestock industry groups represented because we all have a stake, we all have a stake. I want to start by, first of all, my colleague, Mr. Ross, and I disagree on a number of things. We don't disagree on the objective, and the objective is food safety, and the objective is a stable economy for our beef industry, our beef cattle industry, our dairy industry, our swine industry and certainly our sheep industry.

Now, it is interesting that indeed we have an identification system. I wish this were a Coca-Cola can, I was looking for a Coke can. The UPC code—because there is a little small company in Atlanta, a little business that does that there. We have had a UPC code for years and whether I am buying Coke or whether I am buying USA Today or, quite honestly, whether I am using a card with a chip, the technology is there. Twenty or 30 years ago I was dealing with database designs for marketing data associated with products. Now, we don't identify this can, although we could, and we don't necessarily identify this particular piece of paper, although we could. And there may be market value in that. I would make one comment: I would think that it would not be in our best interest to identify, have USDA identify or anyone else for that matter a single technology that is supposed to answer and solve all of our problems. It is a bit problematic because the technology and how quickly it is moving, and I would focus much more on standards and compatibility than a focused technology.

Now, my question starts with existing programs. I have a beef herd, I vaccinate brucellosis, I put tags in ears and we do that kind of thing. I think in your testimony, Ms. Lyons, you point out that

that was a very successful program, perhaps so successful that we have not been as vigilant in the more recent few years than we have. And I think, Mr. Beckendorf, you point out we have problems here in Texas with some animal diseases. Now, what about existing programs that are already there that we can build upon?

Ms. LYONS. To respond to that, I would say that certainly there is a lot of activity going on out there in the States right now, a lot of very effective programs that are very successful. We would be remiss if we tried to reinvent the wheel, but certainly we do need this national standardization, and certainly if those programs provide the kind of data in the format that is able to be interchanged, we certainly think that we need to start with those programs and advance those.

Mr. BURNS. Would you suggest or agree that these programs need to be integrated into and maybe provide a foundation start for any future development?

Ms. LYONS. And I would tell you that they are. As we look at the programs around the country, what is going on, and as I understand USDA has as well, there are many of those that comply. We think it is important that we get the standards out there, though, quickly before producers or States rush to make decisions that maybe will not give us that interchange and that integration. So we think we need to take the leadership in that, but, certainly, there are programs out there that are very successful and blend in there very well.

Mr. BURNS. History is not on our side. Forty years ago we tried to develop a telecommunications standard for the United States and the U.S. Department of Standards, Bureau of Standards was charged with that task, and it took them so long to develop a standard the industry created a standard and basically implemented it ahead of the bureaucracy that was in Washington. Now that might be a similar scenario that we face today. Should there be a differential system between those who deal with breeding stock and those who deal with terminal stock or it is all one system? Ms. Philippi?

Ms. PHILIPPI. In our industry there will be a difference because our breeding stock is identified, and the feeding channel ones are not.

Mr. BURNS. In the cattle environment, our breeding stock is identified.

Ms. PHILIPPI. Right.

Mr. BURNS. We can trace back generations, as we should. But the question is are you going to require—not are you, are we going to require the same system for breeding stock that we require for terminal stock? Dr. Smith?

Mr. SMITH. Exactly the same.

Mr. BURNS. And the reason?

Mr. SMITH. Well, the reason I think is because the reason the Canadian system didn't work was because they mandated identification of animals that left the farm and ranch. We have got to have numbers on the ones that stay on the farm and ranch.

Mr. BURNS. That is going to generate some heartburn among certain producers. Ms. Lyons?

Ms. LYONS. As I understand the plan, it is at the point—they will be identified at the point they enter commerce. So if, say, a replacement heifer—

Mr. BURNS. But there is a big difference here between Dr. Smith's position, Ms. Lyons; is that correct? You are saying, Dr. Smith, that we should—when they drop on the ground, when we have a calf on the ground, we should ID it at that point?

Mr. SMITH. I believe that except in the northern parts of the United States they really don't see those calves for a couple of weeks. We have to have a little bit of latitude. If we can mother up the calf and identify it at that point, then it should be identified from that point on the rest of its life—my opinion.

Mr. BURNS. Ms. Lyons?

Ms. LYONS. There is a lot of unanswered questions. We don't have all the answers at this point in time. Those questions need to be on the table and they need to be examined, but, certainly, as this goes forward there will be more answers as we go forward.

Mr. BURNS. Thank you, Mr. Chairman, if I could ask one quick question. USAIP suggest RF technology as a potential option. Are there any issues or concerns with RFID as it relates to data security or information use? Do you see any concerns there?

The CHAIRMAN [presiding]. That is not a quick question, but I will allow a quick answer.

Mr. BURNS. OK. I will withhold that and submit it in writing. Thank you, Mr. Chairman.

The CHAIRMAN. The gentleman from Iowa, Mr. King.

Mr. KING. Thank you, Mr. Chairman. First, I would like to direct a question to Dr. Smith, that being if I heard correctly one-quarter pound patty could have as few as 56 in it or as many as 1,084. How would we ever even calculate the probability of that data?

Mr. SMITH. The way we did that was we went to packing plants and the put all of their trimmings in 2,000 pound units called combo bins, and so we determined how many animals were contributing pieces to combo bins. Then we went to large grinding operations where they bring in combo bins from differing sources and blend them together and make the patties. And from that we determined that the minimum was 56 and the most was 1,083.5, so 1084.

Mr. KING. So you rounded her up just a little.

Mr. SMITH. Yes, sir.

Mr. KING. I didn't happen to catch that, though, and there was a slight discrepancy in your testimony, but I wanted to hear how you had done that and that is a statistical analysis, and practically speaking, one two-hundredth of a pound in there would be at 156, so that is a pretty small particle and maybe a grinding wouldn't bring it to quite that precision, but your point is well made.

So as I listened to this testimony, I might point something else out too, and that is that you are reluctant to allow this information to be under the full control of the USDA unless they can guarantee the confidentiality of the proprietary information that you appropriately should have controlled in the hands of the producers. And I would point out that the USDA has testified, as you know, that they cannot guarantee the confidentiality of that information, but my point is that I don't know that there is any entity there that

can guarantee confidentiality. So I would suggest from my perspective, and actually something that has shaped here as I listened to this testimony, that a third party and I would suggest a private contractor third party that would be controlled and directed by a board that had representatives from each of the relevant producers—the packers, the retailers, the USDA. They could set then the parameters of that confidentiality. We might set those parameters in law to give you better security on that, and then the firewalls could be established by the private contractor for the central database, and those security items are something that is pretty well established now in the technological industry. And that would let you have maybe the best of all worlds. And if we could also establish the liability there for the central database if that information were leaked or released to inappropriate channels and even potentially if it is wilfully enough criminal penalties would give you a maximum kind of confidentiality in that information. You give us a vehicle to centrally collect it. I personally wouldn't be so opposed to the USDA collecting that information at points of collection, be it, say, county, for example, provided that it went directly to that centrally controlled database and nowhere else. So there is a scenario that we might be able to come together and agree upon.

But the question that I have that is not resolved in my mind yet is, and I want to just start down the panel and ask each one of you to answer this, who should pay for this system and in what configuration would you propose that that happen? Ms. Lyons?

Ms. LYONS. Let me just say the system that you propose is one that we have heard about as well, and that is that much like a credit card company or companies they have a lot of data and there is an ability to access that information as needed, and, certainly, the repository, though, would be outside of the control of those who are accessing that. The system that you outlined would answer that, as I see it. That is something we should consider.

In response to who should pay for that, I believe that the infrastructure should be paid for by the Government. The States and the Government, the Federal Government working together should pay—should incur some of the costs of setting that up in their States, and producers as well need to participate with the other entities to put the tags in and for the system to work. It needs to be a shared system where all three entities pay.

Mr. KING. Thank you. Ms. Philippi?

Ms. PHILIPPI. We believe that it is a Federal responsibility, that they should—that the Government should be responsible for setting up the system and for paying for that. How much cost share and things like that, I wouldn't want to guess at this point but it is being addressed by the USAIP Swine Group. We are looking at some budget numbers and things like that, and hopefully we will be able to answer that question.

Mr. KING. Thank you. Mr. Denis?

Mr. DENIS. From the perspective of the sheep industry, until we know somewhat more about what the cost of ear tags, for instance, are going to be, we have heard that they can be made for pennies, then the producer can buy those. If we are talking \$2 ear tags, the producer can't buy those. So at this point in time, we would say the Government ought to pay for it. Beyond the ear tags and into

the readers, there again it depends if we have a system where a packing plant only has to have one reader, it can read—he doesn't have to have 20 like has been mentioned here, then the packing plant can probably afford to buy the reader. Above that it becomes a governmental function then, in my view, to form and maintain the infrastructure and the databases to have the information available, because the Government is the one that is going to want to trace it back if something happens.

Mr. KING. Thank you. Mr. Beckendorf?

Mr. BECKENDORF. First source would be the Government to pay for it. Realistically, a cost share would be preferable.

Mr. KING. Thank you. Dr. Smith?

Mr. SMITH. International Stockmen's Education Foundation really doesn't have a position on that, but I think in listening to our board of directors and listening to the people who participated in our conference this year, we were hoping that there would be some help especially for small scale producers and including some help perhaps to have college extension, State extension programs help the small scale producers understand what it is that they are supposed to do and help them get it done in this first round.

Mr. KING. Thank you. And in 20 seconds I would just say that to the extent that you contribute to the cost of this, your voice will be far louder. And I do agree Government can help jumpstart this but remember when Ronald Reagan said, "I am paying for this microphone," he had a lot of authority over what went out over that microphone. Thank you.

The CHAIRMAN. I am paying for this microphone. [Laughter.]

The gentleman from California, Mr. Nunes.

Mr. NUNES. Thank you, Mr. Chairman. Mr. Beckendorf, it is good to see you.

Mr. BECKENDORF. Good to see you.

Mr. NUNES. I have a question as to how many different technologies, approximately, are out there being used on dairy cattle today?

Mr. BECKENDORF. Probably everything from the clipboard to a chip. We have probably over 90 percent of the dairy animals are already identified, whether that be tattoo or ear tags or branding or freeze branding. So those—they are identified. I have a friend in Idaho who can get on his laptop and know who is milking what cow and how much milk she is giving right now, because they do milk around the clock. And so the technologies are there. And USAIP does support this radio frequency thing. And security, which system is completely secure, I am not sure there is one. There is a lot is the answer.

Mr. NUNES. So you don't know specifically how many there are that are set up to be a national tracking system.

Mr. BECKENDORF. FAIR is a major one that is doing that now.

Mr. NUNES. What is National Milk's position on FAIR? Are they ready to adopt that as the technology or are they not there yet?

Mr. BECKENDORF. I don't think we are quite there yet. We are more interested in the RFID Program that is under USAIP.

Mr. NUNES. OK.

Mr. BECKENDORF. It does fit into that system.

Mr. NUNES. But you wouldn't want the Government to basically pick one technology. You would like to leave it open to other technology makers?

Mr. BECKENDORF. We would like to see what is out there before we make a concrete decision and then compare the cost.

Mr. NUNES. So in your position, you think we have a lot more research to do before we are ready to implement a national system.

Mr. BECKENDORF. The Dairy Working Group hasn't finished their decision-making yet, and so I can't speak for that group.

Mr. NUNES. OK. And this is another related question but many of my farmers say that they have problems with the tags falling out. Will that continue to be an issue with a national identification system?

Mr. BECKENDORF. We have seen some of those tags that they are talking about using, and rather than a dangle tag it is more of a button, maybe the size of a little bigger than a quarter that would be both radio frequency and visual. And those they say stay in pretty well. In fact, it is almost the size of the back part of the dangle tag.

Mr. NUNES. OK. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. Are there additional questions from members of the panel. The gentleman from Texas?

Mr. STENHOLM. No question but just an observation as we continue to listen to excellent, excellent testimony showing the support of all of the livestock industry of the necessity of developing an ID system. There is a very strong consensus for that. Regarding the shots, vaccines, et cetera, that are given, I am aware of technology readily available today that will computerize shot-giving, will guarantee within a very small percent of accuracy the amount of dosage and will identify the location in the animal in which it is given and at a very reasonable cost, ie. would be very affordable for feed lots, et cetera. The technology is there waiting a patent. We have just scratched the surface on technology when we are talking about this, and there is no question to me that we will be able to develop this system provided we go about it the way in which we are going about it today and maintain support of producers for that which we are doing.

And I have to smile when sometimes I hear these statements about the private sector versus the public sector, the Government sector. I hold in my hand a MasterCard, and the question that was asked a moment ago of me about Social Security, as I mentioned, now you can counterfeit one of those real easily, but for as far as identification and finding me, I know this happened to me just a few weeks ago. I get a call from MasterCard and they said, "Mr. Stenholm, are you aware that your card has an inordinate amount of use in San Antonio, Texas in the last 3 days?" And I said, "Yes, sir. My third grandson was born and my wife has been in San Antonio for the last week." [Laughter.]

Some cards have got this little button in them. There are all kinds of technology and ways to do it, and what we have to keep in mind is why are we doing it? We are not doing it for any other purpose other than to protect our industry and continue to be able to say to our consumers aren't we blessed to live in a country that has the most abundant food supply, the best quality of food, the

safest food supply at the lowest cost to our people of any other country in the world? And this is going to be another component of being able to continue to say that.

The CHAIRMAN. I thank the gentleman. The gentleman from Georgia, Mr. Burns.

Mr. BURNS. I thank the chairman for his indulgence, and it is very difficult to follow Mr. Stenholm when he talks about his grandchildren in Texas. I would like to revisit the issue of RFID because I think that is a key issue. Technologically, it is very promising. I have worked around that technology and with that technology over a period of time, but like all technologies it can be compromised, so it is possible that I could go to your friend's place in Idaho and with the current—potentially, technologically, I could monitor his activities and I, too, could know how many cows he milks and what they are giving and when he milked them and all those kinds of things. Now, my question really relates to confidentiality of information and whether or not that is something we can reasonably provide. Are there any concerns or issues among the panel as far as RFID in particular or other similar types of detectable ID systems remotely detectable?

Mr. BECKENDORF. As I said before, I am not sure there is any system out there that is foolproof. I have just been through an audit at our co-op and as always, as every year, in that audit, in the management letter they wrote up about security issues in the IS system and how many times do you change your password and how long is your password and how many passwords do you go through? And so I am concerned about is there a system out there that is foolproof? I am not sure there is.

Mr. BURNS. Ms. Lyons, I think NCBA in support of USAIP might suggest that RFID is an option. What is your potential concerns? Is it possible for me to sit in this room and tell you how many cows are out there in the back? Can you also tell me the trucks they leave on and where they went?

Ms. LYONS. That is the intent of this program, the animal ID, and that is to track movement of cattle. And, certainly, we need a system that will do that effectively. We do endorse—we feel that it is important that producers have someplace to start. Many of our producers already endorse the RFID Program and participate in that. We don't necessarily think that that is where we are going to end up down the road, because as has been pointed out repeatedly there are new technologies coming all the time but we have to start somewhere. If there is anything, there is confusion in the country and they want to know what can I do, what should I be using? They are being bombarded as well with all of these questions. So from that perspective, we feel that it is appropriate to begin somewhere and endorse a system that is working right now for producers and begin there, but don't codify it in law as to what you are using but allow USDA to continue to have the flexibility to change that as that proceeds. The important thing is that we have the standards and the interchange of data.

Mr. BURNS. I would agree, and I would again recognize the fact that as technology changes very, very rapidly, Mr. Stenholm pointed this out and a number of others, we need to be compatible, and as new generations come online we would then be able to subsume

and consume all prior technologies. I thank the chairman, I thank the panel for their information input.

The CHAIRMAN. I thank the gentleman. The gentleman from Iowa, Mr. King.

Mr. KING. Thank you, Mr. Chairman. As I listen to the discussion here on vaccination records and how we can track those through an animal identification system, I have not heard, though, the benefits to avoiding dual vaccination of livestock, and that is something that we know happens, and I direct first my question to Dr. Smith and then Ms. Lyons on that. What percentage of feeder cattle do you think are dual vaccinated a day? Can we eliminate that 100 percent? What are the financial benefits from that, and how might that help also underwrite the bottom line of the animal ID system?

Mr. SMITH. One of the reasons that we originally started using preconditioning programs and back 45 programs was to try to prevent use of medicines more than one time, and an identification system would allow us to do that. First of all, it saves money; second, it really keeps us from having an unfortunate compromise of that animal's health by vaccinating them a second or third time. So, yet it would help us very, very much in knowing the history, especially that animal's health, and also the amount of potential residue that might be there for human health. So very beneficial to us to know those things. The more we know about it, the more likely we are to be able to avoid those problems.

Mr. KING. So a vaccination cost per head then would be about what?

Mr. SMITH. Depends on how many things you are vaccinating for, but in total, in most areas, \$1.50 to \$3 per animal. If you do that repeatedly, there are some things that cost 35 cents, other things that cost \$2 or \$3 but it would be substantial money.

Mr. KING. But each vaccination is within the scope of the cost of a single animal identification.

Mr. SMITH. Awfully close.

Mr. KING. That is an interesting point. Thank you.

Mr. SMITH. Yes.

Mr. KING. Ms. Lyon?

Ms. LYONS. Yes. To respond to that I would agree with Dr. Smith. And as we are seeing in our area of the country and across the country, we are seeing much more incentive to have an provide data as cattle transfer. For example, cow-calf producers in our part of the country find that they are rewarded with an incentive if they provide at the livestock auction or wherever that transfer takes place if they provide the medications that were given, the dosages, the location and what date, and if that documentation goes with the animals, they are given a higher premium, if you will, on those cattle. So they are being rewarded with incentives for doing that. We are seeing that all over the country.

Mr. KING. This only gets better with an animal ID system. Thank you. I want to just take a moment, too, to thank the panel for your testimony. This has been not just a hearing for us to put it into the record your testimony here but it has been also a hearing I think that has been very informative for this committee, and I am absolutely convinced there isn't anybody at this panel that

doesn't go back to Washington far better informed than they were when we arrived. So thank you very much. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman, and I agree with the gentleman's observation. This panel has been very, very helpful. We thank each and every one of you for your contribution and we are now going to allow you step aside and we will go to the final phase of our hearing which is to allow our audience to give some observations. And if you would like to speak, if you would like to address the committee and you haven't filled out one of these little cards which we need to have our witness identification program, please do so. And while you are doing that, you can just go up to the corner there and our staff member will be there.

We do have four people who have filled out the card and we will start in the order that they did so, starting with Phil Wyrick, who is the director of Livestock and Poultry in Arkansas, and I want to recognize the gentleman from Arkansas to say a word in introduction.

Mr. ROSS. Arkansas is a huge agriculture State and don't ask me why but we don't have a Department of Agriculture. So the Arkansas Livestock and Poultry Commission plays an important part of that for our State, and Phil Wyrick is the executive director and someone that I had the privilege to serve with in the Arkansas State Senate, and, Phil, welcome.

The CHAIRMAN. Thank you. We would ask you, Mr. Wyrick, and each of the other individuals to limit your comments to 2 minutes. We have a timer set somewhere for that purpose, and the reason is that we are going to have to move out of here in the not too distant future. So you get the first crack.

Mr. WYRICK. Thank you, Mr. Chairman, and it is good to see you, Congressman Ross. Again, as Congressman Ross indicated in Arkansas we are one of the few States that does not have a Department of Agriculture; however, my responsibility is anything with hair and feathers. So with that in mind, I will certainly convey some of our interests.

Again, we would like to briefly thank the USDA for their work and the work that they did on the BSE problem in December. I think it is interesting to note that some 97 percent of the people in the United States had some degree of understanding about BSE or mad cow. I don't think 97 percent of the people know who the president of the United States is, so I think that is remarkable that we did a great job as far as communicating. We understand also that in today's time and the era that we are in sometimes our trading partners spend more time getting their information from CNN instead of the USDA, so I think they did a great job there.

Briefly, there are just three points. I have spent a great deal of time, as Congressman Ross has, speaking to the people in our State, and the people in our State, the cattle people, the average herd is about 27 head. Certainly, they are all cow-calf producers. They are very concerned about this, they have many questions. One of the questions is security. People in agriculture in general don't necessarily like the Government in their business, and I think that is another reason why they said, "What are you going to do about the security of the information that you receive?" The

second issue would be funding. We are concerned about unfunded mandates. They are out there right now and they are talking, they are saying, "Well, listen, I hear it could be everything from 5 cents a head to \$25 a head." So there is a great deal of concern there. Heading a State agency we recognize the information we are getting is that we are going to be responsible for a great deal of this information gathering and certainly maintaining it. We are hoping that the Federal Government recognizes that indeed we will need some funding help.

And then, again, the third issue is simplicity. Listen, when you get down to 27 head average, we don't call a committee and say, "Look, let me speak to my supervisor of cattle management, we are going to work cattle today." What I do is I point to my daughter over there and I say, "Can you take off today at school and help me work some cattle?" We don't have an abundance of labor. So, certainly, realize that we in Arkansas and, again, like many southeastern States primarily deal with cow-calf operations, primarily deal with, again, understaffing of labor and certainly a marginal profit. With that in mind, I appreciate the opportunity to address you. Thank you, gentlemen.

The CHAIRMAN. Thank you, Mr. Wyrick. Next we have Bob McCan, president of the Texas and Southwestern Cattle Raisers. He may have run out of interest before we did.

We now have Jodi Luttrupp, the National FAIR coordinator, National FAIR Holstein Association USA.

Ms. LUTTROPP. Thank you, Mr. Chairman and committee members. My name is Jodi Luttrupp and I am the coordinator for the National Farm Animal Identification and Records Program. National FAIR is an RFID, animal ID and traceability system that is in place and working today and can easily be utilized as a bovine portion of the larger animal identification system. National FAIR aims for and fulfills the standards proposed by the U.S. Animal Identification Program, or USAIP.

The National FAIR Program provides each animal with a unique identification number and uses electronic ear tags to identify and track the animals. Similar to the Social Security number or a car's VIN number, the number stays with the animal for its lifetime. To date we have a million animals using this number.

National FAIR was established as a pilot program by USDA in 1999 and we applaud their foresight for this effort. The mission was to design, develop and demonstrate a pilot project for a national animal livestock identification program that will track livestock from farm to farm, farm to market and market to processing unit. And we have accomplished this goal.

I would like to remind the committee that the \$1.8 million in Federal funds, taxpayer dollars, has already been spent on this pilot project. Why do we want to reinvent the wheel at this stage of this game? We are facing crisis in the cattle industry. Our cattle producers need swift action to implement a national animal identification system today, and National FAIR is here to help. Also, substantial investment began 2 years ago when the USAIP was established to build consensus for and begin development of a national animal identification system. By recording premises information and tracking animal movement with electronic identification, we

can do this in minutes. In addition to the structure of the National FAIR's system, it is dynamic and flexible while utilizing current herd management software programs and on-farm systems. This also allows for the inclusion of new technologies as they become available.

We endorse the USAIP as a viable system for all production animals. With the development since December 23 and potential for more disease incidents to occur, the timeline for implementation of a system to check bovine movements could be shorter. As a part of the USAIP, National FAIR stands ready today to meet the needs of a mandatory national animal identification program to help protect our Nation's food supply and minimize the risk associated with future disease outbreaks.

In the last month, the awareness for the National FAIR Program on a congressional level has grown tremendously. To enhance the Department of Agriculture's response to outbreaks of livestock disease, H.R. 3787 was introduced in the House by a group of representatives led by Congressman Collin Peterson and Congressman Ross that provides full funding and data security needed, and we urge your support of this initiative. Thank you .

The CHAIRMAN. Thank you very much. The last one I have a card on so far is Rosemary Mucklow, executive director, National Meat Association.

Ms. MUCKLOW. There is a chance I can get up there. [Laughter.]

Oh, here is some technical help. Thank you. Thank you very much. I have got a couple of messages for you today, and I appreciate being today. I am the director of the ICF Board, and I appreciate what Gary Smith brought to you today.

My messages are that as the executive director of National Meat Association, I represent people who are survivors of mandatory price reporting. I know a lot of you didn't like that legislation that came from the other place back there, the consequences of which reminds me of what Congressman Stenholm said to you, "Be careful what you wish for, you just might get it." That has been a very, very harsh rule. We are not here to talk about it today, but it has been a very, very tough and costly rule on American meat slaughterers and processors who were subjected to it. So I urge your thoughtful consideration that one of the biggest problems with that law it was so prescriptive. So if you are going to do something on an ID system, try not to be too prescriptive and certainly prevent the people in the other house from being too prescriptive.

The other message I would leave with you is that I represent an industry that is bombarded under the Freedom of Information Act, and these bombarded requests are designed to invade company information often for purposes that are not merely unjustified but may sometimes be unlawful. You are very right to be concerned, and the entire breadth of this industry has every right to be very concerned about their data being used for at least unjustified if not unlawful purposes. And I am strongly interested and my industry is strongly interested in that issue, and I am grateful I can't talk to you any longer because I have got a plane to catch too. Thank you very much.

The CHAIRMAN. We appreciate your frankness. Well, we promised you we would end this hearing before 2 o'clock and we are going

to do that with at least a minute to spare. I want to again thank the Houston Livestock Show and Rodeo, Dan Gattis and all of the folks, the many, many volunteers who helped us get around yesterday and today, for all of the work that has been done to make this hearing possible. I think all will agree that the testimony and discussion we have had during this hearing underscores my own view that we still have a lot of work to do to ensure that animal identification proves to be an asset to producers and not a liability. Having said that, we need to get about that as quickly as possible. I look forward to the future hearings of the House Agriculture Committee as we examine this important topic in greater detail. With that, this hearing is adjourned.

[Whereupon, at 2:00 p.m., the committee was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF CHARLES BECKENDORF

Mr. Chairman, my name is Charles Beckendorf. I am a fourth generation dairy farmer from Tomball, Texas, where I operate a 250 cow dairy on a 350-acre intensive grazing operation. I serve as chairman of the board of the National Milk Producers Federation (NMPF) and on the Corporate Board of Directors of Dairy Farmers of America. I appreciate the opportunity to present testimony here today on the important subject of Animal Identification.

NMPF, headquartered in Arlington, VA, develops and carries out policies that advance the well-being of U.S. dairy producers and the cooperatives they collectively own. The members of NMPF's 32 cooperatives produce the majority of the U.S. milk supply, making NMPF the voice of 60,000 dairy producers on Capitol Hill and with government agencies. As members of NMPF, we join together to better assure that our government in Washington, DC will understand and recognize those economic, legislative, and regulatory issues that most impact our livelihoods and communities back home.

The need for a uniform national animal identification program in the United States is urgent. As the recent discovery of Bovine Spongiform Encephalopathy in Washington clearly illustrates, it is absolutely critical to be able to rapidly track and verify all animal movements associated with all birth cohorts of an infected BSE animal, including their offspring. —I am sure we have not seen or felt all the ramifications of this one cow that stole Christmas!— One thing we can now say for certain, BSE is no longer just a foreign animal disease to the U.S. Another thing we can say for certain is that we do not have a workable uniform national animal identification and tracking plan in place in the U.S. to address any future disease outbreaks. Until we do, as producers, we must constantly live in the fear of a potential outbreak of a foreign animal disease or emerging animal disease in the U.S. that could devastate our herds, our markets, and our national security.

In the case of a foot-and-mouth disease outbreak, it is even more critical to be able to quickly track, both forward and backward, all animal movements associated with all potential sources of infection. This is imperative regardless of whether the disease was introduced naturally or intentionally.

The U.S. needs a uniform system that establishes minimum standards for identifying all physical locations or premises where individual animals and groups of animals are routinely raised, and animal lots are located. In addition, the U.S. needs uniform minimum standards for the identification of individual animals, groups of animals, or animal lots. Lastly, a uniform, nationally-organized system for reporting and storing the specific information required for tracking animal movements between premises is necessary. Without these, it becomes impossible to quickly respond to an animal health emergency and avert many potential negative public and marketplace consequences.

NMPF recognizes the advantages of implementing a uniform national animal identification system as envisioned under the U.S. Animal Identification Plan. This plan has become widely recognized within the livestock industry under the acronym of "USAIP". For the past 2 years, more than 70 national livestock organizations, and approximately 400 producers and experts representing these organizations, have labored to develop USAIP as a national umbrella operating plan. Under this plan, all species of food animals—from cattle to fish—can be properly identified and tracked for both disease surveillance and emergency management purposes.

A Number of different species working groups are being organized under USAIP to develop final implementation plans for introduction of USAIP into their respective industries. The Dairy Species Working Group is now in the process of finalizing details for implementation of USAIP in the U.S. dairy industry. Dairy and beef cattle interests will soon come together to formulate overall cattle industry recommendations for implementation of USAIP within the entire cattle industry sector. Likewise, both the pork and small ruminant industries, such as sheep and goats, are working to establish final recommendations for implementation of USAIP in their respective industries.

A significant concern of dairy producers is the imperative to maintain confidentiality of the animal identification and tracking information that would need to be stored in a central database under USAIP. This information may be limited to premises identification numbers, individual animal numbers, group numbers, animal lot identification numbers, and dates and locations of movement events. It is important that this information is maintained as confidential business information. When such information is combined into one central data base, it could be misused by those who have motivation to do harm to livestock producers. NMPF recommends that every effort be made to restrict public access to any data gathered. Limited access can be provided to only those state or Federal Government officials who need to conduct animal disease surveillance or to track animal movements in the event of an animal health emergency.

With a broad base of producer and livestock marketing support, USAIP has been developed as a model national animal identification and tracking plan driven by industry needs and expectations that we believe are both realistic and achievable. An effort is being made to keep USAIP technology neutral, so each species may select and adopt the technology which works best in their respective industries. A time-frame has been established under USAIP to begin to track the movement of cattle, swine, and sheep in both intrastate and interstate commerce. NMPF believes that this should be initiated as soon as possible, but recognizes that the process of achieving a successful animal identification program covering all species will be complex and lengthy.

To allow the process to get started, the USAIP operational model should now be implemented without further delay. Congress can help facilitate this implementation process by recognizing USAIP as the system of animal identification and tracking, providing the necessary financial support, and providing for confidentiality of information that will be necessary to assure producer acceptance of any national animal identification plan. This implementation effort must also become a cooperative effort between industry and government at all levels if the public is to be protected.

Animal agriculture at the farm level is a \$100 billion industry. Preventing the introduction of foreign animal diseases that could greatly disrupt our national economy is of paramount importance to overall public confidence in our food supply. Therefore, the public must share a substantial portion of the upfront costs associated with the introduction of a workable and sustainable national animal identification and tracking plan. USAIP, if properly implemented, can become the foundation for monitoring and surveillance for many zoonotic diseases. A national laboratory surveillance system cannot be effective until a workable and uniform national animal identification plan is implemented. Foreign consumers won't embrace our products until they have confidence that a uniform national U.S. animal identification plan is implemented and demonstrated to work. This is a major but essential undertaking for the national benefit. Congress can assist by addressing the substantial costs that become associated with building an infrastructure necessary to identify and track all livestock movements in the U.S. on a sustainable basis. It is important to remember that producers must supply the labor and time essential to make any national animal identification system work. It is equally important for the infrastructure associated with getting any new national program implemented to be in place as soon as possible.

Mr. Chairman, I appreciate the opportunity to present this testimony today in front of your distinguished Committee on behalf of NMPF and many dairy producers across the U.S. We appreciate you taking the time to come to the great State of Texas to conduct these important hearings on a most important issue. We appreciate all you have done on behalf of animal agriculture and the U.S. dairy industry, and we look forward to working closely with you to begin the prompt implementation of a workable and producer friendly national animal identification system as envisioned under USAIP.

I would be happy to address any questions you may have. Thank you.

STATEMENT OF SCOTT CHARBO

Mr. Chairman and members of the committee, thank you for the opportunity to participate in this hearing on a national animal identification system. I am accompanied by Dr. Jim Butler, USDA Deputy Under Secretary for Farm and Foreign Agricultural Services; Nancy Bryson, USDA General Counsel; and Dr. Keith Collins, USDA Chief Economist. Our group was asked by Secretary Veneman to provide recommendations on how to proceed with implementing a national animal identification program. Today, I would like to discuss the purpose and benefits of a national animal identification system, provide an overview of the current status of animal identification systems and present USDA's plan for implementation of a national identification system.

BACKGROUND ON ANIMAL IDENTIFICATION SYSTEMS

The advent of increased animal disease outbreaks around the globe over the past decade, especially the recent BSE-positive cow found in Washington State, have intensified the public interest in developing a national animal identification program for the purpose of protecting animal health.

Livestock identification was first used to indicate ownership and deter theft. Then, in the early 1960's, USDA's Animal and Plant Health Inspection Services (APHIS) began using tags, tattoos, and brands to meet statutory regulations to trace the movements of animals during disease outbreaks and for eradication programs. Today, the purpose of animal identification systems remains primarily to address veterinary and animal health issues. Most individuals associated with livestock recognize that early identification of animal disease can contain and reduce the costs associated with a disease outbreak. Other benefits of a national animal identification system in addition to animal health include facilitating value-added production and marketing programs. However, it is important to point out that no animal identification program by itself will prevent an introduction of animal disease, ensure safe food or prevent a recall.

U.S. programs. While there is currently no nationwide animal identification system in the United States for all animals of a given species, some segments of certain species are required to be identified as part of current program disease eradication activities. In addition, some significant regional voluntary identification programs are in place, and others are currently being developed and tested. Over the past several years, USDA has supported several state or state sponsored animal identification programs. For example, either through cooperative agreements or research grants, APHIS and the Cooperative State Research, Education, and Extension Service (CSREES) have funded projects in Alabama, Iowa, Kansas, Michigan, Montana, New Mexico, Texas, Utah, and Wisconsin. In addition, a number of states have contacted USDA and expressed interest in developing and testing animal identification systems.

The investments made by USDA in identification projects as well as private sector investments in these and other projects have generated data and experience that provide a platform on which to build a national system. As an example, the National Farm Animal Identification and Records (FAIR) Program is an animal identification program supported by the USDA's APHIS and the Holstein Association USA, Incorporated, a non-profit breed registry organization led by dairy producers. Administered by the Holstein Association, FAIR provides the infrastructure and information system that allows for both premises of origin determination and animal tracking through two unique numbers. The first number is a premises number with a unique number assigned to each production unit for participating premises. The second number is an animal number, which uses the American Identification Numbering (AIN) System to assign an official number for each animal. FAIR uses either a visible or an electronic identification tag to track animals from farm to market, and market to slaughter. As of February 25, 2004, almost 8,200 farms were participating in FAIR. Of this total, 1,500 farms had animals with electronic identification tags. While FAIR is a national program, over 80 percent of the farms with enrolled animals and over 90 percent farms with animals using electronic identification tags are in Michigan.

Another example is the State of Michigan, which launched an Electronic Identification (EID) Program as a pilot project in November 2001 as part of the State's bovine tuberculosis (TB) eradication plan. The program was developed and implemented through a cooperative agreement from APHIS. EID uses a tag imbedded with a radio frequency identification device (RFID) and marked with a unique, individual number that will not be duplicated. The project made tags available to producers at no charge in the Northeast Lower Peninsula or those with accredited

herds. As of 2002, 432 herds, representing 17,000 individual animals, had been TB tested and tagged with RFID tags. Each RFID tag is linked to a database that includes information specific to that animal, including date of birth, sex, and type/species. EID is also tied to the FAIR Program to ensure accurate individual animal identification, tracking and coordination of TB test results and herd status.

APHIS also provided funding for the Wisconsin Livestock Identification Consortium initiative, an industry managed and controlled information system. The Consortium's program, the Animal Identification and Information System, commonly referred to as A-II, was designed in collaboration with the Wisconsin Department of Agriculture, Trade and Consumer Protection and USDA. The goals of the Wisconsin livestock identification project are to: produce a fully operational, scalable livestock identification and information system; provide the basis for an system to cover all major livestock—species; support a national system through compatible regionalized data systems in partnership with added-value service providers; demonstrate the feasibility of providing a new service integral to obtaining value from identity-preserved livestock products; provide information on how to enhance the marketing of livestock—products; and serve as a model for public/private partnerships that serve both the producer's added-value programs and that of the regulatory agencies.

In addition to programs directly funded by USDA, a more comprehensive U.S. animal identification plan has been developed by an industry-state-Federal partnership including more than 100 animal industry and state and Federal Government professionals representing more than 70 associations. This plan is the United States Animal Identification Plan (USAIP). While implementation details of the plan are still being worked on, the USAIP describes an information system and infrastructure to enable the identification of all animals and premises potentially exposed to an animal with a disease of concern within 48 hours.

The USAIP identifies four key data elements that require standards: (1) a uniform premise identification system; (2) a uniform and nationally recognized individual animal identification numbering system; (3) a uniform and nationally recognized numbering system for groups or lots of animals; and (4) a uniform numbering system for non-producer participants (such as tag distributors, animal health officials, laboratories, processing plants).

Under USAIP, the information system uses identification of each premise and the recording of U.S. Animal Identification Numbers and U.S. Group/Lot Identification Numbers. USAIP then associates the animal ID data to each premises where the animals or group are located and the specific dates an animal was at a location. Species specific working groups are currently working within the framework of the USAIP to develop animal identification implementation details for: bison, beef cattle, dairy cattle, swine, sheep, goats, camelids (alpacas and llamas), horses, cervids (deer and elk), poultry, and aquaculture. While USAIP suggests the potential use of alternative technologies to identify animals if appropriate standards are established, the focus is to foster the adoption of national standards for the use of RFID devices in animals.

Governance of USAIP is planned as a joint Federal/state responsibility with oversight and input from industry. For example, State governments would maintain a state premises database system, submit premises data to a national premises repository, maintain intrastate animal movement database, and report interstate movement to a national identification database. The USDA would allocate U.S. Animal Identification Numbers, administer the national premises repository, including the allocation of premises numbers, and administer the national animal identification database. In addition, APHIS and individual state animal health entities would ensure uniformity of operation across the United States. The USAIP notes that costs would be substantial and recommends both public/private funding to cover the cost of the program.

The United States is not alone in developing animal identification systems. Most developed countries have either already adopted or are planning to adopt some system to identify and trace the movement of livestock within their borders.

EU experience. The European Union (EU) has adopted the most comprehensive program of animal identification and tracking. Under EU rules, the basic objective of animal identification and tracking is to control infectious diseases. However, different identification and registration systems apply to different types of livestock. Depending on the individual needs of the different species, those systems include several elements like identifiers, registers, or passports.

Illustrative of the EU system is the current system operating in the United Kingdom (UK) for cattle. The British Cattle Movement Service (BCMS) is the agency that is responsible for cattle tracing for Great Britain. The four elements of the cattle identification and registration system are: tagging (cattle must have a unique number); farm records (records of cattle births, imports, movements and deaths);

passports (recording where cattle have been throughout their lives); and inclusion in the cattle trace scheme (CTS).

CTS records the identification and death of cattle, the movements from birth to death of cattle issued with passports (since 1998), and the movements of older cattle (since 2001). However, electronic tagging of cattle is not compulsory within the EU or UK. The Government plans to recover the costs of running the CTS from industry beginning April 2004 at the earliest.

Other animals in the UK are not part of the CTS but must be identified. For example, pigs under 1 year of age moving direct to slaughter and pigs over 1 year of age moving to any destination must be identified with a slap mark on each shoulder area of the pig. Sheep are also required to be identified and the UK's Department of Environment, Food and Rural Affairs intends to run a pilot to test the effectiveness of electronic tracing in a real time environment within the sheep industry. The pilot was set to begin in December 2003 and run through December 2004 with a report due February 2005.

Canadian experience. The Canadian Cattle Identification Program is an industry-led initiative to promote beef consumption through assurance of efficient traceback and containment of serious animal health and food safety problems. The program is administered by the non-governmental Canadian Cattle Identification Agency (CCIA), which is led by a Board of Directors made up of representatives from all sectors of the cattle industry and the government. The program is regulated and enforced by the Canadian Food Inspection Agency (CFIA). In the event of a health or safety issue, the CFIA is given access by the CCIA to the record of the herd of origin.

Unlike the UK program, there is no requirement that cattle movements be identified from birth to death. Rather, under the Canadian program, a unique national identification ear tag is applied by the time an animal leaves the herd of origin. Currently there are 29 approved tag options for use in the Canadian Cattle Identification Program (including 27 bar-coded plastic dangle tags and two electronic button tags). However, on January 1, 2005, the CCIA is moving to electronic tags (radio frequency). The program applies to all bovine and bison animals.

Canada also implemented a Canadian Sheep Identification Program on January 1, 2004. This program is also an industry-led initiative (Canadian Sheep Federation). Under this program, producers must apply an approved national ID ear tag (bar-coded tags are not required) to all lambs born on their premises before they leave the farm, and to ensure that all ovine animals bear an approved tag before they leave the premises. Unlike the cattle program, the sheep program requires sheep producers to keep records of the movement of animals. This decision was made mainly to keep costs low for producers by not requiring bar-coded tags.

Australian experience. Australia has also developed a National Livestock Identification Scheme (NLIS) for identifying and tracing livestock. The NLIS uses machine-readable RFIDs. NLIS approved devices come in the form of an ear tag or rumen bolus/ear tag combination. Cattle identified with NLIS devices can be electronically read as they move through the livestock chain. At time of reading, each owner's property identification code, similar to the premises ID proposed in the US system, can be recorded and linked to the NLIS device. This transaction information is then stored in the secure central NLIS database. While the program is voluntary, all state and territory governments, together with industry, have agreed to aim for the introduction of the NLIS by July 1, 2004. State governments underpin NLIS with legislation governing the use of NLIS devices and some states specify penalties for misuse. Australia also has developed a voluntary National Flock Identification Scheme (NFIS) for the permanent identification of sheep and lambs. NFIS relies on visually readable ear tags printed with property identification codes and do not contain a RFID. It is the aim of all state and territory governments to introduce the NFIS by July 1, 2005.

In addition to animal health, another reason Australia opted for NLIS is to facilitate access to European market. To supply to the EU, a producer must be accredited under the government's European Union Cattle Accreditation Scheme (EUCAS). Accreditation requires a series of conditions to be met relating to the eligibility of cattle, the introduction of cattle, and the use of Hormonal Growth Promotants. In addition, producers must use NLIS tags or rumen boluses and interact with the NLIS database to provide full and accurate records of the status and location of their EU accredited cattle.

Lessons learned. There are a number of important lessons that have been learned from the work that has been ongoing both within the United States and the rest of the world.

First, it is critically important to get support from industry as we shape an animal identification system for the United States. It is clear from experiences from

across the United States and in other countries that producers recognize the need for and are willing to help in designing an appropriate animal identification system.

Second, there is no "one size fits all" technology. It is likely that some technologies will work better for some species than for others. Rather than focus on a specific technology, we should focus on the design of the identification system. What information should be collected and when should it be collected? Once the identification system is designed, the market will determine which technologies will be the most appropriate to meet the needs of the system.

Third, both public and private funding will be required for any system to become fully operational. Databases must be maintained, programs must be monitored, and equipment must be purchased. Most countries receive support from their governments in developing and maintaining their identification systems.

ISSUES TO CONSIDER IN SCALING TO A NATIONAL SYSTEM

We believe that in designing a U.S. system important factors to consider are the diversity and complexity of our animal industries and the lack of experience with animal identification for a large number of U.S. producers. This extreme diversity and complexity makes immediate scaling up of current projects that have been funded by USDA difficult if not impossible until a thorough evaluation of those projects for potential use on a national scale and for a significantly broader scope than initially tested can be conducted. While many dairy producers use individual animal identification for production management purposes, there were 95 million cattle and calves in the United State on January 1, 2004, and only 9.0 million were dairy cows. The number of cattle and calves far exceeds those in the U.S. pilot programs and identified in the foreign country ID systems that were described earlier. Although cattle production varies regionally, cattle and calves are produced in every State. Texas ranks as the Nation's leading producer of cattle and calves with 14 million head on January 1, 2004. Other States ranking among the top 5 cattle and calf producing States include: Kansas (6.65 million head), Nebraska (6.25 million head), California (5.2 million head), and Oklahoma (5.1 million head). One-third of all cattle and calves on January 1, 2004, were located in the top 5 producing States.

Of the 95 million head of cattle and calves in the United States on January 1, 2004, a total of nearly 14 million head of cattle and calves were on feed in feeding operations on January 1, 2004. In 2003, nearly 38 million head of calves were born, which would determine the number of new individual cattle identification numbers, along with cattle imports, that would have to be issued each year when the program is fully implemented. Some of these animals die on farms. About 4 million head of cattle and calves were estimated to die due to disease, predators, and other causes in 2003.

Imported animals would also require identification. In 2002, 2½ million head of cattle and calves were imported into the United States. Imports from Canada accounted for two-thirds of total imports in 2002 and the remaining one-third were imported from Mexico. The finding of BSE in a cow in Canada on May 20, 2003 resulted in a ban on imports of cattle, calves, and beef from Canada. On August 8, 2003, USDA announced conditions for resuming imports of certain beef products from Canada. Imports of cattle and calves from Canada continue to be restricted. Reflecting this restriction, U.S. imports of cattle and calves dropped to 1.5 million head during the first 11 months of 2003, with Mexico comprising about two-thirds of all imports. Our national animal identification system should be compatible with foreign systems to allow for tracking to the export country, so that their identification system could be utilized as well in an animal health emergency.

An identification system would also account for exports and the United States exported nearly 450,000 head of cattle and calves in 2001, with about two-thirds of all exports going to Canada and about one-third going to Mexico. Over the past two years, the U.S. supply of feeder cattle has tightened and exports of cattle and calves have fallen off sharply. In 2002, U.S. exports of cattle and calves dropped to 244,000 head and declined to 94,000 head through the first 11 months of 2003. The confirmation of a BSE in Washington State on December 23, 2003 has caused importing countries to restrict the importation of cattle and calves and beef products from the United States.

The complexity of implementing an identification system is also evidenced by the existence of 1.03 million cattle and calf producers located in all 50 States in 2003, with about 0.9 million cow-calf producers. Three-fifths of U.S. cattle producers had fewer than 50 head and 99 percent had fewer than 1,000 head. Fifteen percent of all cattle and calf producers are located in Texas. Only two other States had more than 50,000 cattle and calf producers in 2003 Oklahoma and Missouri. Thirty-four States have more than 10,000 producers.

The national identification system must also accommodate the Nation's 95,189 cattle feeding operations that operated in 2002. Ninety-eight percent of these feedlots have less than 1,000 head capacity and are primarily located in the Corn Belt. On average, feedlots with less than 1,000 head capacity marketed about 40 head per year. The 2,189 feedlots with capacity of 1,000 head or more accounted for over 86 percent of all cattle marketed from feedlots in the United States in 2002.

The U.S. hog industry is also interested in participating in a national system at the outset. This industry, too, presents a challenge due to its size and complexity. The U.S. had 60.0 million hogs on December 1, 2003. In 2003, 100.4 million head were born, about 7 million head were estimated to die due to disease, predators, and other causes and 100 million head of hogs were slaughtered. Hogs are produced in every State. Iowa ranks as the Nation's leading producer of hogs with 15.8 million head on December 1, 2003. Other States ranking among the top 5 hog producing States include: North Carolina (9.9 million head), Minnesota (6.4 million head), Illinois (4.0 million head), and Indiana (3.1 million head). Nearly two-thirds of all hogs on December 1, 2003 were located in the top 5 producing States.

In 2003, 7.1 million head of hogs were imported into the United States essentially all of which were imported from Canada. The United States is not a major hog exporter.

In 2002, there were 75,350 hog producers located in all 50 States. Two-fifths of these producers had fewer than 99 head and 57 percent had fewer than 500 head. In contrast, 0.1 percent (110 operations) of hog producers had 50,000 or more head. These large producers accounted for nearly 50 percent of all hogs marketed in 2002. Thirteen percent of all hog producers are located in Iowa followed by Minnesota with 8 percent and Illinois with 6 percent.

The U.S. sheep industry is another priority species for participation in a national identification system. On January 1, 2004, there were 6.1 million head of sheep and lambs on farms. The 2003 lamb crop was 4.1 million head in 2003, which was a new record low. In 2002, 3.4 million head of sheep and lambs were slaughtered in the United States. The number of sheep and lambs has trended downward since peaking at 56.2 million head in 1942. Sheep and lambs are produced in nearly every State. Texas ranks as the Nation's leading sheep and lamb producer with inventory of 1.1 million head on January 1, 2004. The other top 5 States include California (0.7 million head), Wyoming (0.4 million head), South Dakota (0.4 million head), and Colorado (0.4 million head).

In 2002, there were 64,170 sheep and lamb producers. About 10 percent or 6,800 sheep and lamb producers were located in Texas in 2002 and another 4,600 producers were located in Iowa. Other States with over 3,000 sheep and lamb producers in 2002 included Ohio and Oregon.

In addition to the diversity and complexity of the U.S. livestock industries, there are many nonproducers that must participate in a national identification system. For example, there were 3,233 U.S. livestock slaughter plants in 2003, of which 879 were under Federal inspection. Most of these plants slaughter fewer than 1,000 head annually. Three-fourths of the cattle slaughter plants, nearly two thirds of the hog slaughter plants, and 85 percent of the sheep and lamb slaughter plants slaughtered fewer than 1,000 head of each species and these plants accounted for less than 1 percent of total slaughter. In contrast, the federally inspected plants that slaughtered over 1 million head of each species accounted for over 50 percent of total cattle slaughter and 88 percent of hog slaughter in 2002.

USDA also estimates there are 7,775 posted stockyards, bonded dealers and market agencies involved in the buying, selling, and marketing of livestock in the United States, and many of these would have to report in a national identification system that kept track of animal movement. Some of these stockyards, dealers, and market agencies may deal exclusively with species other than cattle and calves.

In addition to the large numbers of animals, producers and nonproducers that must be accounted for in a national system, there is also a decided lack of experience with individual animal identification in the United States, and where it exists, the systems used are quite diverse. A large number of producers, especially cow-calf operators, do not currently individually identify their animals. Thus, a major component of implementing a national system will be educating livestock producers and processors as to how the system would operate and their responsibilities.

Under a national animal identification system, producers and processors would be responsible for registering animals and recording their movement over an animal's lifespan. It is envisioned that each animal would be identified, and its movements would be catalogued through time. Producers, marketers and livestock processors would have to be educated on the premise and livestock numbering systems, the technologies for recording an animal's movements, and other aspects of the program.

To meet the educational needs of livestock producers and processors, USDA will need to work in concert with States, organizations, and other stakeholders.

Another issue is the authority of USDA to implement a national identification system. The Animal Health Protection Act (AHPA) was enacted to enable the Secretary of Agriculture to prevent, detect, control, and eradicate diseases and pests of animals in order to protect animal health, the health and welfare of people, economic interests of livestock and related industries, the environment, and interstate and foreign commerce in animals and other articles. The AHPA gives the Secretary a broad range of authorities. The Secretary is specifically authorized to carry out operations and measures to detect, control, or eradicate any livestock pest or disease. The Secretary may also prohibit or restrict the importation, entry, or interstate movement of any animal, article, or means of conveyance to prevent the introduction into or dissemination within the United States of any livestock pest or disease. The Secretary also has authority to cooperate with other Federal agencies, States, or political subdivisions of States, national or local governments of foreign countries, domestic or international organizations or associations, Indian tribes and other persons for the purpose of detecting, controlling, preventing, or eradicating any livestock pest or disease.

A system of animal identification could facilitate the detection, prevention, control, and eradication of pests and diseases of livestock. We believe the provisions of the AHPA authorizing the Secretary to carry out operations and measures to detect, control, or eradicate livestock pests or disease provide the Secretary with ample authority to establish and implement either a mandatory or voluntary system of animal identification. Also, the AHPA enables the Secretary to enter into agreements with States or other stakeholder organizations to implement either a mandatory or voluntary animal identification program.

A national animal identification system would provide information on animal numbers by location and the movement of those animals over their lifespan. The potential disclosure of individual producer and processing plant information gives rise to concerns about the accessibility and the confidentiality of the individual records contained in a national animal identification database. Under the Freedom of Information Act, agency records are accessible to the public. However, agency information contained in a database that would reveal confidential business information is not accessible to the public under the Freedom of Information Act. Another concern is whether Federal agencies could access information in the national animal identification database for their program purposes.

Uncertainty over the confidentiality and accessibility of information in a national animal identification database may cause some livestock producers and processors to delay participation in a national animal identification system until these issues have been resolved. Federal legislation addressing the confidentiality and accessibility of information in a national animal identification database may be needed to address the concerns of livestock producers and processors and expedite the implementation of a national animal identification system.

USDA'S GOAL FOR A NATIONAL ANIMAL IDENTIFICATION SYSTEM

Our goal is to create an effective, uniform, consistent, and efficient national system. We believe this goal can be achieved by adhering to several key objectives.

First, the system should allow producers, to the extent possible, the flexibility to use current systems or adopt new ones. Producers should not be burdened with multiple identification numbers, systems, or requirements.

Second, this flexibility can best be achieved by having a system that is technology neutral, so that all existing forms of effective technologies and new forms of technologies that may be developed in the future may be utilized. In this regard, we also expect successful pilot programs, particularly those USDA has funded to date, will play an important role in scaling up during the transition period to a full national program.

Third, the national identification system should use and build upon the excellent data standards developed by the USAIP. Provisions to ensure data confidentiality are an essential part of this objective.

Fourth, the system must not preclude producers from being able to use it with production management systems that respond to market incentives. We want a system that will be compatible with the alternative management programs now being used to improve animal health and quality.

Fifth, the architecture for the national identification system must be designed so that the system does not unduly increase the role and size of the government. The President's budget proposal for fiscal year 2005 requests \$33 million to fund that year's activities for system implementation. No funds have been appropriated for fis-

cal year 2004. Since we plan to initiate implementation during fiscal year 2004, we are considering alternative methods of funding.

PHASED IMPLEMENTATION PLAN FOR A U.S. SYSTEM

USDA plans to move forward with implementation of a national animal identification system in 2004, first on a voluntary basis, and eventually with a requirement for premises and individual identification for all animals. Although we are still developing our specific timeline for implementation and deciding on a funding mechanism, we can provide some preliminary and general indications of activities for 2004. Our implementation would begin with an assessment this winter and spring of the existing premises and animal number allocation systems now in use. This review would identify, validate and verify the capabilities of current systems in operation and determine the capacity of any of these systems to serve as a national premises and animal number allocator and repository. Based on that review, we would select the most promising infrastructure to fund to develop the national premises allocation number and repository system and an animal identification allocation number and repository system.

Our first priority is to get the national premises allocator and repository in place in fiscal year 2004 and begin allocating premise identification numbers to cooperating states, tribes and certain other entities that are ready to register premises. We would envision providing some funding through cooperative agreements to states, tribes and the other entities so that they could develop the capacity to interface with the national number allocators and repositories. Once cooperators have integrated with the national systems and premises are being registered, we would be in position to issue animal identification numbers to producers through these early co-operators.

The technologies used by producers and nonproducers to identify and track movements of animals would be worked out through the cooperative agreements with the input of states, animal health officials, producers, and industry; USDA plans to be technology neutral. Our interests are in setting information standards, developing a database system to which states and other entities can readily connect, and receiving data from these entities. At this point, we do not envision any significant Federal funding being used for individual animal tags or other such devices, however, funding of select electronic readers could be accommodated under the agreements with some cooperators. We envision third party premises allocation would be coordinated with the state animal health official for the state in which the premises is being allocated.

Starting in fiscal year 2004, we would also focus on identifying and qualifying third parties, such as private industry and trade associations, that have identification products or programs, so they could be integrated into the national system. In early fiscal year 2005, we would then be in a position to issue premise and animal identification numbers to third parties and to begin receiving information from third parties into the system.

Many issues must be resolved before we can accomplish the tasks just identified for 2004 and beyond. We look forward to working with the Nation's producers, industry, animal health officials, state governments, the USAIP Steering Committee and the Congress to successfully achieve a national animal identification system.

Thank you and we would be pleased to respond to any questions you may have.

STATEMENT OF A.H. "CHICO" DENIS, III

Mr. Chairman and members of the committee, on behalf of the nation's sheep industry, I greatly appreciate your leadership in conducting this hearing regarding development of an Animal Identification Program.

I am a lamb producer, feeder and currently serve as first vice-president of the Texas Sheep & Goat Raisers Association. I am also chairman of the board of Rancher's Lamb of Texas. Rancher's Lamb is a lamb slaughter company in San Angelo, Texas, formed in 1996 by sheep producers. Rancher's Lamb is one of the primary lamb slaughter and lamb meat distribution companies in the United States and located in the largest sheep producing state in the nation.

Livestock Identification was among the most thoroughly discussed topics at our national board of directors meeting in late January 2004. ASI has been involved with the USAIP since initiation and intends to provide a sheep specific ID plan to USDA APHIS this spring. Our industry has a national animal health program in place that includes a mandatory identification system, namely the Scrapie Eradication Program. We have over 50,000 sheep operations nationwide already enrolled

with premise identification and millions of identification tags distributed. This program implemented by regulation in August of 2001 provides the basis for our view and we believe a model for fitting the sheep industry into a national animal ID system.

I believe the policy approved by our board of directors last month best speaks to the points important to our industry on identification. It is as follows:

ASI endorses the concept of a mandatory national identification program for livestock as outlined by the USAIP Development team, Department of Homeland Security and U.S. Department of Agriculture.

ASI believes that formal rule making on the implementation of a national livestock identification system should include the following and begin immediately in order to communicate and clarify USDA's and other government and animal health regulatory agency needs, requirements and timelines:

The cost of identification supplies and devices should be provided by the public sector.

Implementation of a National ID System for livestock in the sheep sector should not be duplicative of the National Scrapie Eradication Program ID requirements and a seamless transition to another system should be planned and announced well ahead of the time with supplies available through well organized distribution channels.

A National ID System for sheep should accommodate all the various production systems in the U.S. including group movement of owned animals for management purposes as well as movement through feeder and slaughter channels. A readily visible means of identification must be included in a sheep identification system.

A National ID System should contribute to the management, marketing and business needs of the U.S. sheep industry.

A national ID system for sheep should be thoroughly field tested before implementation to demonstrate the technology is compatible with normal industry operations.

Implementation of this system should not economically burden any sector of the U.S. sheep industry.

The system, regardless of the species, ought to be thoroughly reviewed and field tested prior to implementation. This includes the database function which needs to be provided and maintained by the Federal Government. The overall identification system should be integrated between Federal and state government with industry partners including but not limited to producers, auction markets and processors.

As we see it, the database and tracking functions are both essential, in order to make an overall system effective, but also likely the most difficult to implement. We feel that a premises identification that is tied to the headquarters of an operation is key. A great percentage of the sheep in the U.S. graze large expanses of land, some private and some public, and may cross two or more State boundaries during the year.

Again, using the ranch headquarters on the flock as the premises identifier (just as it is currently in the scrapie regulation) should serve as adequate identification for a database requirement and provide practical tracking/traceability.

As a point to reiterate, the cost of the individual identification device and its application per unit of value for a lamb is certainly different than for a steer. A \$1 tag along with the cost to apply it on a \$125 lamb is considerably more expensive than on a market steer worth many times more in value.

An additional item that is weighing heavily in our sheep ID discussions is the need to identify sheep and lambs by lot or group similar to our feeder and slaughter lambs today under our Scrapie Eradication program requirements. Such a system makes more sense when hundreds of lambs per truckload are moving together through the feedlot and packing plant.

Key issues that I believe must be addressed by the sheep ID group include procedures for lost tags, compatibility of all ID tags and associated equipment on a national basis, and privacy of data collected by in a national animal identification program.

I appreciate this opportunity to discuss the priorities of the sheep industry on this important and somewhat controversial topic. I encourage the committee and USDA to continue to draw on the expertise of the industry in designing and implementing a workable program.

STATEMENT OF JOY PHILIPPI

I am Joy Philippi, a pork producer from Brunning, Nebraska. I also currently serve on the National Pork Producers Council Board of Directors. I own and operate

a 2,000 head nursery, which handles approximately 14,000 head of weaned to feeder age pigs per year for our local producer network.

I would like to thank the Chairman for scheduling this field hearing on such an important issue. In recent months it has become clear that the issue of a U.S. national animal identification system has become of increasingly more importance to animal health officials, livestock producers and consumers. The issue of developing and implementing a national animal identification or national animal ID system is indeed far more complicated than simply identifying animals at birth. The National Pork Producers Council appreciates the opportunity to further examine the issue of a national animal identification as the U.S. Department of Agriculture and Congress moves forward on developing a national system and considers the consequences for U.S. pork producers.

We consider a mandatory national animal identification system part of protecting the nation's critical infrastructure food and agriculture in the case of animal disease outbreak or intentional or unintentional introduction of a pathogen or toxin. We believe that most Americans now understand how important animal health is to protecting the food security and safety in this country and is willing to support the development of an affordable, accurate and sustainable mandatory national animal identification system.

We believe that such a national animal identification system should reflect the following principles:

- a single, mandatory national program with uniform foundation standards;
- a practical and effective tool for improved animal health management, including surveillance, assessment, and response to the intentional or unintentionally introduction of foreign pathogens or toxins;
- an ultimate goal of a 48-hour traceback system capable of identifying premises that had direct contact with a diseased animal;
- the inclusion of all livestock species, as defined in the 2002 farm bill;
- part of a national critical infrastructure plan to protect the food and agriculture sector;
- a credible system to meet the demands of our international trading partners in a post-BSE world, this should include harmonization across North America, and finally;
- a system that must not place U.S. pork producers at great financial peril due to onerous additional requirements and costs.

This morning, Mr. Chairman and members of the committee, I would like to explain what the U.S. pork industry has been doing since 1988 regarding swine identification and where we see opportunities for our pork producers to improve their current market swine identification system and fold it into a mandatory national animal identification system. Finally, I would like to leave the Committee with an idea of where the pork industry sees pitfalls and concerns about the development of such a mandatory national animal identification system.

What is at stake here? In today's pork industry there are an estimated 75,000 (according to National Animal Health Monitoring Surveillance Data) pork producers in the U.S. These producers send 100,000,000 hogs to market each year. Total farm-gate receipts for hogs in 2002 were \$9.6 billion. 2003 total receipts are expected to exceed \$11 billion when final data are available in April. In 2003, the retail value of the pork sold to consumers was \$40 billion. On the export side, approximately eight percent of U.S. pork production is exported. This percentage has been steadily growing for the past 12 years. Finally, the pork industry is responsible for over \$83.6 billion in total domestic economic activity and \$32.5 billion in gross national product, and supports nearly 566,000 jobs in the U.S., alone.

Many species have at one time or another had animal identification programs. Almost all of the national identification requirements implemented in recent years are tied to disease eradication programs. Good examples in the pork industry are Classical Swine Fever (the US was declared free in 1979), and more recently Pseudorabies (currently there are no positive herds in the United States). As you can see, the pork industry is quite familiar with identifying animals because of its desire to detect, monitor and eliminate diseases for years.

In these disease control programs pigs are identified when they are tested or vaccinated. Often testing (or screening) is performed as part of preparing the pig(s) for sale, to move across state lines, or for area/regional surveillance purposes. Premises identification is an important component of the ID system. To effectively manage disease, animal health officials need to know the location of the pig(s) and if other animals were at that same location. Without premises identification, animal identification, and records, the ability to trace back and trace forward would be impossible.

There is a catch-22 when animal identification systems are developed around disease eradication programs. Obviously, as the eradication program succeeds, more and more states or regions become disease-free. The requirement to test (or possibly vaccinate) in these “free” areas becomes unnecessary and is eliminated. Unfortunately, the impetus for identification is therefore removed as well. The irony is that successful Industry/State/and the U.S. Department of Agriculture (USDA) eradication programs result in less animal identification and reduces our ability to manage health in the future.

The pork industry has understood this for a long time. In 1988, the pork industry requested that USDA publish a rule on the mandatory identification of swine to improve their product and to enhance food safety. This rule has been codified as 9 CFR 71.19. In 2000, the rule was amended to include group/lot identification for feeder swine movements across state lines within a production system. So today, in relation to interstate commerce the pork industry has (1) individual ID for all replacement breeding swine; (2) individual ID for all breeding swine at commingling and/or slaughter; (3) identification of feeder swine; (4) market swine identified back to their owner at federally inspected plants; and (5) feeder swine movements across state lines within a production system based on written health plans and production records.

In addition there are various intrastate rule requirements as the Pseudorabies or PRV eradication program comes to completion.

Identification, under this rule is achieved in a number of ways: using USDA official eartags; USDA official backtags for swine moving to slaughter; official swine tattoos; tattoos on the ear or flank recorded by a swine registry association; ear notching when recorded in a pure-bred registry; an eartag or tattoo bearing the premises identification for slaughter or feeder swine. The interstate movement of feeder pig rule requires each and every premise where a pig has been must retain transaction records for a period of three years.

The system works relatively well. Originally, however, the 1988 rule failed, USDA had to focus on education rather than enforcement. Initially there were serious problems when the 1988 rule was first implemented. The rule, contrary to producer input, attempted to move the actual application of the identification to the farm. Producers, wanting to comply and do the right thing, started applying slap tattoos to market hogs. Packers, not knowing the hogs had already been identified, applied their own tattoos over the top of the existing numbers, rendering both unreadable. In addition, producers had much less experience and training in applying tattoos, which resulted in a dramatic decline in readability. Finally, a packing plant had hogs delivered that had been tattooed with unapproved ink, which shut down the plant. To resolve the issue, USDA announced they would focus on education instead of enforcement while they rewrote the rule. Once the rule was changed and met industry needs, it became very effective.

There are several areas in which we see that there is room for improvement. First, the backtag system currently being used to identify cull breeding swine has a low tag retention rate about 15–20 percent. This retention rate is low because the identification system does not meet the species-specific needs regarding the handling of these animals on the way to market. We would like to see this system enhanced. If a national premises identification system were implemented we could apply premises identification tags to our breeding animals thereby identifying the source farm. Second, the identification of market hogs back to their last premises, instead of their owner’s mailbox, will result in a more rapid and accurate traceback to the suspect premises. This improved accuracy could facilitate further traceback to origin premises because today, generally, hogs move in lots recordkeeping in our industry is by and large based on lot or group movement.

I have addressed the regulatory path that the pork industry has taken. I want to briefly touch on how the pork industry’s policy position has evolved over time. In 1995, the National Pork Producers Council passed its first resolution on animal identification; it included a statement endorsing voluntary electronic identification for pigs. Early on, the industry was focused on tying animal identification to premises and the use of developing national standards. Every year or so since that date, the NPPC delegates have passed increasingly more specific resolutions moving the industry slowly towards today’s position. In 1998 producers agreed to the concept of a National Premises ID system. In 1999/2000 producers agreed that improved sow and boar identification was needed and the National Pork Producers Council’s Board of Directors approved the concept of National Premises Identification system. Today, as we speak the U.S pork industry is holding its annual meeting in Atlanta, GA. We expect to have at least one resolution passed supporting a national mandatory animal identification system and more specifically, expressing support for the government-industry developed U.S. Animal Identification Plan.

The development of a U.S. Animal Identification Plan began, in earnest, in April 2002, when the National Institute for Animal Agriculture coordinated the development of a National Identification Task Force. This original Task Force consisted of over 30 livestock organizations. As the process unfolded additional stakeholders were added. By the time a Draft USAIP was presented at the U.S. Animal Health Association meetings a year later over 109 stakeholders representing over 70 industry organizations—had input into today’s USAIP.

Let’s be clear on what the USAIP is and is not. It simply defines the standards and framework for implementing and maintaining a national animal identification system for all of U.S. livestock. The Plan includes standards for: (1) a national premises numbering system; (2) individual and group/lot animal numbering systems; and (3) performance standards for ID devices. It sets up a recommended three-phase path to improving identification in the pork industry. Just as important, the USAIP recognizes the significant species differences and recommends the formation of species-specific working groups to design and refine their individual identification plans. It also proposes joint industry/government governance mechanisms for the national system.

The USAIP is not “THE PLAN” and it does not have ALL of the answers, there are still many outstanding questions to be answered. However, the USAIP establishes a framework and working document that we believe needs to be the foundation for establishing a national system. We in the pork industry are not prepared to go back to the drawing board after almost 3 years of work and a 16-year track record of helping our producers implement a current rule that works and that producers have integrated into their production.

If I might, I would like to outline how the pork industry views further enhancements to the current mandatory swine identification system based on the current USAIP. We believe that further enhancements are dependent upon available resources and funding by this I mean both Federal and industry funding and resources. We have laid out three distinct phases and included a targeted timeline that we had hoped to achieve.

In Phase I: All swine operations and holding facilities would be identified with a unique national identification premises number. Once established, this number would be applied to all replacement breeding animals by means of visual tags. In addition, this premises number could be coded on the transport papers of all market pigs thereby identifying them to their last location—not the owner’s mailbox. Once Phase I was implemented nationwide, the U.S. pork industry will have met the 48 hour traceback goal contained in the USAIP, therefore we believe it would be wise to initiate implementation test projects as soon as practicable.

In Phase II: Producers would be required to record all group/lot movements—using their own group/lot IDs—and keep those records for a period of three years. Since they are already established, adoption of group/lot ID standards would be encouraged in preparation of reporting movements to a central repository in the future. However, until confidentiality, security, and added value for producers are addressed, the system described in Phase I is superior to submitting group/lot IDs to the market. I say this because USDA would not have to access a database to identify the premises number of the pigs.

Finally in Phase III: There would be electronic reporting of individual and group/lot ID to a cognizant authority be it USDA or a designated or certified third party or organization all interstate and intrastate movements.

Phase III raises many questions in pork producers minds. As mentioned earlier, they are concerned that that the issues of confidentiality and security of their data will be protected and respected and that they will see some added value here.

As I stated earlier the USAIP identifies a number of issues that must be addressed. I would like to highlight five. (1) Will this system be mandatory or voluntary?; (2) How will the confidentiality and security of a producer’s data be protected?; (3) Why is it important for species groups to develop species-specific plans recognizing that there are species and movement differences?; (4) How do you allow for technology flexibility, new devices, methodologies and technologies?; and finally (5) Funding Who pays for what?

I would like to discuss these issues in a minute. But first, I should note that the pork industry believes that some of these issues can and should be addressed by the species-specific working groups already in place. Some of these issues will require either USDA action or Congressional action. We do have a Pork Industry Working Group working through a number of issues such as cost, definitions, devices/technology/methods, implementation planning, and finally communication. This Group is made up of pork producers, USDA officials, state and private practice veterinarians, academics, pork production and management companies, breeding stock companies, breed associations, livestock market, as well as food companies.

The first issue is the issue of a Mandatory vs. Voluntary system. Ours has been mandatory since 1988. Other species groups such as sheep and cervids also have mandatory ID for disease control programs. From a disease management perspective, we believe the system must be a mandatory program otherwise the ability to effectively manage diseases will be hampered if not all species, producers and other stakeholders are participating in a national animal ID system.

The second issue is the issue of Confidentiality/Security. The issue of confidentiality has not been effectively addressed to date by either the USAIP process or USDA. It is imperative that any animal identification regulation developed by USDA include protections from public access to a producer's vital economic/trade information. NPPC believes that there is the potential for serious wrongdoing when the following critical pieces of information about a producer's operation are aggregated and made public: (1) the address of the production facility/facilities; (2) the number of animals; (3) the time and date that the animals were/are at that site; and (4) and real-time animal movement information. Our competitors and the bad guys should not have free access to this information. If you stop to think about what the President has said and done about agriculture being part of the nation's critical infrastructure, we believe that it makes sense that USDA, our partner in fighting animal disease in this country, provide us with the protections necessary when handling this sensitive economic data. NPPC believes that the Committee should thoughtfully consider the President's recently signed Homeland Security Presidential Directive HSPD 9 and consider how it interacts with the Secretary's desire to protect the agriculture and food system from major disease outbreaks. Release of the data pork producers are being asked to provide could provide a road map to "diminish the overall economic security of the United States."

Until confidentiality and security are addressed producers are unwilling to report data to a national database. An effective and protected system must be operational before producers are asked to take the time to report animal movement data.

The third issue relates to species-specific implementation plans. There are vast differences between species including the diseases of concern, production practices, record keeping, animal movements, and animal value. For example, the cattle industry has embraced electronic ID eartags (RFID tags) as the identification device of choice for their species. The value of a single bovine coupled with the frequent commingling of animals from different owners make RFID a logical choice for their species. However, a \$2.00 RFID tag is much less of an issue in an animal valued at \$1200 versus a \$90 animal. From another perspective, if cost of identification is based on breeding females, a cow has one calf per year and therefore the cost per cow is \$2.00 per year. On the other hand, a sow will have 22-24 offspring per year and pork producers would have \$44-\$48 per breeding female per year in identification expenses. Group/lot ID is an effective identification system for swine due to production practices but not commonly applicable to bovine. In addition, many species (equine, llamas, etc.) don't tolerate eartags. It is important that all species are allowed to develop an effective yet affordable ID system. Finally, in 2001 a study conducted by Disney, Green, Forsythe, Weimers, and Weber and published in the Review of Scientific Technologies, *Offici. Int. Epiz* (2001) 20 (2),385-405., concluded much the same thing. Though individual animal identification is an important consideration, economic analysis indicates that the cost-benefit equation varies greatly. For cattle in situations similar to those in the U.S. results showed that improved levels of animal identification may provide sufficient economic benefits in terms of the consequences of a foreign animal disease to justify improvements. The study did not draw similar conclusions for swine the economic benefits were not sufficient to justify system improvements.

The fourth issue is related Technology Flexibility. Any system while allowing for species differences must also allow for technology flexibility. New devices, methodologies and technologies emerge every day. In addition, the cost of a certain technology becomes less over time. I am sure that the Committee has seen many technologies over the past several months. USDA must establish a national data platform for animal health management purposes and have the marketplace meet those standards. This not only encourages innovation and competition it also drives down the cost to pork producers.

The fifth and final issue is the issue of funding. Who pays for what? We believe that developing a National Premises Identification System is the basis for any national animal identification system and it is a Federal responsibility. Further, we believe that USDA needs to develop the information system to allow animal movement data to be captured, stored and accessed when needed, whatever the data may be for animal health management purposes is also Federal responsibility.

The cost to fully implement the USAIP has been estimated at \$121 million per year. Although considered a priority, by the Department, they have requested only

\$33 million from Congress in fiscal year 2005. Obviously, as species working groups develop their species-specific identification implementation plans, the funding requirements will become clearer and so will the reality of what industry is capable of funding. The pork industry is just emerging from five years of low pork prices. Should producers have to incur additional expenses for an additional public good? We do know that an enhanced mandatory national swine identification plan will likely be quite different without Federal funding than with Federal funding. We continue to believe that most Americans now more than ever understand how important animal health is to protecting the food security and safety in this country and are willing to support the development of an affordable, accurate and sustainable mandatory national animal identification system.

Mr. Chairman and Members of the Committee, we should reflect on what not having a national mandatory animal identification system has cost us in the livestock industry. We have all paid in public perception we have paid in the media we have paid with our international trading partners. Yes, while a mandatory national animal identification system would protect the \$100 B livestock industry in this country, it also protects and secures the nation's food animal supply and a huge section of the nation's economy. This is both a private and a public good. America's pork producers take this responsibility very seriously.

In conclusion, Mr. Chairman and Members of the Committee, I have outlined the many reasons why the National Pork Producers Council supports a national mandatory animal identification system. I have detailed today's pork industry's mandatory market swine identification system and ideas for enhancing the effectiveness of the system. We believe that careful and thoughtful consideration of the national animal ID efforts are currently underway such as the USAIP and that these efforts will lead to better public policy decision-making, provide producers reliable and accurate animal health monitoring, surveillance, eradication and ultimately provide credible food safety assurances for U.S. consumers. We believe that the development of an affordable, accurate and sustainable mandatory national animal identification system that does not place onerous and undue costs on pork producers will enhance the long-term health and growth of the U.S. pork industry.

Thank you Mr. Chairman and members of the committee for your time and attention. I would be pleased to answer questions at the appropriate time.

STATEMENT OF GARY C. SMITH

The International Livestock Congress (ILC) is held each year, in conjunction with the Houston Livestock Show and Rodeo, under the sponsorship of the International Stockmen's Educational Foundation. In 2002, the ILC Beef Program "Surviving and Thriving in the Next Decade" reached these conclusions: (a) Seedstock generators and cow/calf producers should implement voluntary individual animal identification (IAID) programs. (b) Stockers/backgrounders and cattle feeders should work with cow/calf producers to be able to trace cattle in order to verify the origin (source verification) of cattle and the system through which cattle have been produced (process verification). (c) Traceback, source verification and process verification are important elements in helping packers and processors assure safety and quality of beef to customers and consumers. (d) Traceability is the missing link in preventing/controlling Foreign Animal Diseases and agricultural bioterrorism in the U.S. beef industry. In 2003, the ILC Beef Program "Producing Consumer-Demanded Beef" reached these conclusions: (a) The marketplace, driven by the consumer, will place increasing demands on the beef industry to track the sources of its products because of product safety and eating quality issues; to be rewarded for superior performance, those in the beef industry must be willing to identify and measure their products. (b) To generate change in determinations of value in cattle and beef there must be changes in mindset with regard to communication of knowledge/ information, and an accountable traceback system with price linkage must be developed. (c) There is value in being able to trace certain product attributes because information feedback is important to those in certain industry sectors. (d) Traceback has positive implications relative to food safety, and traceability can facilitate product differentiation. Because Country Of Origin Labeling (COOL) was then scheduled for implementation by September 2004, program participants at ILC 2003 developed a "COOL Implementation Plan" characterized as: (1) Phase I (a) Packers and retailers; tracking and development would consist of defining tracking methods, addressing product displacement factors and defining infrastructure solutions. (b) Feeders; fed-cattle tracking would involve use of separate lots and, in some cases, individual data for animals within lots of cattle. (c) Producers would be encouraged to implement a voluntary program. (2) Phase II (a) Feeders and producers would develop a national

data-base and develop audit trails involving voluntarily identifying cattle at first point-of-sale, requesting assistance of auction markets and following cattle in tracking systems used by those in vertically aligned beef supply chains and alliances. (b) Packers would concentrate on verification of traceability. (3) Phase III (a) Producers, packers and retailers will use national identification numbers making the progression to a unique identification system that involves use of electronic identification tags in cattle (birth to weaning, stockering/ backgrounding, into production for 2 to 20 years if in the production herd, into feedlot for 6 to 12 months if harvested as fed-cattle, to packing plant), barcode identification of carcasses and parts in the packing plant and DNA tests at preharvest and postharvest.

At the 2003 International Beef Industry Conference (Calgary, Alberta, Canada), also sponsored by the International Stockmen's Educational Foundation (ISEF), Dr. Richard McDonald (Texas Cattle Feeders Association) represented the ISEF in stating "Implementation of a traceability system in the USA is inevitable and necessary; drivers for traceability are animal/ carcass/beef performance, source verification, food safety and public health."

In 2004, the ILC Beef Program "International BSE Summit" participants applauded USDA Secretary Ann Veneman's January 2004 announcement that "a national animal identification program" is a major USDA policy priority for Mad Cow Disease prevention and that "USDA has worked with partners at the Federal/state levels and in industry for the past 1½ years on the adoption of standards for a verifiable nationwide animal identification system (the U.S. Animal Identification Plan) to help enhance the speed and accuracy of our response to disease outbreaks." ILC 2004 participants were also encouraged by Secretary Veneman's February 2004 announcement that "President Bush's fiscal year 2005 budget will include an increase of \$47 million to enhance USDA's BSE-prevention program, with \$33 million directed toward acceleration of the development of a national animal identification system."

The International Stockmen's Educational Foundation urges members of the U.S. Congress to move forward expeditiously to implement a coordinated national identification and traceability system for livestock.

STATEMENT OF JAN LYONS

I am Jan Lyons, president of the National Cattlemen's Beef Association. There is no better time and no better place than the International Livestock Congress to discuss animal identification, an issue of great interest and concern for cattle producers across the country.

Mr. Chairman. Thank you for the opportunity to present testimony to you today on behalf of the members and state affiliates of the National Cattlemen's Beef Association. I appreciate being able to discuss animal identification, an issue of great interest and concern for cattle producers across the country.

There is no better time and no better place than the International Livestock Congress to discuss animal identification, an issue of great interest and concern for cattle producers across the country.

Animal identification is not a new issue to NCBA, cattle producers, or USDA. In fact, NCBA has been very engaged in the development of identification systems for almost 10 years. In 2000, NCBA adopted standards as an organization so that the identification industry would have some commonality. Throughout this time, we also worked with USDA representatives knowing that at some point, we would be testifying at hearings such as this one about the role, purpose and potential pitfalls of a national animal identification system. As many have readily conceded, the recent discovery of BSE in a Canadian cow in Washington has given this discussion a tremendous sense of urgency. This sense of urgency has manifested itself in congressional hearings, the media, in cattle associations at the state and national level, and in the marketplace of technology.

Recent discussions have focused heavily on technology—the technological capability to track animals from farm to plate—using the newest and most effective technology or finding new uses for existing technology. But technology is not the start of the discussion. The discussion begins with why identification is important, and how it can be used as a tool to contain animal disease and protect the United States cattle herd, our greatest asset. Beyond technology, there are many questions that producers have about animal identification that become policy questions for Congress, USDA and NCBA. I hope to give some context to these issues and to pose some potential solutions.

ANIMAL IDENTIFICATION IS A TOOL

Animal identification is a tool that can be used to identify and isolate animals and premises that have been associated with animal disease. We have had a mandatory animal identification system in our country in the recent past, the brucellosis eradication program. This program required that animals be vaccinated for brucellosis, tattooed, and tagged with a permanent metal identification clip tag. While this program was established to eradicate brucellosis, the result was a traceability program that has helped USDA and states over the years identify other diseases such as tuberculosis. Though the early days of the brucellosis program were very difficult for all parties—including producers, states, USDA, and even Congress, the program has successfully eliminated brucellosis from all but a few places in the United States. The downside of the success of the brucellosis program is that as states have become brucellosis free, vaccinations for the disease ceased, and, as a result, so has the tagging with the metal clip tags. Our task today is to increase the level of identification so that we can expediently contain a disease upon discovery.

I emphasize that identification is a tool to use in conjunction with our existing animal disease surveillance and monitoring infrastructure—it is not a substitute for that infrastructure. We do not wish to follow the examples of Europe, where too much emphasis was placed on identification and not enough emphasis on infrastructure. Though much is made of the many EU tracking systems, the EU has been subject to a BSE epidemic, Food and Mouth Disease outbreak, Dioxin contamination, and PCB contamination, all due in part to weak science-based infrastructure.

I must state that NCBA will oppose efforts to pay for an animal identification system by cutting existing animal health infrastructure. To do so would be the equivalent of cutting a city's fire department to pay for a fire extinguisher for every household. Although having a fire extinguisher in every home is good policy, to do so at the expense of the fire department could open up the community for larger and more destructive conflagrations.

DEVELOPMENT OF A NATIONAL IDENTIFICATION SYSTEM

Animal identification is a confusing topic for many because everyone has their own notions about what it is, how it works, what it can do, how it can be done, and the best technology with which to do it. The development of such a system in these kinds of circumstances can be difficult. That is why dialogue and consensus building is so very important. It has taken time within our own industry and association to develop consensus, and that came only after years of debate.

Concurrently, other groups and organizations were having similar discussions. Once groups had a certain level of internal consensus, it was time to bring these groups together. That began to occur two years ago when the National Institute for Animal Agriculture began hosting meetings which culminated in the development of the United States Animal Identification Plan (USAIP). More than 70 organizations and over 400 individuals have worked diligently to draft the USAIP plan. This level of support is unprecedented in the history of developing programs of this magnitude and importance. The full text of the USAIP is available at www.usaip.net.

Following development of the broader plan, members of the USAIP have established individual species working groups to outline specific areas of interest or concern within that species. The bovine working group has met January 27 and February 12 with the next scheduled meeting on March 10. The purposes of these meetings are to continually refine the implementation of an identification program, answer unanswered questions, develop pilot programs, and discuss industry education. As a matter of NCBA policy, we support of the USAIP as the foundation of the national identification system and support the ongoing work of the bovine working group.

We recognize however, that many questions remained unanswered within the plan and within the minds of cattle producers across the country, Congress, USDA and interested parties. These questions form the basis for the animal identification policy questions that are the subject of today's hearing. These questions include:

- What will it cost? Who will pay?
- How will our producers' information be protected?
- Will this system be mandatory or voluntary?
- How will it be implemented and how will any burden be shared?
- What will other countries need to do and how will their information be integrated?
- What technology will be used?
- What authority does USDA currently have? Is additional authority needed?
- How can this system be used to add value?

Cost

Full and complete implementation of USAIP is estimated at \$545 million over 6 years. This is inclusive of all the species in the plan. Other publicly released commercial estimates mirror this figure. The USAIP estimate includes the information system, data collection infrastructure, and identification devices. Clearly, this amount is a tremendous outlay of resources for any party. The identification system would provide the infrastructure needed to ensure traceability in the event of a crisis. Past infrastructure projects similar to this one have been partnerships between producers, the industry, and state and Federal Government. Due to the outlay of resources required, it is proper to discuss which parties would be responsible for funding the identification program.

The USAIP focuses on establishing technology standards so that the system is uniform, workable and consistent. Accordingly, we believe it is appropriate that establishment and approval of these standards is a proper role for the Federal Government. The implementation of the plan means the installation of the infrastructure, networks, and reading capabilities. This will entail a tremendous investment in hardware across the country. This type of investment has typically been a partnership and cost sharing effort between states and Federal Government. The identification device, which is the cost most associated directly with an individual producer, could be paid by producers utilizing available state or Federal dollars to assist in the cost, especially for those producers in need of assistance.

To summarize, an approach could be the Federal Government paying for establishment and approval of standards; the Federal and state governments partnering on infrastructure installation; and the Federal and state governments cost sharing with producers on the identification device.

CONFIDENTIALITY

Producers are extremely concerned that the information that becomes part of an animal identification system could fall into the hands of those who would use it illicitly. Indeed, NCBA was part of a lawsuit in which an environmental group used the Freedom of Information Act (FOIA) to gain access to private producer financial records in an effort to “destabilize” ranching. This use of private financial data for these types of purposes is inappropriate. For these reasons, NCBA believes that any information provided by producers for the animal identification system should be exempt from release under FOIA. Additionally, the Privacy Act contains several provisions that protect private and personal data from release without the written consent of the party that provided the information. Making the Privacy Act apply to data provided under this system, would add an additionally layer of protection for producers privacy. Clearly, we recognize that the purpose of the identification system is to provide information that USDA needs in the event of an animal health crisis, and our comments on FOIA and the Privacy Act would not in any way preclude USDA from getting the information needed to respond to a crisis. NCBA believes that producer confidentiality is crucial to a successful animal identification program.

MANDATORY VS. VOLUNTARY

The most popular question that arises when talking with producers about identification is the question of voluntary versus mandatory. Unfortunately, this question is becoming a litmus test among some as to whether or not they will support or oppose the establishment of an identification system. We recognize that to be successful, we need to have high levels of participation in the program. Our policy is that we should determine in a sound statistical manner what this level of participation is, and the frequency of identification that is necessary to protect the health of the U.S. cattle herd from disease. It is fair to assume that you could have much higher participation with a well-designed voluntary program than you would if you had a poorly designed, under funded, poorly managed, uncoordinated, mandatory system. One needs to look no farther than the previously mentioned brucellosis eradication program to know that the early days of that program were full of strife due to the well-meaning but ineffective manner in which it was initially implemented—especially on livestock that moved interstate.

The question of mandatory versus voluntary should revolve around how best to get the level of participation needed to make the system effective, and that will be driven more by available funding and an implementation plan that makes sense, rather than a litmus test. NCBA supports an industry-implemented animal identification system that protects producers but provides government with appropriate access government to contain animal health outbreaks.

IMPLEMENTATION

The USAIP calls for initially starting with a premise identification system, then moving forward with individual animal identification. Some have criticized the USAIP recently as having unworkable implementation timetables. The key here is not artificial deadlines, but a framework for implementation that makes sense. The timetables will be adjusted as funding is available and progress is made.

It is extremely important that implementation of the program be in step with how cattle are marketed and moved. We must take into consideration the constraints that exist at livestock markets, processing facilities and feedyards. Accordingly, animals should be identified at or before the first time they enter commerce. We must also develop procedures for livestock that are sold on a private treaty basis that may avoid these facilities until they are sold to a packer.

Additionally, many cattle are already identified through existing marketing and management programs. If the systems in which these cattle are already identified are consistent with the standards set by USAIP, then these systems should be available to provide data to USDA for the purposes of producer participation in the identification system. This is an example where the marketplace has adopted USAIP standards, and Radio Frequency Identification (RFID) is already ahead of our current regulatory systems. These programs should not be put at risk while our regulatory structure plays catch-up with where the majority of the marketplace already is.

The key to effective implementation is solid standards—which USAIP provides—combined with flexibility for mode of marketing, regional differences and existing programs. The standards of USAIP are the driving force in ensuring that the system works and is functional.

To ensure that the animal identification system is successful, pilot programs should be implemented in different regions of the country. This would allow the plan to be tested using different production and marketing systems and recognize environmental differences. These pilot programs would be the first phase of implementation. NCBA encourages Congress to provide adequate funding for these projects.

INTERNATIONAL CONSIDERATIONS

As we have seen with the recent case of BSE and avian influenza, it is important that there be international harmonization in animal identification standards and systems. As we resume trade with Canada and Mexico we need equivalency in traceability. We not only need expedient identification and containment of animal disease within our borders, but across our borders and around the world. In our five-nations alliance with Mexico, Canada, Australia, and New Zealand, there is common agreement with our counterparts in these countries that there should be harmonization in our animal identification systems.

TECHNOLOGY CONSIDERATIONS

USAIP establishes Radio Frequency Identification (RFID) as the currently preferred identification method. Other technologies—DNA, retinal imaging, boluses, implants—could be integrated into the system as standards and practical applications of the technology evolves. RFID has been readily adopted by livestock producers. Millions of these tags are already in use and have been in use within many of the existing identification programs. Adoption of the RFID standard within USAIP acknowledges the existing use of this technology. To adopt another technology at this point would make the millions of RFID tags of no use to current users and hamstringing the ability of our industry and USDA to expedite implementation of an identification system. NCBA does not wish to engage in, nor do we wish Congress or USDA to engage in technology fights because every firm or entity has a plant, or an employee located in someone's district. RFID can be most readily integrated today into operations across the country. NCBA wants to foster and environment that is a catalyst for competition, innovation and efficiency.

NCBA and the National Milk Producers Federation recently sent a joint letter to USDA urging USDA to “fully support the first step in plan implementation by recognizing and supporting the use of a standardized RFID system as the foundation of the system when individual animal identification is required.” USDA should adopt this standard which would enable all states and all producers to begin implementing the system in short order. To delay implementation so that entities can debate or cajole does not assist in implementing the identification system in a timely fashion. It is imperative that USDA adopt the RFID standard consistent with USAIP sooner rather than later to enable to department to meet its stated objective

of implementing an identification system soon. Nonetheless, should Congress act on an identification bill, no statutory provisions should be included which establishes the technology standard. Keeping the technology standard within the regulatory responsibility of USDA maintains the flexibility needed to adopt new technology.

CURRENT STATUTORY AUTHORITY

NCBA understands that USDA has the authority, under the Animal Health Protection Act passed in the 2002 farm bill, to implement an identification system. Therefore, no additional authority is needed. NCBA will monitor the implementation of an identification program by USDA, and as stated previously, NCBA is supportive of an industry-implemented program that is accessed by USDA for animal disease issues. The recommendations in this testimony could be utilized by USDA under their existing authority. Should we or USDA identify gaps or areas where additional authority is needed, we will work to address the shortcoming legislatively. Should Congress move forward in passing statutory provisions related to animal identification, we will work to make the above testimony part of the legislation.

VALUE ADDED OPPORTUNITIES

The purpose of the animal identification system described in the above testimony is for animal health and related purposes. The system as described will not provide management information to producers or to parties in the chain of production. It is for the purpose of providing USDA the information needed to manage animal health issues. However, the identification device used, such as the RFID tag, could be used to facilitate or enable producers to participate in programs that provide management data. Indeed, many producers are already participating in these value added, information management programs and if those programs meet the USAIP standard, they could be used by USDA for participation in the identification system for animal health. We encourage the optimization of benefits from animal identification that can provide additional value to our producers.

NCBA has long recognized the importance that identification can play as part of our animal health infrastructure. That is why we have invested so much both internally, and as part of the USAIP development. We know that many questions exist and we are committed to addressing each question, answering it, then moving forward. At this point, USDA can make an important move forward by adopting the USAIP recommendation for RFID technology as the identification standard.

The USAIP is an outstanding starting point for efforts to develop an effective animal identification and traceability system that will benefit producers, consumers and government. The U.S. has the healthiest cattle herd in the world. Our system can and will protect animal health by engaging the long standing partnerships that brought us to this level, including partnerships within the Federal and state governments' animal health infrastructure, veterinarians, producers and other livestock professionals. It's a partnership built on principle and a commitment to do what is right.

We are confident the current path we are on will result in the development of an effective animal identification and traceability program for not only the cattle industry, but also for all of animal agriculture.

Thank you for the time and I will be happy to answer any questions.

**Comments of Texas and Southwestern Cattle Raisers Association
U.S. House Committee on Agriculture
Hearing on National Animal Identification
March 5, 2004
Houston, Texas**

Texas and Southwestern Cattle Raisers Association is a 127-year-old trade organization whose 12,500 members manage approximately 5.4 million cattle on 70.3 million acres of range and pastureland, primarily in Texas and Oklahoma.

Cattle identification issues have been a principal focus for TSCRA since the organization was created in 1877 for the purpose of addressing cattle theft on the open range. From that point forward, the association has been utilizing identification methods to confirm ownership of cattle and has operated an identification program at auction markets in Texas for this purpose since the 1940's. This program is operated through authority granted by the Packers and Stockyards Administration. Beginning around the turn of the century, and for several decades, the association maintained brand inspectors at terminal markets such as Denver, Oklahoma City, Fort Worth, Kansas City and others.

TSCRA respectfully submits the following seven points that we hope Congress and USDA consider as any national identification system for the U.S. cattle herd is developed. Our comments are directed primarily to the United States Animal Identification Plan (USAIP), but are appropriate to the general issue of a national identification plan as well.

1) Any system should be voluntary. TSCRA's policy calls for a voluntary animal identification system for the U.S. cattle industry. However, we acknowledge the gravity of recent statements made by Secretary Veneman relative to the need for a national identification system. Foreign animal disease issues, biosecurity concerns and terrorism threats may have brought the industry to the point of a need for a mandatory system. While our position calls for a voluntary system, TSCRA pledges our support, cooperation and participation should the need for a mandatory system become necessary. The United States enjoys a preeminent position in the global beef market and can only sustain that position if we are able to maintain our ability to produce calf crops to supply our infrastructure. While there may be the eventual need for a mandatory system, it should not be so intrusive and burdensome that it causes producers to exit the cow/calf business thus inhibiting our ability to be efficient producers of beef in a global marketplace.

2) Any plan must have reasonable implementation timelines. The USAIP calls for premises numbers to be assigned and premises databases in place by July 2004. Considering there could likely be between 150,000 and 200,000 premises in Texas alone, it is practically impossible for such a time line to be met. State animal health agencies currently don't have a system to assign numbers to producers and many may not have sufficient database capacity in which to maintain this information. Moreover, it will take considerable staff resources to complete this task and maintain the databases.

The plan would require all interstate movements be recorded by July 2005 and all intrastate movements be recorded by July 2006. TSCRA believes the implementation schedule for the USAIP is too aggressive for a practical implementation and must be modified.

3) Federal funding must be adequate if producers are mandated to comply. The latest draft of the USAIP estimates the costs of the plan for the first seven years to be over \$568 million. The amount estimated for the first fiscal year is \$23 million. To our knowledge, for fiscal year 2004, USDA has yet to allocate funds for an animal identification project. While President Bush's proposed 2005 budget calls for \$33 million to be used to "further accelerate the development of a national identification system," we note the second year costs of the USAIP are estimated to be \$70 million. The funding issue must be addressed in order that producers know what costs the federal government will cover and what will be left for state government and producers to pay. Considering the federal government is mandating such a system, TSCRA believes it's only fair they pick up a majority of the costs. Unfunded mandates on state animal health officials must also be avoided.

4) Confidentiality issues relative to access by the public and other federal agencies must be adequately addressed. The issue of confidentiality continues to be a major one. First, protection of records from access through the Freedom of Information Act must be addressed. Producers' records must not be able to be accessed by the public in such manner. Many believe that a federal law could be written to provide such protection at the federal level, but problems could still exist with various state laws. Second, access to the data from other federal agencies such as the Treasury, Interior and other departments must not be allowed. TSCRA believes both of these important confidentiality issues must be addressed before a plan is implemented.

5) Any system that would require recording of all intrastate movements must not be burdensome on producers. The USAIP calls for all intrastate movements to be recorded by July 2006. Such a requirement would dictate that any movement – even if it involved the sale of only one animal – would have to be recorded into a computer database. Moreover, anytime an animal was moved to a premises where it could be commingled with others – i.e. livestock show, recreational event, etc. - such a movement would need to be recorded in the database. Considering that such activities could easily number in the thousands in Texas alone, coupled with the fact that no system currently exists that monitors such activities, ensuring compliance with such a requirement could become extremely burdensome. TSCRA believes the requirement to record all intrastate movements and any system utilized to ensure compliance with such a requirement needs continued careful consideration and modification before implementation.

Texas and Southwestern Cattle Raisers Association

(3)

6) Compliance / Verification issues must be addressed. Any mandatory identification system must contain a verification component to ensure compliance with the program. The USAIP list various responsibilities for state and federal governments as well as non-producer participants (tag manufacturers, USAIN managers, order buyers/dealers, etc.). However, we believe the USAIP, or any other national identification plan, should include provisions that address issues of compliance and verification in order that the integrity of a system is assured. TSCRA believes existing animal identification infrastructure should be utilized, to the extent possible, to accomplish this objective.

7) Animal database management is an issue that must be addressed. There appears to be two schools of thought on this important issue – a government controlled database(s) or a network of private sector controlled databases that could share necessary information with animal health officials when necessary. One approach to addressing the confidentiality issue would be for the private sector and industry to manage animal data. Moreover, private management of this data would allow for the private sector to continue providing additional data management services to producers in an efficient fashion. TSCRA believes animal database management should be managed and controlled by the private sector and industry.

In conclusion, Texas and Southwestern Cattle Raisers Association is very grateful for this opportunity to provide comments on what will ultimately be a system that will have some of the broadest ramifications for the beef cattle industry in our history. We look forward to working with Congress, the Administration and the industry on this crucial issue.

Online eHealth System -
for Animal Health Regulatory Management



GSA Scheduled # GS-35F-0838N	GlobalVetLink Technology Licensed to USDA
Small Animal Applications: <ul style="list-style-type: none"> • Official Certificate of Veterinary Inspection • For Sale Certificates • Displays Digital Photos • Secure PDF Format 	Livestock/Equine Applications: <ul style="list-style-type: none"> • Interstate Certificate of Veterinary Inspection • Displays Digital Photos • Secure PDF Format • Premise Identification
Equine Applications: <ul style="list-style-type: none"> • Equine Infectious Anemia Certificates • Diagnostic Lab Interfaces for Real Time Test Results • Displays Digital Photos • Secure PDF Format 	Species Included: <ul style="list-style-type: none"> • Bovine • Caprine • Cervidae • Equine • Poultry • Swine • Ovine
Permitting Applications: <ul style="list-style-type: none"> • Allows state officials to manage the import permit process & analyze the data 	
Diagnostic Laboratories: <ul style="list-style-type: none"> • Direct Connection from labs to Veterinary Practices for Real Time Test Results 	
Current Enhancements in Development: <ul style="list-style-type: none"> • Practice Management Software Interface • Online/Offline Capabilities • Other Interfaces Available 	

These Applications Answer Today's Regulatory Compliance Needs Regarding:

*Animal ID- All Methods

*Real Time Trace Back and Reports in < 48 hours

*Emergency Preparedness / Response

*Disease Surveillance



GLOBALVETLINK, L.C.
GSA Contract # GS-35F-0838N

Key Facts

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 GSA Contract # GS-35F-0838N - Small Business Category

Background:

GlobalVetLink, L.C. (GVL) is headquartered in Ames, Iowa, at the Iowa State University Research Park. GVL has created the primary web based information system platform for animal health regulatory officials and practicing veterinarians in the State of Florida. A version of the application was licensed to USDA APHIS Veterinary Services via Communication Resources Inc., for use in all 50 states for animal health regulatory management of food animal and equine interstate movement and tracking.

GlobalVetLink applications answer today's needs in animal health regulatory compliance by providing for:

- Animal ID – All Methods
- Emergency Preparedness
- Response in < 48 hours
- Real Time Trace back and Reports
- Identification of Bio-Severity Threats
- Early Detection / Surveillance and Safeguarding Animal Health.

Current News Links:

USA Today: http://www.usatoday.com/tech/news/2003-12-08-vet-track_x.htm
 Des Moines Register: <http://desmoinesregister.com/business/stories/c4789013/22823598.html>
 USDA News Release: http://www.aphis.usda.gov/oa/pubs/sa_ahepilot.html

Applications:

- Interstate / Intrastate system to document and authorize official animal movements with multiple forms of ID (food animal system licensed to USDA-APHIS that runs their ICVI program).

- On-Line EIA testing and reporting system – with real-time diagnostic laboratory to veterinary practice connectivity.
- State/Federal reporting and analytical tools related to animal movement and tests.
- Dog and Cat Pet Lemon Law system for the State of Florida.

GlobalVetLink, L.C.

Page two.

GlobalVetLink specializes in state of the art Internet application tools for the animal health regulatory industry through utilization of secure, web-based Internet applications. With dynamic products designed for State and Federal Animal Health Officials, Private Practicing Veterinarians, Diagnostic Labs and Animal Industry Owners, GlobalVetLink gives users access to the information they need when they need it.

GVL specializes in building custom solutions that integrate animal health regulations into a secure, easy to access environment-allowing veterinarians to more efficiently and accurately facilitate their required steps to assure regulatory compliance for their clients – animal owners.

The system allows regulators to better perform real-time analysis – doing away with a tedious, outdated, paper and data entry process. GVL combines rigorous management discipline with talented and motivated development resources to provide solutions that add value at all levels from conception to production.

Technology Capabilities

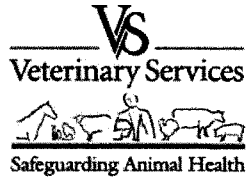
Domain expertise in animal health – regulatory management applications. The company technology foundation includes database driven web applications. We have expertise in Java, JSP, Oracle, Teradata, ETL, .NET applications, data modeling, testing, technical support and training.

Solutions

- A dynamic application integrating Diagnostic Labs and Private Veterinarians
- An intra / interstate animal movement tracking application for commercial species
- An intra / interstate animal movement tracking application for companion animals
- A daily activity report application for regulatory field staff
- An electronic entry permitting system dynamic to individual species
- An electronic Equine Infectious Anemia and Certificates of Veterinary Inspection application

<p>GlobalVetLink is the Official Online eHealth Certificate system for: Florida Department of Agriculture and Consumer Services and the</p>

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Stakeholder Announcement

**USDA's Centers for Epidemiology and Animal Health
Implements Electronic Certificates of Veterinary Inspection to
Safeguard Animal Health**

Veterinary Services - October 22, 2003

http://www.aphis.usda.gov/oa/pubs/sa_ahepilot.html

The U.S. Department of Agriculture's (USDA) Centers for Epidemiology and Animal Health, a part of USDA's Animal and Plant Health Inspection Service's (APHIS), Veterinary Services (VS) program, is working with six States on a pilot project that would allow state and federal animal health officials to have instantaneous access to information regarding livestock movements in and out of their state.

In the event of an animal disease emergency, this information is critical to determine the disposition of potentially exposed or infected livestock.

An electronic system of this nature would decrease the time needed to obtain animal disposition information from days to minutes.

Accredited veterinarians can voluntarily use the Web-based Interstate Certificate of Veterinary Inspection (ICVI) via the Internet. An ICVI will be printed out to accompany the animal and the information will be transmitted electronically to the destination state.

By using an electronic Web-based application, accredited veterinarians, and state and federal animal health officials will be able to electronically produce, transmit, and obtain reports of interstate animal movement information. This ability to electronically track the interstate movement of livestock is one of the tools supporting our Nation's combined efforts of industry and government to safeguard the health of the national herds via early detection of emerging diseases or significant livestock diseases, including foreign animal diseases.

This pilot project is Phase I implementation of an electronic ICVI.

This project uses the existing paper-based Interstate ICVI process as a framework. This certificate is the standard ICVI approved by USAHA 5 years ago.

During the next several months, California, Colorado, Florida, North Carolina, Texas, and Wisconsin, in partnership with USDA, will implement the electronic ICVI in their states. The ICVI software will be accessible at no cost from the USDA to the practitioners, as well as state and federal veterinarians. State fees may apply, depending upon the state.

USDA purchased an 8-year license for an ICVI software application from GlobalVetLink, a provider of Internet applications. USDA, via Communication Resource Inc, has contracted with **GlobalVetLink** to perform the Phase I implementation.

Phase I implementation, in addition to enabling the system for use in these states, will enable USDA to apply lessons-learned to the implementation of the electronic ICVI in the remaining states.

Note to Stakeholders: Stakeholder announcements and other APHIS information are available on the Internet. Access the APHIS home page by pointing your Web browser to <http://www.aphis.usda.gov> and clicking on the "News" button. For additional information on this topic, contact Teresa Howes (970) 494-7410 or send an e-mail to teresa.k.howes@aphis.usda.gov.

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THE DEVELOPMENT OF USDA'S ANIMAL IDENTIFICATION PROGRAM

THURSDAY, JULY 22, 2004

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND HORTICULTURE,
COMMITTEE ON AGRICULTURE,
Washington, DC.

The subcommittee met, pursuant to call, at 1:07 p.m., in room 1302 of the Longworth House Office Building, Hon. Robin Hayes (chairman of the subcommittee) presiding.

Present: Representatives: Osborne, Rogers, Neugebauer, Ross, Scott, Peterson, Herse, Boswell, Udall, and Stenholm [ex officio].

Staff present: John Goldberg, Elizabeth Parker, Pam Miller, Pete Thomson, Callista Gingrich, clerk; and Andy Johnson.

OPENING STATEMENT OF HON. ROBIN HAYES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. HAYES. Good afternoon, ladies and gentlemen. I'd like to call this meeting to order. We have got other Members coming. They are kind of trickling in, but since nobody but the posterity cares about our opening statements anyway, we will move on.

I have met a number of you yesterday and today and really appreciate all of you coming and being a part of this process. If you are not here regularly, I don't think you understand how much of a contribution that you make when you take the time, devote the energy and the resources that it takes to come. We are very dependent on you, and I am sure my colleagues, particularly Mr. Boswell and Mr. Peterson, would join me in those remarks. So I am most grateful to you for being here.

Animal identification, if you were in the previous markup, has been given a considerable amount of attention over the last few months, and I am glad that we can review where USDA is in their process of establishing a national program for animal disease surveillance. We will also hear from other witnesses who have worked on a regional basis with producers, the livestock industry, State animal health officials, and the USDA on how to begin identifying animals. I would like to mention that we did invite folks from the Northwest Pilot Project, but unfortunately, their schedules did not allow them to attend the hearing today. Their testimony has been made a part of the record.

Yesterday, this subcommittee hosted companies who are actively engaged in the animal ID process, and I hope most of you were able to attend and see the wide variety of technologies that were

available. And I was thoroughly impressed with not only the number but the quality and the quantity of the information and how many different areas were covered by the technology. These companies are the creators of cutting edge technology that can work in multiple species and rapidly trace animals from the farm to the processor. Most of these companies had a display booth at the National Institute for Animal Agriculture's Animal ID and Expo Show in Chicago back in May. I believe most, if not all, of these companies have met with producers and livestock industry representatives to demonstrate how their technologies work. The subcommittee greatly appreciates their willingness to travel to Washington and give Members, staff, USDA, and others a chance to learn more about these technologies. I realize many of you were interested in testifying at today's hearing, and while time does not permit us to hear directly from you, please be encouraged to submit your written testimony for the record.

With that said, I think it is important to note that with this many companies already having workable databases in place and technology being used right now, I hope USDA will allow these companies to come into the fold and use those systems that meet the USDA's requirements. Rather than reinvent the wheel, I believe these companies should be given a fair opportunity to be a player in a National Animal Identification System. The more competition there is in available technologies, the more cost-efficient it will be for the producer and the better product we will produce from the rancher to the processor, and ultimately, the consumer. Throughout this process, I have been technology-neutral, ignorant in many cases, so that producers may determine what works best for them, and I appreciate USDA having that same position. And I am sure we can encourage them to maintain that position throughout the process. I also believe it is important to have a voluntary program unless there is a need for it to be mandatory, and again, I appreciate USDA having the same position.

However, as time passes, I am growing concerned about the process that USDA is using in regard to implementing a national program. Last fall, I heard praises from the industry that USDA was working with them to develop a program. Many producers and industry folks came together to work with USDA to develop the U.S. Animal Identification Plan, or the USAIP as it is called. Since the Secretary's December 30 announcement to accelerate the development of a program, I have heard that there has been a lack of communication and transparency in the process. Some feel USDA has strayed away from the USAIP.

I am concerned that on one hand USDA is holding listening sessions to gather input from the countryside and recently released an Advanced Notice of Proposed Rulemaking asking for basic comments on implementing a program, like when and under what circumstances should the program transition from voluntary to mandatory and what species should be covered. On the other hand, USDA closed the deadline last week for State animal health officials to submit funding requests to implement premise ID systems or work on State pilot projects. And Monday, USDA announced that it has elected a premise ID system as an interim solution to begin registering locations. I am confused as to why the Depart-

ment is holding these listening sessions and asking for general, basic comments while at the same time it appears USDA is going ahead with its own agenda to implement a program by funding State applications and selecting interim premise registration systems. I have heard from producers and those trying to be involved in the process that they are worried that the listening sessions and comment period are a facade while the USDA makes its own determination on how to structure a program. And I might add, at this point, that Bill Hawks and I met as recently as 9 o'clock this morning and went over these concerns, assured me that they are not valid and we are all on the same page. So I am sure Dr. Clifford and Mr. Hammerschmidt will speak to that and reassure us.

So far, the decisions that have been made at USDA have not been subject to public comment. The lack of transparency and communication in the process thus far concerns me. I hope the Department is serious about wanting producers' comments on the AMPR and that you are listening to them. I hope that asking for producer input isn't merely a gesture to include them in the process but that USDA truly wants to work with the producers and that it will. From conversations that I have had with Under Secretary Bill Hawks, I know he understands how things have been appearing to producers, and I believe and I am convinced that he is committed to making sure the producers' concerns are addressed as am I and other members of the committee.

I am anxious to hear from USDA and to learn more about some of the regional approaches that are also available. Again, it makes more sense to enhance programs that are already in place and proven rather than create a bureaucratic structure that burdens producers with redundancy and cost.

I look forward to today's discussion and appreciate our witnesses for being here. At this time, I would like to recognize the ranking member, Mr. Ross, for any comments he might have.

**STATEMENT OF HON. MIKE ROSS, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF ARKANSAS**

Mr. ROSS. Thank you, Mr. Chairman.

This morning, we marked up a bill on Country of Origin Labeling, commonly referred to as COOL, after over 2 years USDA drug their feet on trying to come up with some rules and regulations to go with the law, and I think that is a lot of the reason why we found ourselves today moving from a mandatory to a voluntary status with country of origin labeling. And I would hope that that doesn't become a continual policy of USDA to try to delay implementation of things that I think are important. I think having an animal identification system is very important. We can debate whether it should be voluntary or mandatory just as we are doing with country of origin labeling, but whatever we are going to do, we need to get on with it. And I believe that very strongly.

Prior to December 23, 2003, there are a lot of sale barns in south Arkansas and a lot of ranches in south Arkansas where I would have been run off the property if I had even hinted at the idea of some kind of national animal identification program. I can tell you that today, as I travel my district and visit with folks that run from 20 herd of cattle to 2,000 herd of cattle that they strongly be-

lieve that we have got to do something to get these markets opened back up once again. And recognizing that while we actually have rebounded from that single cow in Washington State being diagnosed with BSE back on December 23, 2003, the fact is that if we had an outbreak of foot-and-mouth, it could be devastating to the cattle industry in America as we know it today, because we don't have a way to track it. And I am concerned that we are continuing to increase the number of tests we are doing. I think we all know the more we test, sooner or later, we are going to find more cows that have mad cow disease, or BSE. And I don't think we have a process in place today to be able to handle that and avoid the kind of catastrophe or fall in the market that could follow. That is why I strongly believe today, as cattle producers large and small in my district believe, that we have got to get an ID system in place.

And finally, the reason I think I would urge the USDA to make this a priority and try to move a little faster in figuring this thing out is let us be mindful that while cattle processes are good today, how long can they stay up? We have got 58 countries today that no longer accept U.S. beef. 58 countries have closed their borders to U.S. beef since December 23, 2003. I think a national animal identification program that address cost and that addresses privacy and that is implemented fairly across the board can go a long way toward securing the beef market in the U.S. for many years to come.

So with that, I appreciate the chairman very much for your continued attention in this matter. And we all recognize that some form of a National Animal Identification System is on the horizon. I am pleased to see that USDA is here to testify today about their progress on this issue, and I hope that the outcome of the identification system in the end is one that works for all parties involved. I look forward to hearing from the witnesses and to working with you, Mr. Chairman, in ensuring that this committee and its members are well informed as we proceed down this new path of considering a National Animal Identification System.

And with that, I yield back the balance of my time.

Mr. HAYES. I thank the gentleman for his comments and would suggest that anyone who has an opening statement certainly submit it for the record. I know Mr. Peterson has a time constraint. Would you like to make a couple comments, Collin, before we get started?

OPENING STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. PETERSON. Well, yes, thank you, Mr. Chairman. Thank you for calling this hearing and your leadership.

I just wanted to associate myself with Mr. Ross and I appreciate the Department moving on this and expediting it, but I still have some concerns that we may not be moving quick enough. And I am not sure that this voluntary approach is going to get us to where we need to be. Clearly, we have a problem with BSE, and hopefully we won't find any more animals, but we might.

But I am more concerned about the potential of getting foot-and-mouth disease into one of our major livestock distribution centers.

We have got these countries now that have stopped us exporting. If we get foot-and-mouth, I don't know how many countries around the world we don't allow them to import into this country because of foot-and-mouth. And if that gets around the country it is really going to be devastating. And I don't see how a voluntary system that is going to be pieced together is going to solve that problem. If somehow or another the terrorists get foot-and-mouth in here or we get it in Joplin, Missouri where they tell me these cattle can be within 24 hours in every part of the country. I don't think we have got a system in place to deal with that. And I have concerns that this voluntary system is not going to get us there quick enough. I understand the problems with the mandatory part of it, but if that ever happens, we have got big problems. And I just hope whatever we come up with, we get it implemented sooner rather than later in case anything like this ever happens. One of the things I would like to know from the witnesses is if something like that did happen, how soon could we deal with it.

Thank you, Mr. Chairman.

Mr. HAYES. Thank you.

The gentleman, Mr. Boswell.

Mr. BOSWELL. Just very short, Mr. Chairman. I would like to hear your comments you might make about the Osborne bill as you go through your comments. Thank you.

Mr. HAYES. Ladies and gentlemen, the first two witnesses at the table are Dr. John Clifford, Deputy Administrator for Veterinary Services at the Animal and Plant Health Inspection Service at the U.S. Department of Agriculture in Washington. He is accompanied by Mr. Hammerschmidt, Coordinator of the National Animal Identification System at the Animal and Plant Health Inspection Service, USDA in Washington.

Dr. Clifford, please begin when ready, and thank you both.

**STATEMENT OF JOHN CLIFFORD, DEPUTY ADMINISTRATOR,
VETERINARY SERVICES, ANIMAL AND PLANT HEALTH INSPECTION SERVICE, U.S. DEPARTMENT OF AGRICULTURE**

Dr. CLIFFORD. Thank you, Mr. Chairman and members of the committee, and thank you for the opportunity to participate in this hearing on animal identification. On April 27, Secretary Veneman announced the transfer of \$18.8 million from USDA's Commodity Credit Corporation to provide initial funding needed to begin development and deployment of the National Animal Identification System. Plus, the President's fiscal year 2005 budget includes another \$33 million for these efforts. Once fully operational, the NAIS will help the USDA and our State and industry partners quickly identify all animals and premises that have had direct contact with a foreign animal disease or disease of concern within 48 hours after discovery.

USDA believes this goal can best be achieved by focusing on the following objectives. (1) We do not want to burden producers with multiple identification numbers, processes, or requirements. What we, together with our industry and State partners, have envisioned is very simple. A system where every premise has a unique seven-character identifier and every animal needing to be identified individually would have a 15-character number.

(2) There is no one-size-fits-all technology. Producers will be able to utilize technology that works best for them.

(3) The NAIS should be built upon a national data standard to ensure that the uniform systems evolve.

(4) The architecture for the system should be created without unduly increasing the role and the size of Government. The identification of premises and animals, while requiring significant resources, is a fundamental and straightforward objective. However, collecting and reporting animal movement information to establish a travel record of each animal's life is an enormous undertaking, requiring significant development and testing and substantial infrastructure.

We are only at the beginning of what will surely be a lengthy process. U.S. cattle population is our first priority, although the system will eventually focus on all livestock within the represented industries. Clearly, the development of a system of this kind of scope and complexity requiring a substantial investment on the part of both the public and private sectors needs to be developed with ample opportunity for input by those affected.

In addition, there are ongoing dialog with industry and States on this subject. On July 9, we published an advanced notice of proposed rulemaking that, among other things, solicits comments on when and under what circumstances the national system should move from what is now a voluntary system to one that is mandatory and which species should be covered.

USDA's priority in 2004 is to establish the Premises Identification System. Starting next month, States and tribes on a limited basis can begin registering locations where livestock are held, sold, or commingled using an interim standardized premises registration system provided by APHIS or systems developed by themselves or others that meet the national data standards. APHIS is taking advantage of work done under an agency cooperative agreement by the Wisconsin Livestock Identification Consortium, which was identified by an independent contractor as a premises registration system that met the established data standards and offered the necessary computing needs at the national level. We are also evaluating other systems that states or third parties have developed to ensure their compliance with the national data standards.

APHIS will provide close to \$12 million to States and tribes through cooperative agreements this year to help them implement premises identification. As mentioned earlier, the President's 2005 budget calls for \$33 million in funding for animal ID, and a portion of this money would go toward establishing additional cooperative agreements to assist States and tribes that don't receive funding this year.

USDA is also gearing up for substantial education and outreach campaign aimed at producers. In 2005 and 2006, USDA plans on further developing the animal ID system so that it provides efficient collection of animal movement data. As States and tribes gain experience, USDA will integrate those approaches that are most successful into the broader system.

USDA is aware of producers' concerns about the confidentiality of information collected in the animal ID system and is taking them very seriously as we explore the most effective means for collecting animal identification information.

We look forward to working with and hearing from the Nation's producers, industry, animal health officials, State governments, and Congress to successfully achieve a national identification system. And we also want to thank you, Chairman Hayes, and your entire subcommittee for all of your efforts to advance this vital initiative for agriculture. I would be pleased now to take any questions you might have.

[The prepared statement of Dr. Clifford appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, Dr. Clifford. And I think we will go ahead and let—Dr. Hammerschmidt, would you like to have a word before we begin?

Mr. HAMMERSCHMIDT. No, it is not necessary.

Mr. HAYES. All right. Again, thank you for coming. And just to the questions, then. I want to be sure that we fully develop as others ask questions your feelings about the status of USDA's attitude towards the whole process. We are still open. The USDA is going to tell us what they need for their area of responsibility, and we are still encouraging producers, technology providers, and others to help provide the expertise to create a system that works. And did I characterize what I heard you say correctly? Did I put any words in your mouth?

Dr. CLIFFORD. No, sir. And that is correct. We are very open to ideals and others from the industry. And I think from APHIS' standpoint, we take pride in working with the industry and our stakeholders in our disease eradication programs as well as animal identification.

Mr. HAYES. Thank you, sir.

Moving to questions now, Mr. Peterson is recognized.

Mr. PETERSON. Thank you, Mr. Chairman.

This freedom of information question, I have introduced a bill that would exempt this process from the freedom of information. Have you looked at that bill?

Dr. CLIFFORD. Yes, sir, we have seen that bill.

Mr. PETERSON. Do you think it is necessary or not?

Dr. CLIFFORD. Sir, we have seen all of the legislation and commend the Members for that. The Department, at this time, does not have a position on any of the legislation currently.

Mr. HAYES. He is legislatively neutral.

Mr. PETERSON. So in other words, you don't think you need it, apparently?

Dr. CLIFFORD. I didn't say that, sir.

Mr. PETERSON. All right. If this is a voluntary system, I don't quite understand how we can say that we are going to find any kind of disease problem in 48 hours. Aren't there going to be a lot of folks that aren't in the system if it is voluntary?

Dr. CLIFFORD. Well, I think it is important to note, also, that we are not without identification systems in the United States. All of our disease eradication systems are built on an identification component. But the concerns that we have oftentimes, though, is some of the diseases are nearing their end of eradication, like brucellosis, for example, where vaccination is no longer done in most of the country. That is because the disease has been eradicated in most of the U.S., so we are losing those identification systems. And also,

there are requirements within those for record keeping in markets and by people that deal in cattle movements or other livestock movements.

The important point to note, though, is a lot of those are manual type systems. We need a system that we can do that within 48 hours, not taking longer time. It is necessary to be able to do that, because time is money with regard to the eradication of disease, especially a disease like foot-and-mouth disease that can move very rapidly. So our ability to get on top of that very quickly and to identify those animals very quickly is extremely important.

But at the same time, a voluntary system we feel is necessary to begin with in this country in order to build the foundation and make sure that the foundation is sound for that system to follow in the future.

Mr. PETERSON. Well, I understand that. I serve on the Intelligence Committee, and we just had the report released today by the 9/11 Commission, which is making recommendations 3 years after we had a tremendous catastrophe in this country, and we probably aren't going to get anything done with it until next year. My concern is with this approach is that we could end up in this kind of a situation in the animal agriculture industry. If we have a foot-and-mouth breakout, then everybody is going to be clamoring to figure out what went wrong and clamoring to do a mandatory system. We are going to have a similar kind of a situation that we have been dealing with in the Intelligence Committee. And that is my concern. I understand why you are doing what you are doing and we appreciate you coming up and briefing us and all of that sort of thing. But I still think if somehow or another we get a foot-and-mouth problem here and it spreads to any extent, you are going to be put in a crisis situation, and we are all going to be sitting around saying, "I wish we would have done this and gotten prepared for it ahead of time." That is my concern. And I don't know if you have that same concern.

Dr. CLIFFORD. Well, I would just also like to state, as previously mentioned in my testimony as well as by the chairman, we have gone out with an advanced notice proposed rulemaking to seek additional comment on this issue from the voluntary to mandatory system.

Mr. PETERSON. Thank you.

Mr. HAYES. I thank the gentleman.

Mr. Osborne.

Mr. OSBORNE. Thank you, gentlemen, for coming today.

And I just have one brief question. We looked at all of the technology that was available yesterday, and I was impressed by one comment, and that was that someone mentioned that ear tags, within a short time, you lose, maybe, 10 percent and almost 100 percent over 12 years or something like that. And we probably don't have a lot of cows that are around that long, but I know you are trying to be technology neutral, but if as time goes on you begin to experience a high degree of failure, are you prepared to step in and say, "This is unworkable. We are going to recommend this as opposed to that." Or are you going to try to remain technology neutral throughout the whole process?

Dr. CLIFFORD. It is our intent to remain technology neutral, and I think there is a number of species working groups throughout the U.S. that are specific to pork industry, to the sheep and goat industry, to the cattle industry, as well as other entities that are working on these issues very diligently. And I think it is important that one size won't fit all and all animals don't have to be identified. For example, animals move in lots. Poultry will move in lots. Swine will move in lots, so I think we need to allow that flexibility to allow the industry to help, guide, and direct us in the directions of things that do work for them and could be to their benefit, not just from a disease standpoint, but for their own marketing purposes.

Mr. OSBORNE. Thank you, Mr. Chairman. That is really all I wanted to ask.

Mr. HAYES. Thank you.

Mr. ROSS.

Mr. ROSS. Dr. Clifford, if I could, let us go back to this voluntary business for a minute.

After the single cow was diagnosed with BSE on December 23, 2003, we started trying to figure out all of the cows that the cow had been associated with. And it is my understanding that at some point USDA just kind of threw their hands up and gave up looking, and there were about 50 cows unaccounted for, is that correct?

Dr. CLIFFORD. I don't remember the exact number, sir, but there was a certain number that were unaccounted for that, although statistically a number of those animals would have already had extended, their life expectancy would have already been passed as well. So the actual number would have been relatively small.

Mr. ROSS. But you will agree there was somewhere in the neighborhood of 50 cows that were unaccounted for?

Dr. CLIFFORD. I don't remember the exact number, but there was a certain number of head that were unaccounted for, yes.

Mr. ROSS. OK. And those cows could be dead or they could be walking around with BSE today. They could be in the slaughterhouse today with BSE. We don't know.

Dr. CLIFFORD. We don't know the location of those cows that were unaccounted for, but at the same time, the likelihood many of those would have been past their extended lifetime based upon the average age in which an animal lives in the U.S.

Mr. ROSS. In the unlikelihood that they were still living, walking, and breathing either in a pasture or a sale barn or waiting in line at a slaughterhouse, if we had mandatory national animal ID, we would have been able to find them, correct?

Dr. CLIFFORD. You would probably have been able to find some of those based upon that type of a system, and it didn't mean you would be able to identify 100 percent of them.

Mr. ROSS. And why is that?

Dr. CLIFFORD. Well, animals, even under a mandatory system, you are not necessary going to have 100 percent compliance, and animals also lose identification. While we want to approach that in any type of system, even under a voluntary system, that doesn't mean that you would have 100 percent, every single animal maintaining their ID. Animals will lose some ID. ID devices come out of ears, depending upon the type of device that is used.

Mr. ROSS. I think you may be making my point for me. If we know we won't have 100 percent with mandatory animal ID, what percentage would you care to guess that we would have with the voluntary animal ID program?

Dr. CLIFFORD. I wouldn't care to guess on a percentage, but I think it is important to note that a voluntary system that we do need to develop a foundation for any system before we would move to a mandatory type approach.

Mr. ROSS. My concern about a voluntary approach is if we have a massive breakout of BSE or if we have just one case of foot-and-mouth and I am convinced that that will pretty much be the end of the beef industry in America as we know it today, if we are able to tell our export markets, "Well, we have got a voluntary program, and we are not sure exactly what percentage is participating in it, but we are pretty sure that all of the animals that are diseased are part of the voluntary program, so continue to take our exports." I don't think they are going to buy that, Dr. Clifford. I think they are going to want a mandatory program where we can clearly identify all of the animals that could very well be affected. How can we think that in any sense that a voluntary animal ID program is going to do anything to open up these 58 markets that are closed today, let alone what could happen if we had a major breakout of BSE or a breakout of foot-and-mouth?

Dr. CLIFFORD. Well, I think it is important to note, especially with issues such as BSE, and I will talk a minute about FMD and also the trade issues that you have raised, we protect public health through the removal of SRMs, and we protect animal health in this country through a remnant to remnant feed ban. The issues with regard to any type of disease eradication effort, we don't rely on 100 percent animal identification currently with our current programs that we have had in place and have been very successful. We successfully eradicated the exotic New Castle disease from California without individual identification on poultry. And many of these were in backyard areas. So we use many facets to be able to eradicate and control diseases with regard to epidemiology and surveillance. So ID is one component that is part of an overall infrastructure that is needed. And the better that system is, it sure helps any system and will help you in that eradication effort. But it is not the only component of any eradication system.

And the additional thing with regard to trade is that I know no market that is closed to the U.S. today as a result of a lack of an identification system in the U.S.

Mr. ROSS. Well, I know I am out of time, and I will follow up later in this hearing with additional questions. But again, in closing, let me just say that, you saying, "Let us make it voluntary and let us hope that all of the cows that get diseased happen to have been signed up," makes about as much sense to me as back when I was in elementary school, the Health Department came and they vaccinated all of us for small pox. They didn't say, "We are going to vaccinate those of you that we think might be exposed to small pox." I mean, that isn't how we did that, and I just don't find the logic behind how a voluntary program would work in the time of a crisis such as foot-and-mouth.

Thank you.

Mr. HAYES. I thank the gentleman.

I just might add, at this point, it sounds you may be pulled in different directions here, Dr. Clifford. It has been my observation that with the voluntary approach, we get a better system, we get better participation, we get a better value if we all do our job. And it is certainly the intention of this chairman and the committee to make sure that our committee work in the hearings and all of the other pieces of the puzzle come together to give us that end product. In my travels around and listening to folks everywhere, I don't hear any resistance to the animal ID program because it has value. On a bill on that market desire to participate in that, and again, if we turn it in on the Government, and I guess I will be looking at Mike instead of you, instead of turning it out to the marketplace then we kind of constrict ourselves, in my opinion. But if we fail to get where we need to be to protect our markets and have traceability, then we can look at other options.

Mr. Neugebauer.

Mr. NEUGEBAUER. Mr. Chairman, you gave the first part of my remarks, but I appreciate you calling this hearing, because, as you know, I am a strong advocate of letting the marketplace dictate what it needs to do in order to operate efficiently and effectively, and I believe that, particularly as it relates to animal ID, that the people in the industry are going to require traceability at the end part of the users, and that is going to filter down to the producers and the cow/calf folks. But I have always said I like the fact that we need to let the industry drive this issue and let them determine exactly what they think they need and not let the Government set the standard. I think, obviously, government always has that opportunity to step in if they don't think that industry is performing as they should, but unfortunately, a lot of times, government tends to want to step in first and get ahead of industry. And in this case, I believe that we are proceeding in the right direction.

I know that a number of States have submitted some of the cooperative agreements. One of the questions I had was will the producer industry input be involved in choosing which cooperative agreements might be funded?

Dr. CLIFFORD. The cooperative agreements, and I will see if Mr. Hammerschmidt wants to add anything, basically are being reviewed by Federal personnel as well as a State component.

Mr. HAMMERSCHMIDT. Part of the application process entailed or involved, the working groups, the species working groups provided input on target areas that they felt these cooperative agreements should target and having the applicant reflect in their application what areas needing resolved is a major part of the application process so that, in fact, we are working with projects and respond or reflect what the industry provided the input to.

Mr. NEUGEBAUER. What involvement have the stakeholders, the industry folks had in developing and making and the development of the premises ID system?

Mr. HAMMERSCHMIDT. Over the last couple of years, the USAIP group has met continuously providing direction, recommendation on the development of a national program. It certainly emphasized that the foundation system for us to be able to track animals was the establishment of a premises registration system. In that proc-

ess, different committees, in particular, the Standards subcommittee established the standards, the data standards, the data elements that would be appropriate for implementing premises registration system. Those standards are, in fact, the standards that we are building upon to implement premises registration system.

Mr. NEUGEBAUER. We had a number of vendors here yesterday that are involved in animal ID, and one of the things that I feel very passionate about is the fact that we develop a standard and let innovation take over in the marketplace. And once we have a platform that everybody agrees on, then we can talk together kind of like my Motorola cell phone talks to someone on a Sprint phone, being able to allow flexibility and innovation. And to the degree that some producers are raising ten cows and some producers have thousands of cattle, and we have got people who are in the cattle feeding industry, do you share that vision that we need to keep flexibility and make sure that we have got our uniform platform but that we have the ability to keep innovation throughout this process?

Dr. CLIFFORD. I will see if Neil wants to add anything, but absolutely. We are basically wanting to set certain data standards there and to allow the flexibility. That is why we are remaining technology neutral and allow the flexibility within the system.

Mr. HAMMERSCHMIDT. Certainly as we look at the opportunities that this brings forward in national identification program, we certainly anticipate advancement in the technology, and we certainly feel that that technology can best be implemented by letting the industry adopt and integrate that technology as they best see fit versus it being directed at the Federal level. So we agree very much.

Mr. NEUGEBAUER. And in fact, animal ID is not a new concept. Many of you folks have been doing animal ID for a long, long time. What percentage of, for example, the cattle industry, would you say, already has some implementation of an animal ID system in place?

Dr. CLIFFORD. We don't have a percentage for you, sir, at this time.

Mr. NEUGEBAUER. But it is a pretty good number, probably more than a lot of people realize.

Dr. CLIFFORD. Well, there are certain, yes, entities out there that do that for sure, but I don't have a percentage for you.

Mr. HAMMERSCHMIDT. I think certainly when we talk about taking advantage of some of the identification that exists in some of these programs, I think that ought to allow us to kick-start having some of these animals fit into the system early on.

Mr. NEUGEBAUER. Thank you, Mr. Chairman.

Mr. HAYES. Mr. Stenholm.

Mr. STENHOLM. Dr. Clifford, in your written testimony, you state that while initially the program would be voluntary, you might eventually move to a mandatory system. Would you share with us on what basis you might make a determination of when a voluntary program would need to become mandatory?

Dr. CLIFFORD. Well, I think there are a couple of points with that. One is through the AMPR, the public comment, and also through the process of cooperative agreements. And when we reach to a point nationally where we have got some uniformity and at a

point where we can maybe consider moving and built the foundation for the system to consider moving to a mandatory system. If and when we would move to a mandatory system, though, we would definitely go through rulemaking for public comment.

Mr. STENHOLM. In other words, if I think I understood what you said, take a species, take beef, for example, when the beef producers of the United States go through the various processes, look at the technologies and determine what they need in order to maintain an animal health system, once there is a consensus, maybe not unanimous, but a consensus, that might be the period of time in which a voluntary program might become mandatory?

Dr. CLIFFORD. That would be something we would consider, sir.

Mr. STENHOLM. Do you believe that it would be practical to think in terms of a voluntary system in which one of our States could opt out and maintain an animal health system?

Dr. CLIFFORD. As far as a voluntary system?

Mr. STENHOLM. Yes.

Dr. CLIFFORD. Sure, I mean, it is voluntary. They could decide not to follow that, but it is also important to note, though, that, as I had indicated earlier, we still have disease eradication and control programs that require certain types of identification for interstate movement and for trade purposes.

Mr. STENHOLM. That is true. I mean, we are talking about a very serious matter, animal health. We are talking about it not only from that which might normally be brought into the United States but the possibility of a terrorist attack. And therefore, the need of trace-back is becoming very evident, and as you say, we already have that need species by species. And that is where I guess the question, as we perceive, it seems to me that all of our industry, species by species, are really going to have to give some considerable thought to the most efficient way to trace back, for their own protection, because some of these diseases when they hit or could hit could be devastating to all of us. And therefore, anyone in the production end of this understands that now, and I have sensed that there is a tremendous willingness on the part of all industry, all species, to look at a system. But I have chosen to say kind of what I hope you are saying is that we develop this working together in a voluntary system.

Dr. CLIFFORD. Yes.

Mr. STENHOLM. But once we get that system in which a strong consensus agrees, "This is what we need. This is the most efficient way to deliver what we all say we need to protect our industry." Once we get to that point, I fail to see, at that time, how we can continue to say it is voluntary and let people opt in and out at their choice. But I guess that is what we are going to eventually get to.

Dr. CLIFFORD. Yes, sir.

Mr. HAYES. Mr. Udall.

Mr. UDALL. Thank you, Mr. Chairman. I want to thank the panel for being here today. And I do intend to yield momentarily to the ranking member, Mr. Ross, but I did want to make a comment and associate myself with the remarks of my friend from Minnesota, Mr. Peterson, and Mr. Ross of Arkansas.

It strikes me that markets that are already in place, there is a fair amount of competition over transportation costs, quality, cost

of production. And when you put a regulatory scheme in place, you are agreeing on a set of rules and a way of collaborating, if you will, within a market structure. The competition still goes on, but the rules are clearer. And if we put a system in place now, I think this is what Mr. Ross was trying to say, in which everybody was involved and was collaborating and promoting the system, there would still be plenty of opportunities to compete both on the quality and the cost of production side as well as the technology that could be brought into play. And I could make the argument that there might be even more incentives if we had a system in place to create the technologies that would lead us to the point, I think, in which Mr. Stenholm was suggesting will eventually arrive. It is my opinion it would be wiser to arrive there sooner rather than later.

With that comment, I would be happy to yield to my friend from Arkansas, Mr. Ross.

Mr. ROSS. I thank the gentleman from Colorado.

Mr. Neugebauer brought up something that I wanted to go back to. Basically, we have a voluntary program today, just, for some reason, we want to pass a law or rule or regulation saying it is voluntary. But for all practical purposes, that is what we have today is a voluntary program. And then he asked what percent of the beef industry out there is participating in today's voluntary program. And you couldn't give him a percentage. How will you be able to give this committee a percentage with another voluntary animal ID program as the results of rule, law, or legislation, or will you?

Dr. CLIFFORD. When we implement in the beginning to build this system and we start to collect data and information as animal identification information is entered into this system, we will be able to tell you how many animals and what percentage are identified in the U.S. population. I also would say, though, that our system is just beginning. I think the question was as relative to what percentage may be already implementing their own types of systems, and a lot of producers today in this country recognize the importance of animal identification and have identification systems for marketing purposes, for record keeping, and so forth. And we need to get the buy end of the industry and producers throughout the country for this new system that we are developing. And I want to continue to reiterate this. We have requirements for a national animal ID today for specific disease eradication programs, such as brucellosis and tuberculosis, pseudo rabies in swine, chronic wasting disease in deer and milk.

Mr. ROSS. In regard to the actual electronic device, if you will, to track animals, I mean this is not new technology. Wal-Mart has announced that beginning in about a year now, every vendor they do business with on every individual case box will have one of these chips. And basically when it gets from China or wherever it has come from to the shelf in downtown America, that chip is literally thrown away with the box. I mean, they have learned how to get the price of this stuff down to where it is not expensive.

My question is when you talk about the open market and letting all of the vendors, and my guess is about half the people sitting behind you all are probably folks that are either in that national ani-

mal ID business or they want to get in the national animal ID business. When it comes to Medicare, for example, we let the patient choose which doctor they go to, but we tell the doctor what their reimbursement rates are going to be. If USDA is going to help pay for this, it looks like there ought to be a set price and then let those in the industry, who can be competitive, compete for the business, provided.

And I think this is a very important point, that all of the equipment works the same way in terms of being read. I have got a bunch of mom and pop sale barns in my district, for example. And if they have got to have 20 different scanners for 20 different ear tags as they go through the chute, that is going to be very complicated and unnecessary. So I think it is important that whatever kind of system we do implement, and I am fine with having 20 different people provide it, but I think it has got to be the kind of system where one simple scanner, for example, scans all of the different ear tags that are on the market. I think that is very, very important. If we don't do that, I think we will be back here in 5, 10, 20 years revisiting the issue to try and get basically one system that works universally. It is just like computers. You can buy a computer from Gateway or Dell or Microsoft or whoever you want, but basically the software you buy out there can be loaded on all of them. I think it is important that they are all interchangeable so we don't put any burden unnecessarily on those who will have to be helping to keep track of these animals as they process through things such as stockyards and sale barns.

Do you have any thoughts on that?

Dr. CLIFFORD. Let me ask Mr. Hammerschmidt to respond to that, please.

Mr. HAMMERSCHMIDT. Certainly, the compatibility of the system, regardless of the technology used, is very critical. We certainly agree that, for practicality, efficiency, and cost-effectiveness, we have got to have some standardization. At the same time, our role, as the Federal Government, is, again, establishing the data standards, animal identification numbering systems, what pieces of information we need to successfully trace back and trace forward potentially exposed animals. We feel very strongly that the industry, through the working groups, can demonstrate and prove that they are in the best position to determine what type of compatibility standards, technology standards, again, work best in those environments.

Mr. HAYES. I thank the gentleman. And I have a couple questions.

Dr. Clifford, we talked about transparency in your opening statement in the national system. Why has the Department not requested public comments until now even though you are hoping to start allocating premise ID numbers next month, before the comment period closes?

Dr. CLIFFORD. Well, I think we are continuing to ask for public comment on the program. Through the listening sessions, we have done a number of speaking engagements throughout the country, and I think this is an ongoing process. And it is a voluntary process. We want to build the proper type of infrastructure and set the

data standards for this system, so it is a very open process that we want to have here.

Mr. HAYES. So the comment period for premise ID is still open is what I heard you say.

Dr. CLIFFORD. Well, as far as for the AMPR, the comment period will be open for 60 days.

Mr. HAYES. OK. You mentioned in your testimony that database systems must be developed. After attending the displays yesterday, it appears that the databases are developed at a very high level, an impressive level. Can USDA use these current private databases and simply set up memorandums of understanding to access the data if a disease outbreak were to occur? It seems like this would also solve some of your confidentiality problems.

Dr. CLIFFORD. I am going to let Mr. Hammerschmidt respond to the database.

Mr. HAMMERSCHMIDT. We certainly feel that to be successful in the program we want to bring forward, that those service providers are key in making the system work. They are providing service to producers that would allow us to have the information on animal location without any extra work effort of the producers and cattle feeders and market operators. So having an integrated system that allows that information to feed the National Animal Identification System and tracking system is very critical that we take advantage of those through appropriate agreements and memorandums of understanding. At the same time, USDA must ensure that we have access, that information is well integrated, readily available to support animal disease monitoring and surveillance. Certainly, by all means, we want to take advantage of that data infrastructure that these service providers add or bring forward to the system, by all means.

Mr. HAYES. I think you took my question just a little bit more complicated than it was. Number one, given the amount of data or the types of systems available, if an outbreak were to occur, which is the last thing anybody wants, given all of the data out there now, could you do a pretty effective job today tracing those animals? That is half of the question.

Mr. HAMMERSCHMIDT. Yes.

Mr. HAYES. All right. And then the other is confidentiality concerns. That would be somewhat addressed in there as well. I know USDA has selected interim premises ID system, but your testimony says the independent contractor only reviewed three systems. Don't you think it would have been beneficial to evaluate more? And why did they only evaluate systems supported by Federal funds?

Mr. HAMMERSCHMIDT. There were three systems that were evaluated that there were substantial contributions for Federal funds going into. And we had contracted with an independent contractor to evaluate those systems that have already been supported for that purpose with Federal funds, rather than bearing additional costs to look at new systems to see if they would meet our needs. And of that, the Wisconsin Livestock Identification Consortium was selected based upon that recommendation from that independent contractor.

Mr. HAYES. However, that would not preclude if there were a better idea within or without of this room. Those better idea folks could come forward with it as well?

Mr. HAMMERSCHMIDT. And it doesn't preclude States from using their systems, which we are in the process of reviewing those systems and certifying those systems for use as well.

Mr. HAYES. OK. I know my hog and poultry producers are interested in being able to identify their animals in groups or lots. Is this something USDA thinks could be accomplished for these species that move in groups?

Mr. HAMMERSCHMIDT. Yes, definitely.

Mr. HAYES. Do we have additional questions? I am going to ask you first, but I have got to get Mr. Ross off of the corner and get him on the same page with me.

Mr. PETERSON. Thank you, Mr. Chairman.

Just to follow up a little bit, I still am concerned, and we have had these discussions in my office, that this kind of approach you are taking could leave us in a situation where we might have a situation like Mr. Ross talked about and that is stuff coming in all kinds of different formats. And the cost of this system is not necessarily maintaining the database, it is getting it into the database. That is where the cost is. And I want to go back to this, but I have just spent 3 years on the Intelligence Committee dealing with this where all of these different databases that can't talk to each other and they still haven't gotten them together, because nobody was out front and said, "This is how it is going to be done." That is what I am concerned about. I mean, I understand what you are trying to get and you are going to say, "Well, you have got to give us this information," but if you guys don't lay it down at the beginning, I think, and you just allow the private industry to go off and do all of this different stuff, I just wonder what we are going to end up. So I think you have got to take control of that end of things, voluntary or mandatory, whatever it is.

Dr. CLIFFORD. I will let Mr. Hammerschmidt respond to that.

Mr. HAMMERSCHMIDT. I certainly agree in regard to the data elements, the definitions, the official description of those data elements for database purposes. It is critically important that those be standardized. And that is really the role and function of the USDA.

Mr. PETERSON. Well, everybody agrees with that, but what I am concerned about is that you standardize how it comes in.

Mr. HAMMERSCHMIDT. Well, and certainly, that is all in the cards as well, the format in which that information is transferred.

Mr. PETERSON. Well, not necessarily the format, I don't know what you would call it. But I mean, you have got all of these different things out there. If you allow all of that stuff to go forward, as Mr. Ross says, you are going to force these little sales barns to have all kinds of different readers. I mean, you have got to, kind of like what we went through with GPS or we are going through with the Europeans where they came up with a system, we came up with a system, and it caused problems with our folks that were—I think we have gone over that enough.

The other thing I wanted to ask about is the process. Apparently, you went out and audited a bunch of these systems. Have you got-

ten that information back to everybody, the results of the audits and how they stacked up and so forth?

Dr. CLIFFORD. Which particular systems are you referring to?

Mr. PETERSON. Well, as I understand it, you have gone out and looked at, like, these folks that were here yesterday and audited their different systems.

Mr. HAYES. Would the gentleman yield for a question?

Mr. PETERSON. Yes.

Mr. HAYES. I have lost track of my days, but one day, Chairman Goodlatte and I, and I am not sure who else came into this room, and there was a network of different data systems set up on the table. Not yesterday, the day before. Did you see what the chairman and I saw, because what we saw was, and the chairman was the animal. He picked up a tag all of the way around, and that was pretty impressive. Maybe we ought to turn that over to Intel folks.

Mr. PETERSON. SI International, the independent firm that did this review, has that information been given back to everybody?

Dr. CLIFFORD. Not yet, sir. We are reviewing that from a standpoint of what can and can't be released to different individuals. We will be doing that soon and be getting back to those that were involved.

Mr. PETERSON. You can't tell us when that is going to happen?

Dr. CLIFFORD. No, sir, but we hope to do that very, very soon.

Mr. PETERSON. And one other thing that I think is going to cause you problems, and this group picked this Wisconsin deal, but when people find out that this has been in Canada, that it was in Canada all of the time and it just was transferred recently to Fort Collins, you are going to have a bunch of Members out of the House and the Senate raising hell about this like they did with the Canadian beef that came across the border in New York or wherever it was. I just think you have got a political problem on your hands with this when people find out about this. I don't think people know that this was in Canada. It has been in Calgary right since the start, as I understand it.

Mr. HAMMERSCHMIDT. Certainly the company that is based out of Raleigh, NC has a data center in Calgary. As far as hosting that application, I think from a technology standpoint, systems can be housed almost anywhere in the world.

Mr. PETERSON. I understand that. Given all of the sensitivities that we have with the Canadian cattle and the BSE, I am not sure that was the greatest political move that was made.

Mr. HAMMERSCHMIDT. From a computer technology perspective, we certainly don't think it is an issue.

Mr. PETERSON. Right, and I don't disagree with that.

Dr. CLIFFORD. And the system that we are using is housed in Fort Collins now.

Mr. PETERSON. Yes, I know it has been moved.

Dr. CLIFFORD. Right.

Mr. PETERSON. Yes.

Thank you, Mr. Chairman.

Mr. HAYES. I will give you a minute and a half while Ms. Herseth is getting her questions.

Mr. ROSS. Ninety seconds. I was just wondering why I worked so hard to get here, now I know: for these 90 seconds.

Let me go to the privacy issue. I am very concerned about the issue, as my cattle farmers and ranchers are in my district. I think it is important that we be able to trace cows when we need to trace them for the purpose of trying to eradicate or stop a disease. But I strongly believe that that information should never, ever be shared under any other circumstances with anyone, other than USDA when they are trying to trace a cow to determine if other cows have been diseased. And I just want to find out what the official position of USDA is on the privacy part of this.

Dr. CLIFFORD. Well, sir, we are very concerned about the privacy issue as well, and we know the concerns out there that have been raised from producers about this issue. And we are looking at all of our options with regard to that, legislation being one of those possible options. So we are very concerned about it, and we are looking at it as well. And the information we will be asking for is minimal information with regard to our ability to do traceability of animals for disease purposes.

Mr. ROSS. So are you confident that the information will remain—

Dr. CLIFFORD. We are looking at every possibility to make sure that that information remains confidential. We are looking at every option that we have, sir.

Mr. ROSS. I think that is very important, and I would just urge USDA as they move forward with this to really address the privacy issue.

One last question, and that is if we could go back to the cost, what percent of the costs do you see USDA assisting cattle producers, in terms of subsidizing the cost of implementing this equipment, this program, or are we just hoping they will just dig in their own pocket and do it voluntary because you all suggested that they do?

Dr. CLIFFORD. Let me let Mr. Hammerschmidt respond, but I don't think we actually have necessarily a direct percentage cost. It depends upon some issues.

Mr. HAMMERSCHMIDT. Right. Again, if we look at all costs, the cost of working cattle, to tag the cattle, and things like that, the cost gets extremely huge. We are looking at USDA having the responsibility to provide funding for the infrastructure and more the cost-sharing identification devices and things like that to be on the producer side. I believe that has been provided in previous testimony. So that is kind of the cost sharing. To come up with a percentage, it would certainly depend on what is used in coming up with that cost, the total cost of the National Animal Identification System.

Mr. ROSS. So it is kind of going to be difficult once it is implemented in terms of being able to tag all of the cattle. But once they are tagged, as cows are bought and sold and as they are born and vaccinated, it would just be another step in the vaccination process in terms of tagging them at that point. But generally, just the actual cost for the tag is all I am speaking to. Do you have any idea of what percentage of the actual cost for the equipment, if you will, to tag, as I call it, would USDA pay and how much would the cattle producer or small farmer pay?

Mr. HAMMERSCHMIDT. In regard to the identification devices, at this point in time, we are looking at the producers providing the cost or covering the cost of those identification devices. That is basically the way we have arrived at the budget.

Mr. ROSS. And so what is it that you all are paying for?

Mr. HAMMERSCHMIDT. Part of the infrastructure, resources, like at the State level to the cooperative agreements. A lot of that is to develop the systems and provide resources to help collect the data and things like this. Really, in a lot of the programs, the States provide a lot of the assistance in carrying out the programs. The technology at the marketplaces and other locations where cattle and livestock are marketed, providing the technology or the equipment necessary to collect animal movement data. We need systems that will allow individual producers to report animal movement data and things like that.

Mr. ROSS. Well, let me just clarify. In terms of the cost of the equipment that the producer is going to need to sign up for this voluntary program, there is no help from USDA? The money we have been talking about, the tens of millions of dollars we have been talking about, basically, is just to cover the bureaucracy that you all are creating because of all of this?

Dr. CLIFFORD. We are covering the database type issues. And how you recover it and how you implement that system, the producer would be responsible for the individual identification device.

Mr. ROSS. Mr. Chairman, thank you for your patience.

One final follow up, and that is, for example, the sale barn that needs the scanner, the reader, and to get that data transmitted to you, who is going to pay that cost?

Dr. CLIFFORD. That can be covered through some of the cooperative agreements that we would be putting out money to through the States and these requests.

Mr. ROSS. Well, I would encourage you to really look at doing that. And I would also encourage you to go back and look at possibly trying to find an incentive to these cattle producers, especially if it is going to be voluntary. I think it is important that we provide an incentive by covering at least some of the cost for each ear tag.

Thank you, Mr. Chairman.

Mr. HAYES. Be sure and leave the light on at least when Ross is asking questions, will you?

Ms. Herseith.

Ms. HERSEITH. Thank you, Mr. Chairman.

And I do have just some initial comments. I apologize for being late, so some of my questions that I pose here at the end may be a little bit redundant, but I want to pose them, because they have been questions that some of the producers back in my State of South Dakota, have inquired about.

Sort of in conjunctions, we have had some meetings in the last couple of weeks with regard to the BSE surveillance program. And then of course, we had the hearing, as you know, earlier today with regard to Country of Origin Labeling. So there is an interrelatedness here, of course, for all of these issues. And I have heard, as I mentioned, from my constituents on this issue over the past several months, and most of them support an animal ID system in this country. And I think the consensus would be that it be vol-

untary certainly in its initial stages because of concerns about the costs and where that burden rests fairly heavily with producers and producers in South Dakota that are already concerned that they don't have a level playing field in the marketplace. So I think that it would provide some positive benefits to producers, but we need to, I think, be clear about what an animal ID system is and what it isn't.

Animal ID is not a marketing tool, unlike Country of Origin Labeling being a marketing tool, among other things, and important as it relates to other issues. I also think it is not a substitute, in my opinion, for mandatory Country of Origin Labeling for meat products in the United States. I strongly support mandatory Country of Origin Labeling for a host of reasons, reasons that are different from those which influence my support for an animal ID system of some kind. None less than the ramifications that our current trade policy will have on livestock producers in South Dakota and throughout the region their ability to distinguish their product from an increasing tide of imports.

I point this out because I don't want opponents of mandatory Country of Origin Labeling to try and muddy the water and say they are providing producers with marketing tools by supporting animal identification systems, whether that be mandatory or voluntary. Also, I don't think the animal ID system is so much a consumer information issue. That, again, I think comes down to Country of Origin Labeling.

What this is is an animal health issue. This information will help protect U.S. producers from the devastation of the introduction, either innocently or maliciously, of a dreaded animal disease in this country. We have seen from some of our European friends struggle with several horrific outbreaks of animal disease that has devastated much of their animal agriculture. In the past few years, Great Britain and mainland Europe have had to deal with the scourge of foot-and-mouth disease. The damage to our livestock industry of such an outbreak in this country would be astronomical, and certainly, for States like South Dakota, where our single largest industry is the cattle industry. So this program with an animal ID system could help mitigate that damage. I think that is clear.

We are also very familiar with the BSE issue, as I mentioned. This committee, in conjunction with the House Government Reform Committee, held a hearing on that issue last week. And a fully implemented and trustworthy animal ID program in this country would be of great benefit if that disease is ever detected in a U.S.-born cow.

While I acknowledge the potential benefits of the program, we need to make sure, as I think some of the comments and questions that have been posed are trying to get out, that any such program is structured properly. I would like producers to have considerable say in how the program is developed and operated, including small, independent producers. But USDA must be the keepers of the information. As some of the questions were getting at as it relates to the liability issues, the privacy issues, producers' operations and information about them must remain confidential, and that is jeopardized if this program is contracted out to any private entities.

Several States, including South Dakota, already have a system of identifying livestock, and that is the hot iron brand. This approach has worked well in South Dakota for over 100 years to identify livestock ownership, and I wouldn't want any national identification program to undermine that popular system. So my question is has that been part of your discussions as it relates to programs already in place, whether it be a hot iron brand, whether it be producers in a certain State or region or certain farm organizations that are currently looking at this, trying to be proactive, trying to anticipate the problems but yet are now concerned that if all of a sudden a program through USDA, voluntary or mandatory, requires them to have a certain type of technology that they are using of significant cost to them. I wish I had been able to attend the presentation yesterday, because I know that advancements in technology can certainly help us implement this system at the same time our smaller producers, especially ranchers in western South Dakota, are utilizing a system that works well for them.

Dr. CLIFFORD. I am going to let Mr. Hammerschmidt address the issue with regard to the brands.

Mr. HAMMERSCHMIDT. There has certainly been tremendous dialog on how we can build upon or take advantage of the brand states. They have got the infrastructure in place to administer the branding program. We really think the opportunity there for them to utilize the system that we are bringing forward in the National Animal Identification System might be easier there in some of those States because they have that infrastructure in place. Realizing that the brand is ownership based, what we are needing to do for animal disease surveillance and monitoring is tracking the animal based on its movement. So while there is different objectives, we are very confident that those brand states will be able to be a tremendous asset to the National Animal Identification System, by all means.

Ms. HERSETH. A follow up, even though my time has expired, one quick question, Mr. Chairman?

Mr. HAYES. You are going to go on the same list with Ross, but one more short question.

Ms. HERSETH. That being said, as I stated in my earlier comments, the input from the producers and certainly those from States that utilize the brand, the plans for USDA to formally, or informally, for that matter, take the input from producers that have the concerns, has that been discussed as well? Or how has that been implemented into your discussions thus far in developing the program?

Mr. HAMMERSCHMIDT. As we go forward, we want to continue to maintain what we refer to as species working groups, so the producers can be well represented and provide input to the steering committees and also our industry representatives. So we certainly want to maintain that infrastructure and even strengthen it to make sure that we get input and direction from the grass roots producers, by all means.

Ms. HERSETH. Thank you.

Mr. HAYES. I thank the lady for her comments.

Gentlemen, we thank you very much for your participation and look forward to your continued participation as we go forward. And do you have any other questions, Mr. Stenholm?

Mr. STENHOLM. I don't want to get on your list, Mr. Chairman.

Mr. HAYES. It is a prayer list.

We thank you all and would call the second panel to the table. While everybody is coming up, I will go ahead and introduce our next panel of witnesses. We will probably have votes at about 3 o'clock, so we will try to keep things moving along.

Our second panel will be Mr. Mark Armentrout, who is a member of the Beef Information Exchange of Alpharetta, GA; Ms. Jodi Luttrupp, coordinator of the National Farm Animal Identification and Records of Brattleboro, VT; Jim Akers, coordinator of the Southeastern Livestock Network, LLC of Lexington, KY, who is accompanied by John Stevenson, director of Kentucky Beef Network of Lexington on behalf of the Southeastern Livestock Network, LLC. And Mr. Chandler was going to introduce you and unfortunately, he is called away to other duties, but we welcome you on his behalf.

If you all are ready, Mr. Armentrout, would you please begin?

**STATEMENT OF MARK ARMENTROUT, MEMBER, BEEF
INFORMATION EXCHANGE, ALPHARETTA, GA**

Mr. ARMENTROUT. Yes, sir.

Mr. Chairman and distinguished members of the subcommittee, thank you for the opportunity to participate in this hearing on the development of the National Animal Identification System. I am Mark Armentrout, chief operating officer of AgInfoLink Global, a member of the Beef Information Exchange, also referred to as BIE. I am accompanied today by fellow founding BIE members representing MicroBeef Technologies, IMI Global, eMerge Interactive, and APEIS.

Today, I would like to outline the purpose and benefits of BIE, and industry solution that accomplishes the requirements of the National Animal Identification System and fulfills the needs of both public and private interests.

Safeguarding the health of the national livestock herd while protecting the interests of America's animal producers is vital to animal agriculture and all U.S. citizens. We recognize that by protecting the animal agriculture industry, we promote human health, provide wholesome, reliable, and secure food resources, mitigate national economic threats, and enhance the sustainable environment. Central to achieving these goals is an efficient and effective animal identification program with 48-hour trace-back capability, which protects producer and processor rights by preserving data privacy and data confidentiality on all animals in the national herd.

The critical importance of these issues is precisely why the competing companies represented here today formed the Beef Information Exchange, an industry-driven solution that advances and accelerates a private sector, self-regulated animal identification system that it satisfies both Government and industry requirements. Beef Information Exchange is a broad-based collaborative effort of leading data service providers with over 35 years experience track-

ing millions of individual animals. BIE began organizing in September 2003 to meet the need for a national trace-back system while ensuring data privacy for producers. BIE builds a bridge between the livestock industry and government's need to rapidly respond to and control an animal disease outbreak.

Working within the National Animal Identification System framework amended by comments submitted by BIE to the USAIP Steering Committee, BIE creates data-sharing standards and provides a secure technical platform to facilitate information exchange while ensuring data confidentiality and protecting the privacy of existing trading relationships. The key to the BIE solution is the data trustee infrastructure. A data trustee is a private industry role that operates as an information clearinghouse, or escrow agent, for official data. The data trustee sits between producers and government with data being pushed from a licensed network of commercial data service providers to a private sector data repository. The official data are securely stored at the data trustee location and can be accessed by State and Federal health agencies when a disease trace-back is initiated.

Through the data trustee infrastructure, health officials will be able to pull the information they need for the target animal from the data trustee on demand while the data relating to animals not involved in the investigation remain secure in the private sector system. Furthermore, data trustees enable producers and processors to receive the much-needed trace-back confirmation reports they require in the normal movement and commerce of animals.

The principle benefit to the BIE model is that private data are kept confidential until needed in an animal health investigation, helping to protect the security of private industry. BIE is inclusive by design, which allows producers to adopt and make use of technology-neutral animal identification methods and systems that best serve their operation's needs.

We have plans to expand our membership. Reaction to the BIE model from producers and processors, animal health officials, and Members of Congress has been overwhelmingly positive. Due to our existing system's infrastructure in implementation expertise, the BIE concept helps reduce the cost of implementing and operating a National Animal Identification System and produces tangible financial benefits to farmers and ranchers that can assist in offsetting the cost of the system.

Yesterday, BIE members conducted a live demonstration of the BIE system for members of the House, their staff, and USDA officials. The demonstration effectively established that competing in dissimilar database systems can be seamlessly linked and that we are currently capable of collecting, storing, and reporting the required data at the speed of commerce to meet the 48-hour trace-back objectives. We are confident that the BIE model is the most efficient, practical, and readily implementable solution for animal agriculture.

As pioneers, innovators, and leading data service providers, we understand what works when tracking individual animals. While many alternative solutions may appear to exist, our combined intellectual property, implementation expertise, and proven systems mean that BIE members are uniquely qualified to implement a pri-

vate sector solution and can do so more quickly, efficiently, and at a lower cost than alternatives, including the public sector.

Mr. Chairman and members of the subcommittee, we respectfully submit that the BIE model provides the best alternative for implementation of the NAIS and that it is ready to implement in scale immediately. BIE members are committed to a private sector animal identification system, and we look forward to working cooperatively with USDA, Congress, and all industry stakeholders in implementing the NAIS.

We thank you and look forward to answering your questions.

[The prepared statement of Mr. Armentrout appears at the conclusion of the hearing.]

Mr. HAYES. I thank the gentleman.

Ms. Luttrupp.

STATEMENT OF JODI LUTTROPP, COORDINATOR, NATIONAL FARM ANIMAL IDENTIFICATION AND RECORDS, BRATTLEBORO, VT

Ms. LUTTROPP. Thank you, Mr. Chairman and committee members. My name is Jodi Luttrupp, and I am the coordinator of the National Farm Animal Identification and Records Program.

National FAIR is an animal ID and traceability program in place and working today that incorporates radio frequency identification tags. The National FAIR program provides each animal with a unique identification number and uses electronic RFID ear tags to identify and track the animals. Similar to a Social Security number or a car's VIN number, that stays with the animal for its lifetime.

The Holstein Association USA, Inc. has worked cooperatively with USDA/APHIS Veterinary Services since 1999. Our charter, as stated in the agreement, was, "To design, develop, and demonstrate a pilot project for a national livestock identification program that will track livestock from farm-to-farm, farm-to-market, and market-to-processing unit." We have accomplished our goal. The National FAIR program has been identifying and tracing animals from birth to slaughter for several years. We have an infrastructure already in place consisting of a comprehensive database, a dedicated tag provider, and a coordinated field staff. We have the capability to start putting in place today what the U.S. Animal Identification Plan calls for implementing in 2006. National FAIR fulfills the standards outlined by the U.S. AIP.

When the animals are identified, the information is entered into the National FAIR database. Currently, there are well over 1.3 million animals in the National FAIR database. Information stored in the FAIR system includes when and where the animal was born, what locations the animal has been at, such as farms, markets, or processing plants, and what livestock the animal has been contact with, and eventually where and when the animal was slaughtered. The information on the National FAIR database allows for the tracing of animal movements from birth to slaughter in as little as a few minutes. As a part of our system, tag readers designed to read the electronic tags are already in place at several markets and processing facilities across the United States.

The National FAIR system includes a security module that enforces the "Rules of Access" for information. Currently, the State of

Michigan has adopted privacy rules that allow producers to view information regarding their premises or animals but does not allow them to view other producers' information. Those at the State government level have access to information required to perform identification and traceability during a health emergency. The security module deployed by National FAIR is a robust component capable of allowing flexibility in defining security access to the information. Furthermore, the structure of the National FAIR database is a dynamic and flexible system compatible with many herd management software programs and allows for the inclusion of new technologies as they become available.

It is critical to understand that the National FAIR program was developed by producers for producers. The National FAIR program is a part of the Holstein Association, which has 35,000 member-producers throughout the United States. Those producers govern the Association, and only adopt policies and procedures that work in the fields and are beneficial to the consuming public. Those same producers have, through our Association, invested over \$2 million in the development of this program.

It is our belief that animal identification for production animal agriculture in this country needs to be mandatory. Additionally, it can not be technology neutral. The RFID technology employed by the National FAIR is the most accurate, efficient, and cost-effective form of animal ID used in the world today and will likely be for many years in the future. Without a mandatory animal ID program in this country, we will continue to be denied market access to certain countries throughout the world.

Producers will resist if the Government controls an individual animal identification system in the United States; therefore, it is important that a producer-supported and driven program be responsible for animal traceability. The Holstein Association has been identifying animals in this country for 119 years and is recognized throughout the world as a leader in animal identification.

This country's animal agriculture producers, including our 35,000 members, are at risk today with the threats of additional cases of BSE in this country and the threat of foot-and-mouth disease. Although the National FAIR program will not prevent any diseases from occurring, it will allow for immediate isolation and tracking of animals.

The National FAIR program is ready today to meet the standards for a mandatory, national ID system in the United States. We urge your support of this important initiative.

Thank you very much, Mr. Chairman and committee members.

[The prepared statement of Ms. Luttrupp appears at the conclusion of the hearing.]

Mr. HAYES. Thank you for your comments.

Mr. Akers.

STATEMENT OF JIM AKERS, COORDINATOR, SOUTHEASTERN LIVESTOCK NETWORK, LLC, LEXINGTON, KY

Mr. AKERS. Thank you, Mr. Chairman and committee members. We appreciate the opportunity to address you today.

John Stevenson and myself represent the Kentucky Beef Network and the Southeastern Livestock Network. The Southeastern

Livestock Network is a partnership formed between cattlemen's organizations in 10 States across the Southeast, State animal health officials, marketing organizations, and land grant extension services throughout that region.

We are no more excited about the prospect of entering into the most far-reaching effort to regulate livestock production in history than the producers are. However, an increasing number of us and them realize the value and inevitability of a national animal ID system.

Animal agriculture, and specifically the beef industry, is unique from so many other farming enterprises in that it operates without a safety net of subsidization and depends solely on market forces for its livelihood. This fact has created a fierce independence that ensures product differentiation and a demand-driven pricing structure. There is no question that integrated, more controlled production and marketing systems will easily attain compliance, as they typically, as a part of their business structure, have much more traceability than is required in the National Animal Identification System.

So where is the challenge? I think the challenge is in our local sale barn or auction market and on the independent small, family-owned farm. We have to focus our energies on those challenges, not on the simple pieces of this undertaking.

It has been suggested by some in public forum that the beef industry should explore more efficient business models for our industry, like the pork and poultry industries have. Mr. Chairman and members, I think the family farm has experienced about all that we can take, and we are not willing to concede that to achieve national animal identification. The family farm is too important socially and economically to let this happen.

In Kentucky, we have invested heavily and wisely in helping farmers transition from tobacco to livestock production, and livestock production remains their only mainstream alternative to stay on the family farm. Our auction marketing system is extremely important to maintaining that structure.

The Southeastern Livestock Network has identified seven important functions that they would provide and focus their energy on. Bring everyone at the table that is impacted by the implementation of National Animal Identification System and attempt to avoid those unintended consequences that often occur when one segment implements a program. Identify the useful technologies that you saw across the hall yesterday and bring those useful technologies to the everyday producer and markets that do not have the ability or the volume to enter that room and assess those technologies or equitably make their own deal.

Create linkages in the industry that provide data-sharing capabilities to help create that value that would drive the system. In order to do that, there must be independent bodies to ensure that uniformity across regions and cooperation between these types of groups. We recognize that we have to work closely with the State animal health officials that, in our opinion, should be the cornerstone of national animal ID. It should be their responsibility to ensure that systems in operation do meet the compliance standards of NAIS.

(3) We need to provide an inexpensive platform for the integration of existing systems at work in our markets, on farms, and in our processing facilities to start the process and implement NAIS. The confidentiality concerns are the number one concern regardless of which segment of this undertaking you talk with. The concept that we have discussed and proposed to you is one that would allow the data to remain in the ownership of the private producer until that information was needed to answer a question relative to disease traceability.

Finally, to communicate the needs of Federal funding and provide structure to efficiently put that funding to work. Without question, the number one priority needs to be the implementation of the premise ID system and supporting our State animal health officials in getting that implementation underway and behind us. Those State animal health officials certainly need support for the surveillance and compliance activities that we feel should be their role. The data collection infrastructure that will be required in our marketing system will require Federal support as well as the education and communication needs of our markets and our producers.

In closing, we strongly support the role of USDA and APHIS in providing compliance analysis, surveillance, and oversight of this system. We feel it inevitable and necessary to work with them to establish realistic benchmarks and timelines to assess the performance of this system.

Mr. Chairman, the factor that will define the success or failure of NAIS is the level of producer buy-in and participation. I think we all know that. By allowing producers to participate in ownership of the system and maintain a level of control, I think we can achieve that objective. Thank you.

[The prepared statement of Mr. Akers appears at the conclusion of the hearing.]

Mr. HAYES. I thank the gentleman for his comments.

Mr. Ross, while you were out of the room, we may have found somebody that, at least temporarily, is on your side.

Mr. Stevenson.

Mr. STEVENSON. I have no comments at this time.

Mr. HAYES. All right.

Again, I thank the panel. And a question that I want you to think about, you don't have to answer it know, if we don't ask you a question that you want to answer when we get through, that is going to be any questions that we didn't ask you.

The gentleman from Arkansas, Mr. Ross.

Mr. ROSS. Let me start with Mr. Akers, if I may.

What do you see as the biggest difference between your position, the producers, the cattle farmers' position, and that of the USDA? I mean, what is the biggest obstacle we have got to try and implement this in as smooth a way as possible.

Mr. AKERS. Well, I think there are a couple, excuse me, basic differences. Number one, where we appear to be heading with USDA is that all of this information residing in a national repository as opposed to connected, communicative databases out in the industry. That is one major difference. Second, it appears that many of the resources that have been requested to this point and appear to be coming in the future continue to focus on the upper end of this

system, the databases, on a national level as opposed to where the real challenges are that I outlined in the data collection mechanism out in the country.

Mr. ROSS. Let me, if I might, just briefly go to Ms. Luttropp.

In your testimony, you indicated that, like I, you believe it needs to be mandatory. Can you expand on that any? I mean, this is the big debate voluntary versus mandatory, one technology versus multiple technologies. And for the life of me, I can't understand why anybody would want to have multiple technologies just to simply complicate life. Again, it goes back to when you go to the store to buy a VCR tape or a DVD tape or a software program for your computer and when you get home, they are going to work. It is universal. And I think it is very important that we have that. And is there anything else you could add to your testimony to try and help me convince some of these folks who don't see it our way?

Ms. LUTTROPP. Keep in mind I am speaking on behalf of the Holstein Association, which is a producer organization of 35,000 farmers out in the countryside, that believes this needs to be a mandatory system. I need to have my car inspected in the State of New Hampshire in order to drive it on the roads. My family farm in Wisconsin has to have their dairy operation inspected once a year to ship milk. There are just ways and regulations of doing business.

Mr. ROSS. You mean they don't tell you that those things are voluntary?

Ms. LUTTROPP. No, sir. No, sir. And I think we need everybody's participation in this to have an effective system that can accurately trace back in 48 hours. We need everybody's involvement. We have also had experience in a mandatory system in the State of Michigan. Northeastern Michigan, where they are attempting to eradicate tuberculosis, we administered that system there, and it is mandatory radio frequency ID tags in northeastern Michigan, and the system works. And there was no major upheaval from the producers. They needed that verification in order to have markets for their cattle. And I think that is the situation we are faced with today. We are still in a crisis in the bovine business. Yes, some of the media hysteria has died down, but we are still not able to ship meats, genetics around the globe, and every day that goes by that those markets are denied, it is harder and harder to get them back.

Mr. ROSS. Ms. Luttropp I am glad you are here today. Thank you for expanding on that.

And Mr. Chairman, this will probably come as a surprise to you, but I yield back what appears to be the balance of my time.

Mr. HAYES. I thank the gentleman.

We will get another shot at Ms. Luttropp, who is really on my side, but she just hasn't had it presented to her in the proper way. If I might take a moment, she has a group of folks who are on the program, so it makes really good sense for her for everybody else to come along and be a part of the benefits that she has realized. I am hearing that our other folks have realized the same thing, and they are anxious to take part in the benefits as well. The question then becomes do you take the wisdom of the market and the marketplace and come up with a system or do you bring it to Washington and reduce it down to its worst common denominator to do it? So as I told you, she is on my side.

Ms. Herseth.

Ms. HERSETH. Thank you, Mr. Chairman.

A question for Mr. Armentrout and Ms. Luttrupp. The USDA has been out to audit your systems?

Mr. ARMENTROUT. No, they have not.

Ms. LUTTROPP. They have at ours.

Ms. HERSETH. And for yours, I guess, they haven't been out as they indicated, but they are going to schedule an audit at any time of your system?

Mr. ARMENTROUT. They are welcome to come any time they want to do it. We have demonstrated the system, but these were all privately financed and developed by the owners of these companies, the systems.

Ms. HERSETH. And Ms. Luttrupp, when was the audit conducted by USDA of their system?

Ms. LUTTROPP. The audit was conducted in late May.

Ms. HERSETH. And you have heard back from USDA about their conclusions, thoughts?

Ms. LUTTROPP. Up until this moment, we have heard that they have selected other systems for interim solutions regarding premises ID.

Ms. HERSETH. But you haven't received any feedback from USDA at all with regard to the audit?

Ms. LUTTROPP. We have not, ma'am.

Ms. HERSETH. I think that is all I have at this time.

Mr. HAYES. I thank the gentlelady.

David, would you like to question?

Mr. SCOTT. I would like to.

Mr. Akers represents the cattlemen from Georgia, is that right? What differentiates the Southeastern Livestock Network from any other private company offering data services?

Mr. AKERS. Well, I think there is a clear differentiation in what the Southeastern Livestock Network is attempting to do for the members of the organizations and the average producers in that it attempts to go out into that technology marketplace that you all saw yesterday and sort through that multitude of choices that are out there and find those best pieces and use the collective volume of those small producers scattered all over the Southeast and put those solutions into a package that can be utilized by those producers cost effectively. There certainly is no effort by that southeastern group to force anyone to use their services, but they feel there is a responsibility to attempt to do that for those independent small producers and markets.

Mr. SCOTT. And can you explain the interaction of commodity organizations, like extension, State government, and other partners?

Mr. AKERS. Well, as I said in my testimony, we feel like it is important to have everyone at the table on something that is as historic as the decisions that will be made in national animal ID. I don't think anybody disagrees that the extension service is going to experience a considerable need for educational programs that are going to have to be delivered to bring our producers along. The State animal health officials certainly have a huge responsibility that resides within their office, and many of them have not been involved in the national discussions at this point. But we have cho-

sen to bring the markets and those producer organizations to the table already and start to talk, not argue, about whether we are going to do this, but start to talk about how we are going to do this. And I think that is a very, very important function of that organization.

Mr. SCOTT. All right. I think you made the assertion that a more loosely structured ID device distribution system would yield more useful data over the long run. Could you expand on that, explain that?

Mr. AKERS. Yes, sir, I would be glad to.

I think this goes to a little bit of the discussion we have had today of the voluntary versus mandatory. I think what we have tried to espouse is that what we better be focusing on is soliciting the buy-in and support and the participation of our producers. It is our concern that if we expend our effort to create a completely watertight, perfect system on paper and march out of Washington with it, that everybody is going to run from it, nobody is going to use it, and those that do may well not provide wholly accurate information to that system because of their concerns. But if we work on creating a system that has value to the producer, we allow them to come to that system because of that value, and we expend our energies in making that simple, effective, and in the long run, we would have provided a much more accurate and a much larger pool of data to answer questions about disease surveillance.

Our organization, as well as the others around the country that hold those thoughts, certainly understand that part of that deal has to be that the system must meet the stated objective for disease traceability. There is no question and no argument about that.

Mr. SCOTT. But are you not proposing to shut out other private industry providers out of a large region of the country?

Mr. AKERS. Certainly not, sir, and this is a large region. You are looking at roughly 25 percent of the people and 20 percent of the cattle in the beef industry alone. As I said before, we have never proposed that that be the only offering in that region. Certainly, there are entities, markets, and producers within the southeastern region within our own State that probably will choose the services of other companies, whether that be because it better fits their business model or business arrangements already in place. We are not particularly concerned about those bigger folks that can make those deals on their own. It is folks like my family and many of your families that are sitting back home and don't have the ability to walk into that room that you saw yesterday and analyze that or the volume to be able to equitably purchase those services.

Mr. SCOTT. Well, Mr. Akers, you are certainly knowledgeable and you equip yourself very well before this committee. I certainly commend you. If I may conclude with one point. Just to go back to the Southeastern Livestock Network, just to finally wrap up my questioning with you, could you give us a snapshot of what the Southeastern Livestock Network's approach would like in a typical livestock market from the perspective of the producer and then from the perspective of the market operator?

Mr. AKERS. OK. The work that we have done in Kentucky and in other locations around the Southeast has focused on the attempt to make this as transparent as possible. It is our contention that

all of the data necessary to satisfy national animal ID is collected in the context of our marketing system already at some point. Our challenge is to incorporate premise ID and unique animal ID into those data collection systems and pull the very limited, appropriate, required information out of those systems on the other end, protect them, and provide access to them to those appropriately requiring that access.

We have done demonstration sales around the region, and we have chosen RFID electronic ID technology, putting those scanners at the location where that commerce that we want to track takes place, and that is that auction ring. We have developed, working with private industry companies, very accurate systems of recording those animal IDs as those animals move through the auction arena, assigning those numbers into the record keeping system there at those markets that day, and then facilitate in pulling that information out at the end.

What does the producer see? Nothing, I hope. I don't want that experience of him coming to that free commerce location to be any different than it was before this. He knows that he is participating in national animal ID and he has to be able to do that willingly. But in terms of the technology creating a burden or a slowdown in that market, we can't have it, and I don't think we have to.

For the market operator, we have got to spend time working on this, but the technology does exist and improves every day to allow that fluidity of data collection to take place in the context of the way they already do business. It doesn't have to be a separate function. It doesn't have to be a different system operating. I think it can all work together.

Mr. SCOTT. Thank you very much. Thank you for your generosity, Mr. Chairman.

Mr. HAYES. Thank you, sir.

Mr. Stenholm, do you have additional questions?

Mr. STENHOLM. Thank you, Mr. Chairman.

Carrying on with the last thought, Mr. Akers, and the old saying, "Let us not get the cart before the horse." But I have heard you say now quite eloquently as you have described the process, and could you all kind of speculate with me or based on your best information what we are talking about in cost per animal? And then give me your best shot as to how that cost should be shared. What part should the Federal Government, and perhaps State government, the producers, the livestock auction, processors, all of those that will benefit from this program, have you given any thought to how that cost might be shared? First off, what are we talking about? And then how would we share it? Do you have any thoughts on that?

Mr. AKERS. I think that is a very fair question, sir, and I appreciate the accusation of eloquence. I don't think I have ever had that before.

Mr. STENHOLM. Don't let it go to your head.

Mr. AKERS. Don't worry. I typically get told that folks can't understand what I say because of the accent.

We have spent quite a bit of time looking specifically at the southeastern region, OK, and we feel like that is the region that is the most challenging because of the dramatic concentration of

small producers. We feel like the needs are very different when you look at the brand states and the infrastructure that is already in place in those locations. We have put numbers on paper and looked at the number of livestock markets modeled after the Kentucky program where the markets would share in the cost of equipment just like the producers would share in the cost of the devices. It is very easy to come up with, I think, a 5-year program that we had initially put together quite some time ago that approached \$100 million. All costs. OK. Everybody's costs. Producers sharing the devices takes about half that cost out of that system. I think it is important to understand that regardless of whether we say mandatory or we want to talk about voluntary, in order to get this job done, somebody is going to have to put that infrastructure in place in those markets.

This is not going to happen on its own. I think everybody recognizes the need to talk about a voluntary program, because it is going to take a long time to do this regardless of what we say today. And we feel like that Washington needs to be looking at paying for that infrastructure either in a cost-shared program or wholly, depending on how rapidly this needs to be pushed.

I don't see a lot of resistance in the countryside to producers sharing in the cost of the devices, as long as they have got some control of the information that results from those devices. We also feel like, and I outlined there, that there is going to be a tremendous need for ground level education and communications in these markets and to these producer groups. And as always, education and communication requires funding. It is not as expensive as infrastructure, but it does require some funding.

Mr. STENHOLM. On that \$100 million cost in your area, let us put that on a per animal unit. Are we talking cattle? Are we talking horses and cattle? What are we talking about?

Mr. AKERS. When we sit down, and this has been quite some time ago and put together that 5-year approach, it basically looked at developing the infrastructure surrounding the need to do this for the cattle industry, but building it in a manner that other livestock species could certainly come on board without a lot of adjustment or tweaking to that system, if you will. The 5-year plan included the major species that would come on board, and in all honesty, at that point, because of the flexibilities we are asking for in terms of producer ownership and drive behind this, there was a lot of cost-share written into that from the producer and industry side of things.

Mr. STENHOLM. Ms. Luttropp, any comments or observations on your part again on cost sharing?

Ms. LUTTROPP. From our perspective, we are looking for Government assistance in the development of the database systems used on the State and Federal level. We also hope that our Government can assist in establishing the reader infrastructure in the markets and processing plants and installing those electronic readers and getting them set up and really those readers there, once installed, our experience has been that there isn't a lot of labor involved on top of that on a daily basis. The readers can do their thing untouched and deliver data to the database. I think the biggest area of cost, and Mr. Akers touched on it, is the tags. There is a place

where our producers are willing to chip in. It is in the tags. From my estimates in talking to producers, they assume around a \$5 cost per head if that is the cost of the tag, a person to go tag them and record the data. So if the producer is going to pick that up, that is probably about a \$5 per head contribution from the producers.

So to sum up, we feel that Government could help pay for the system development, the databases, the readers, and the producers are willing to cost-share on the tags.

Mr. HAYES. Thank you. I am not sure, we may have a vote coming up fairly soon, so I want you all to report back to America that we have commonality in this committee, bipartisanship. And we are all about you all.

The first question, can you explain how your approach, the system, will work to cover multiple species and, obviously, working with other species beyond cattle? Did the guy selling the ear tags for turkeys, is he still here?

Mr. ARMENTROUT. I can address that.

Mr. HAYES. Please.

Mr. ARMENTROUT. From our perspective, we currently are working with other species today. We have projects going on: swine, sheep, bison, and cattle. Some animals you identify by group or lot, some individually. Our systems work and handle those.

Mr. HAYES. No great challenge there.

Mr. Akers and Ms. Luttrupp?

Ms. LUTTROPP. If I may just add, once the data standards are established and you have a unique ID number, it doesn't matter what you attach that number to, all you have got to do is track it.

Mr. HAYES. OK.

Mr. AKERS. I certainly agree, Mr. Chairman. I think as long as you keep this about what we say it is about, it is about disease surveillance and a very limited amount of data, it is truly not an issue once that species decides, No. 1, how they are going to identify their animals, and No. 2, how they are going to record that data.

Mr. HAYES. Mr. Scott asked this question of you, Mr. Akers, so you have answered it. The others of you, what makes you think your approach stands out from the rest?

Mr. Armentrout?

Mr. ARMENTROUT. I think the approach that we have of it being a private data trustee where these disparate system, whether it is our system, their system, or whatever, is holding the data in a private repository and then when Government needs it, they can access that information. And we have the ability to go back, find cohort animals, or whatever, and enable you to do the 48-hour trace-back while keeping the data in private hands. And we did demonstrate the ability to have different systems. We have established the data-sharing standards and how that information is shared back and forth.

Mr. HAYES. Well, one of the things that was particularly impressive was the amount of information that you had available within your system, which was far greater than what USDA would need to handle traceability and that sort of thing. I wish Mr. Ross were here all of the time; he would be on my side by now.

Ms. Luttrupp?

Ms. LUTTROPP. A few key points, I think, that make us special with National FAIR. One is we are producer-driven. 35,000 producers that we answer to and tell us what we need to do to make this system work for them. Our system has been developed in cooperation with USDA/APHIS. We have received Congressional appropriation, but also, we have contributed matching in kind contribution from the Holstein Association members exceeding the amount that we have received in Federal appropriations. Finally, our experience in animal health. I mentioned the Michigan system before where we are attempting to help them eradicate tuberculosis. Our system has been proven effective and been tested in reacting to animal health concerns.

Mr. HAYES. Thank you, ma'am. And you all are doing a good job, and that is probably why they were audited because of the Federal funds.

Let us see. Again, Ms. Luttrupp, you were talking about that you were a mandatory animal ID person and that the U.S. was being denied market access because of lack of mandatory animal ID. Mr. Clifford said there were no countries. Are you aware of any that are denying us access because we don't have animal ID?

Ms. LUTTROPP. It is not the sole factor, however I believe it is a factor.

Mr. HAYES. OK. One more question for you. You have heard these folks explain how they can be technology neutral and still accomplish their goals, so talk a little bit more about your technology-specific position, which is softening.

Ms. LUTTROPP. RFID has been proven capable around the world, and we have proven it to work in our National FAIR system. If we want a system that is able to move at the speed of commerce, for example, in a processing plant. I think that is the real litmus test to systems. Mr. Ross had mentioned about having 20 different readers there to check in animals. I have major concerns that inconsistencies are going to be very expensive for those processing plants and farmers to deal with.

Mr. HAYES. Very, very good observation. And just in closing from my standpoint, and Ms. Herseth I will get back to you and don't forget the ultimate question, here is my thought, and I apologize for—this is not intended as a lecture, but just so that you have a clear-cut understanding of where I am coming from on this. If you were to say it is going to be absolutely mandatory and the Government is in charge, then all of a sudden, you are coming this way. You are closing it down instead of opening it out. If these are technologies that are out there, and they are also represented by cups around the table that you don't even see in my hand, as soon as the Government picks one, it kind of has the dampening effect of those others disappearing. Now what I hear everybody saying over and over again is that animal ID will be a very great asset to our industry and our producers as it relates to traceability, safety, marketing, and all of those kinds of things. So what I see happening is people are going to hear what you are saying because you are the producers in the industry, and they are going to see the value of this wisdom. If you go the other way and today the Government says, "Do it," then you give an inordinate amount of power to a small minority, and I think it is a minority that don't want to do

this, to slow down the process. If it is a good idea, it is something that we want to do in the best way possible and as quickly as possible, let us do it instead of waiting and hoping that this town will, number one, do it, and number two, get it right. So that is where I am coming from. We are pretty much in agreement, it is just how we get there the quickest and with the best possible approach for our folks back home.

Ms. Herseith.

Ms. HERSETH. The only comment I would add to the chairman's is that as we go about implementing this, as I think Mr. Akers has articulated so well here today on behalf of not only those smaller producers in Georgia but certainly producers of the same size of family operations in South Dakota, that we acknowledge how they are affected and that whether it is voluntary or mandatory, whether it is one technology or many, that we know that some have been doing this very adequately with a brand system or others and that we just don't discount the input of our smaller producers. Because whether it is this issue, whether it is Country of Origin Labeling or other issues that have come into play, for me, all of these come together and affect rural America and rural communities. It is not just one size of operation that is smaller versus a larger. It is much more. It has a broader impact than that, and that is why I want their input to be adequately reflected as we develop and implement the program.

Thank you.

Mr. HAYES. Back to the question. What question was not asked that you would like to answer? We are heading down the home stretch.

Mr. AKERS. Mr. Chairman, if I might.

Mr. HAYES. Please.

Mr. AKERS. I think it is important that you all understand—

Mr. HAYES. If I might interrupt you for a minute.

Mr. AKERS. Yes, sir.

Mr. HAYES. I have been hunting it for 5 minutes. You said on the first page of your statement, "Regulation that changes the very nature of that which it seeks to monitor is shortsighted and wrong." I think that was well said. Excuse me. Go ahead.

Mr. AKERS. Thank you. I wasn't going to spend time on that since it was on paper, but I appreciate you saying it out loud.

I think it is important for everybody here to understand that all of these private sector pieces that you all have viewed this week, the producer organizations that are represented here and groups, like the Southeastern group, that have attempted to pull together all of those impacted, with few exceptions, I don't think there is any entity in this room that is here to propose that they should be the system. OK. I don't propose to know what is right to do in South Dakota or Nebraska, but we have got a pretty good handle on how things are done in Kentucky and in the Southeast. I think once we have those broad parameters, we need to go back and look at how to achieve those objectives in the context of the way we do business. They have been very effective of doing that in the dairy industry. They ought to be able to continue that effort. There are pieces and parts of that that are beneficial to all of us. The things that we have done from a value-added standpoint work extremely

well in our environment, and producers are accepting of them and they participate. There are many, many others involved in this around the country, and if we focused on pulling all of that together instead of reinventing it, I think it would move us way down the road.

Thank you.

Ms. LUTTROPP. No further comment.

Mr. HAYES. She is there, I told you.

Mr. Armentrout?

Mr. ARMENTROUT. My only comment would be that when—and I agree with you, Mr. Chairman. When we bring the private sector into it and we see that these competing companies are there driving the cost of the service down, we survive because we provide solutions to our customers that work. And going back to the question who has reviewed our systems. No, USDA hasn't done it, but I have had due diligence by potential investors, and I get due diligence every day by my customers who say this either works or it doesn't, and believe me, they don't hesitate to call and tell us what they think. And we go back and change. We know what it takes to make it work in rural America.

We have the technology. We have the resources. We know how to do it. We just believe that a private sector solution answers the questions that producers have about the confidentiality and the privacy of their data as well as answering the question of how do we provide the lowest cost most immediately implementable solution to the industry.

Mr. HAYES. I see your question worked its way from the back row to the front. Any other question in the back row? Mr. Akers? Anyone else? It is like an auction. Going once, going twice.

Again, thank you all very, very much for being here. And make no mistake about it, it is the intention of this Chairman and this committee to take what the industry and the ranchers and the producers and all of the folks back home are telling us they want to have the help for their industry and move it down the field as rapidly in a common sense workable manner as we possibly can. So with that in mind, those of you who haven't signed on to our voluntary contract, I will meet you afterwards, and I am sure you are now convinced.

Thank you very, very much for being here today. We look forward to working with you on an ongoing basis. Without objection, the record of today's hearing will remain open for 10 days to receive any additional material and supplementary written responses from witnesses to any question posed by a member of the panel. This hearing of the Subcommittee on Livestock and Horticulture is adjourned. Thank you all.

[Whereupon, at 3:15 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF JOHN CLIFFORD

Mr. Chairman and members of the committee, thank you for the opportunity to participate in this hearing on animal identification. As you know, on April 27, Secretary Veneman announced the transfer of \$18.8 million from USDA's Commodity Credit Corporation (CCC) to provide initial funding needed to begin development and deployment of the National Animal Identification System (NAIS). Plus, the President's fiscal year 2005 budget includes another \$33 million for these efforts.

Once fully operational, the NAIS will help USDA and our State and industry partners quickly identify any livestock or agricultural premises exposed to a foreign animal disease so that the disease can be contained and eradicated. This will benefit producers as well as consumers.

BACKGROUND ON ANIMAL IDENTIFICATION SYSTEMS

The increasing number of animal disease outbreaks that have been reported around the globe over the past decade, and the BSE-positive cow found in Washington State last December, have intensified public interest in putting in place a national animal identification program to protect animal health. The European Union, Canada and Australia all have some type of animal identification system already in place. A strong U.S. identification system is a necessary component of our Nation's agricultural infrastructure.

Of course, animal identification is not a new concept in the United States. In the 1940's, when livestock identification was first used to indicate ownership and deter theft, the USDA's Animal and Plant Health Inspection Service (APHIS) initiated an extensive animal identification program to identify cattle vaccinated for brucellosis. The official brucellosis vaccination tag with an ear tattoo provided the U.S. with a highly successful animal identification program for cattle for many years (although it is now on its way to extinction because that program is quickly approaching its successful conclusion.) A number of other animal health programs also include an animal identification component. And, certain classes of livestock must be officially identified before entering interstate commerce. So there are multiple systems in place that all exist for different purposes, but there is no nationwide animal identification system for all animals of any given species.

Animal identification systems have merit for producers for other reasons as well, including performance recording and marketing opportunities. However, APHIS is focused on animal ID for one principal reason: to establish the animal information foundation we need to support our animal disease control, eradication, monitoring and surveillance programs. Livestock producers recognize that finding potentially sick or exposed animals early in a disease outbreak is essential to containing the disease quickly. The NAIS would allow for rapid tracing of livestock in the event of an outbreak, helping to limit the scope and expense of the outbreak and allowing us to minimize impact on domestic and foreign markets. The NAIS will also be critical as we work to complete the disease eradication programs in which we have invested many years and millions of dollars.

GOAL AND OBJECTIVES

The goal of the National Animal Identification System is to have the capability to identify all animals and premises that have had direct contact with a foreign animal disease (FAD) or disease of concern within 48 hours after discovery. USDA believes this goal can best be achieved by focusing on the following objectives:

- First, we don't want to burden producers with multiple identification numbers, processes, or requirements. What we, together with our industry and State partners, have envisioned is very simple: a system where every premise has a unique 7-character identifier. And every animal needing to be identified individually would have a 15-character number. Many producers are already asking to make a move to this numbering system from the multiple systems currently in use, so we are planning to pursue rulemaking to recognize for official use both the 7-character premises ID number and the 15-character Animal Identification Number. This will allow those who want to start the migration to do so, while not requiring it for others who may not be ready.

- Second, there is no "one size fits all" technology. It is likely that some technologies will work better for some species than for others. Rather than focus on a specific technology, the USDA will focus on the design of the identification system what information should be collected and when it should be collected. Once the identification system is designed, the market will determine which technologies will be the most appropriate to meet the needs of the system.

- Third, the NAIS should be built upon national data standards to ensure that a uniform system evolves. The system also must not preclude producers from being able to use it in coordination with production management systems that respond to market incentives.

- Fourth, the architecture for the system should be created without unduly increasing the role and the size of the government. Both public and private funding will be required for the NAIS to become fully operational. Database systems must be developed and maintained, equipment must be purchased, animals must be iden-

tified and tracked, programs must be monitored, and labor is needed for all these activities.

The identification of premises and animals, while requiring significant resources, is a fundamental and straightforward objective. However, collecting and reporting animal movement information to establish a “travel record” of each animal’s life is an enormous undertaking, requiring significant development and testing and substantial infrastructure. Because of its complexity, we plan on phasing in the NAIS to provide a timely and cost-effective program while ensuring it is functional, practical, and reliable. Initially, the program will be implemented on a voluntary basis, but we may eventually require premise and animal identification. The U.S. cattle population is our first priority, although the system will eventually focus on all livestock within the represented industries.

Clearly the development of a system of this kind of scope and complexity, requiring a substantial investment on the part of both the public and private sectors, needs to be developed with ample opportunity for input by those affected. In addition to our ongoing dialogue with industry and States on the subject, we are holding listening sessions around the country and on July 9, we published an advance notice of proposed rulemaking that, among other things, solicits comments on when and under what circumstances the NAIS should move from being voluntary to mandatory, and which species should be covered now and over the long term.

NAIS IMPLEMENTATION PLAN OVERVIEW

USDA’s priority in 2004 is to establish the Premises Identification System. Starting next month, States and Tribes on a limited bases can begin registering locations where livestock are held, sold, or commingled, using an interim standardized premises registration system provided by APHIS, or systems developed by themselves or others that meet NAIS data standards. APHIS is taking advantage of the work done under an Agency cooperative agreement by the Wisconsin Livestock Identification Consortium, which was identified by an independent contractor as a premises registration system that met the established data standards and offered the necessary computing needs at the national level. The contractor reviewed three systems supported by Federal funding. We are also evaluating other systems that states or third parties have developed to ensure their compliance with NAIS data standards.

APHIS will provide close to \$12 million to States and Tribes through cooperative agreements this year to help them implement premises identification as well as to carry out field trials or research to test and fine-tune technologies and collect animal movement data. The deadline for States and Tribes to submit applications for cooperative agreements was July 15. The evaluation of the applications will be completed quickly so that selected projects can be initiated in early August. As mentioned earlier, the President’s fiscal year 2005 budget calls for \$33 million in funding for animal identification, and a portion of this money would go toward establishing additional cooperative agreements to assist States and Tribes that don’t receive funding this year.

USDA is also gearing up for a substantial education and outreach campaign aimed toward producers. Next month, an outside contractor will be carrying out benchmark survey research to determine how much producers know about animal identification. We will develop a targeted communication plan based on the outcome of this research, focusing on the need for animal identification and explaining how interested producers can register their premises.

As mentioned earlier, Under Secretary Bill Hawks is also holding a series of 14 listening sessions around the Nation to provide public forums to discuss animal identification. Listening sessions have been held in North Carolina, Georgia, Oregon, California, and New Mexico. The next one is scheduled to take place on July 23 in Pasco, WA. We are posting comments from these sessions on our website so that interested parties can keep abreast of developments.

In 2005, USDA plans on further developing the animal identification system so that it provides efficient collection of animal movement data. Additionally, we will also continue our communication and education efforts, address regulatory needs, and work with Congress on any legislative needs.

We envision that the NAIS will continue to expand in 2006. As States and Tribes gain experience, USDA will integrate those approaches that are most successful into the broader system. We will also allow service providers and other participants to gear up their products, programs and services to meet the demands of a national program.

USDA is aware of producers’ concerns about the confidentiality of information collected in the animal identification system and is taking them very seriously as we explore the most effective means for collecting animal identification information.

Throughout the development of a national system, our goal is to be as transparent as possible so that producers understand both the responsibilities and benefits that will result. We look forward to working with and hearing from the Nation's producers, industry, animal health officials, State governments, and Congress to successfully achieve a national animal identification system. We also want to thank you, Chairman Hayes, and your entire subcommittee for all of your efforts to advance this vital initiative for agriculture. I would be pleased to respond to any questions you may have at this time.

STATEMENT OF JODI LUTTROPP

Thank you, Mr. Chairman and committee members. My name is Jodi Luttrupp and I am the coordinator of the National Farm Animal Identification and Records Program.

National FAIR is an animal ID and traceability program in place and working today, that incorporates radio frequency identification (RFID) tags. The National FAIR program provides each animal with a unique identification number, and uses electronic RFID ear tags to identify and track animals. Similar to a Social Security number or a car's vehicle identification number, the number stays with the animal for its lifetime.

The Holstein Association USA, Inc. has worked cooperatively with USDA/APHIS-VS since 1999. Our charter, as stated in the agreement, was, "To design, develop, and demonstrate a pilot project for a national livestock identification program that will track livestock from farm-to-farm, farm-to-market, and market-to-processing unit." We have accomplished our goal. The National FAIR program has been identifying and tracing animals from birth to slaughter for several years. We have an infrastructure already in place consisting of a comprehensive database, a dedicated tag provider, and a coordinated field service staff. We have the capability to start putting into place today what the U.S. Animal Identification Plan calls for implementing in 2006. National FAIR fulfills the standards outlined by the U.S. Animal Identification Program, USAIP.

When animals are identified, the information is entered into the National FAIR database. Currently, there are well over 1.3 million animals in the National FAIR database. Information stored in the FAIR system includes where and when the animal was born, what locations the animal has been at, such as farms, markets, or processing plants, what livestock the animal has had contact with, and eventually where and when the animal was slaughtered. The information on the National FAIR database allows for the tracing of an animal's movements, from birth to slaughter, in as little as a few minutes. As part of our system, tag readers designed to read electronic tags are already in place in markets and processing facilities across the United States.

The National FAIR system includes a security module that enforces the "Rules of Access" for information. Currently the State of Michigan has adopted privacy rules that allow producers to view information regarding their premises or animals, but does not allow them to view other producers' information. Those at the state government level have access to information required to perform identification and traceability during a health emergency. The security module deployed by National FAIR is a robust component capable of allowing flexibility in defining security access to information. Furthermore, the structure of the National FAIR database is dynamic and flexible, and is compatible with many current herd management software programs and allows for the inclusion of new technologies as they become available.

It is critical to understand that the National FAIR Program was developed by producers, for producers. The National FAIR Program is part of the Holstein Association USA, Inc. which has 35,000 member-producers throughout the United States. Those producers govern the Association, and only adopt policies and procedures that work in the field and are beneficial to the consuming public. Those same producers have, through our Association, invested over \$2 million in the development of the National FAIR Program.

It is our belief that animal identification for production animal agriculture in this country needs to be mandatory. Additionally, it cannot be technology neutral; the RFID technology employed by National FAIR is the most accurate, efficient, and cost effective form of animal ID used in the world today, and will likely be for many years in the future. Without a mandatory animal identification program in this country, we will continue to be denied market access to certain countries throughout the world.

Producers will resist if the government controls an individual animal identification system in the United States; therefore, it is important that a producer-supported and driven program be responsible for animal traceability. The Holstein Association USA has been identifying animals in this country for 119 years, and is recognized throughout the world as the leader in animal identification. We believe the Government's role would be in the area of providing funding for the infrastructure of a national mandatory identification program—such as database development and readers.

This country's animal agriculture producers, including our 35,000 members, are at risk today with the threats of additional cases of BSE in this country, and the threat of foot-and-mouth disease. Although the National FAIR Program will not prevent diseases from occurring, if they do show up, it will allow for immediate isolation and tracking of animals.

The National FAIR Program is ready today to meet the needs for a mandatory, national animal identification program in the United States to help protect our Nation's food supply, and minimize the risk associated with a future disease outbreak. We urge your support of this important initiative.

STATEMENT OF JIM AKERS

Chairman Hayes and members of the House Agriculture Subcommittee on Livestock and Horticulture, my name is Jim Akers and I represent the Southeastern Livestock Network, LLC, it is indeed a pleasure and an honor to have the opportunity to testify before you on the implementation of the NAIS.

A growing number of cattlemen recognize that the need to protect the Nation's cowherd from catastrophic diseases is paramount and that a system to rapidly trace animals from farm to harvest is necessary to provide this protection. I think we all reluctantly realize that some of their independence may be sacrificed in order to achieve rapid traceability of their animals.

The idea of a national database filled with the addresses and GPS coordinates for every farm and ranch with livestock combined with a database to track all animal movements is contradictory to the inherent independence in livestock producers nationwide. Fierce independence and pride are two of the characteristics that have driven cattlemen to continue in an industry that challenges their financial needs but provides a way of life that they cherish.

With the loss of tobacco income over recent years, livestock production has become the mainstay of the small family operations in our region. Many resources have been devoted to assisting family farms in making the transition from a dependence on tobacco to a more diverse production environment, centered around livestock. These small, family operations are not only an important part of the agricultural economy but more importantly an integral component in the fabric of small town America, our American culture and our ecological stability. The Southeast is becoming a more important sector of the livestock production of the United States as increasing pressure on sensitive grazing lands in the West require growth in our region to maintain national beef production.

It is our sincere hope that our efforts are not misunderstood as taking a position against the NAIS, we agree with the need. In reality we believe that the approach to animal identification we have taken is the best hope of achieving the stated objective of the NAIS and developing the key factor that will define its success over time, producers buy-in and participation. We are not a radical organization fostering the thought that regulation, in and of itself, is by definition detrimental. However, regulation that changes the very nature of that which it seeks to monitor is short sighted and wrong.

Even though mention of the Southeast may not bring to mind visions of cowboys and vast cowherds, this region of the country is a significant part of the cattle industry, which represents the largest sector of agriculture in the United States. The 10 states (Alabama, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia) represented by the Southeast Livestock Network, LLC represent roughly 25 percent of the Nation's cattle producers and 20 percent of the cowherd. While the southeastern cowherds may be small individually compared to western herds, collectively they produce almost 25 percent of the cattle in the country.

These small herds will create unique challenges for implementing the National Animal Identification System, primarily in marketing. The vast majority of cattle in the southeast are sold through auction markets, with cattle buyers playing the important role of assembling larger marketable groups for transportation. This sys-

tem of trade is extremely important to southeastern producers and must not be disrupted by the implementation of the NAIS.

History of SELN. Representatives of the marketing industry gave impetus for the initial thoughts that led to the creation of the SouthEastern Livestock Network, LLC. Kentucky is home to several of the largest cattle buying firms in the country. These order buyers purchase cattle at auction markets throughout the 10-state SELN region. As these order buyers learned more and more about the plans for a national animal identification program last year, they recognized the potential for a substantial disruption of their business if some type of uniformity in the southeast was not maintained. Since the Kentucky Beef Network had spent the previous 2 years establishing an electronic cattle management and marketing program, representatives of the largest cattle-buying firms approached the Kentucky Beef Network seeking solutions for their concerns.

Word of the investment by the Kentucky Legislature and the Kentucky Beef Network's management and marketing system had also spread to the other southeastern states. Last fall, executive officers from the southeastern cattlemen's associations initiated discussions about the uniqueness of the southeast relative to implementing the NAIS and the importance of the region working together to assure the region's special needs were met. The group believed the work already underway in Kentucky could be expanded throughout the region to address those unique needs.

Initially the dialogue was informal, as representatives from the southeast explored the common concerns and needs of the region's livestock producers. The discussions became increasingly more focused and lead to the formation of the South-Eastern Livestock Network, LLC in June. This organization is committed to assuring southeastern livestock producers benefit from the NAIS without undue burden.

FUNDAMENTAL PRINCIPLES AND POSITION OF THE SELN

Existing Technology. Over the past 10 years, technology has been developed and utilized in value added systems within the cattle industry. These systems have proven to be very functional because they were developed by producers with value and efficiency in mind. Since they are the cornerstone of marketing programs their accuracy is a necessity. The individual identification of cattle utilizing RFID technology is now widely accepted in many circles within the industry. The information management systems already exist and need only be modified to feed the appropriate information to the animal disease traceability system, as needed.

The most accurate systems of livestock traceability are the systems that operate within our markets today. These software and management systems are responsible for tracking livestock on a transactional basis and therefore have virtually no margin for error. The marketing sector of the industry will most certainly experience radical changes associated with the implementation of NAIS, we should be committed to minimizing this impact by working with them to integrate the data collection process with their existing systems. The Kentucky Beef Network has worked with market software providers to collect animal movement data within the context of the normal market operation and extract the appropriate information at the end of the day to provide a reporting function for the buyers and sellers that participate on that day. Furthermore, we have worked with private industry providers to develop a web based system of housing the resulting data that allows password protected access to those individuals for whom the data was intended.

Many of the other livestock species industries, that are much more integrated, operate with levels of traceability that exceed the requirements of the NAIS. These systems and those existing within the cattle industry should be the foundation of animal traceability. The collective experience that has been developed in the field with the considerations of livestock movement, production efficiency, well being and producer acceptance should not be shoved aside so we can spend inordinate amounts of taxpayer dollars to create yet another cumbersome and disconnected system.

Confidentiality and ownership of data. For all sectors of the livestock industry, confidentiality is the first concern. The very nature of our marketing system is based on the ability of independent business entities to operate in a manner that protects the sensitive business information that would, by necessity, be stored in such a system. The cattle business is the last bastion of free enterprise and independent family business ownership in the livestock industry. These small family operations are the backbone of the entire industry and create the product acceptance and romance that has been the hallmark of BEEF for over a century. This very important sector is at the most risk relative to confidentiality. It depends on the auction market system for survival and that system lives off of the relationships between producer, agent and buyer to fight off the threat of vertical integration that has been the death of family farms in the other livestock sectors.

Responsiveness to advances in technology. There is a long history of government systems being developed to achieve a regulatory requirement and these systems failing over time due to an inability to maintain and update them with the most advanced technologies. In our opinion, privately held systems that answer to the producer and the marketplace have a much better record of maintaining functionality because if they do not they will be replaced by someone new who will.

The implementation of NAIS will inevitably change many aspects of the livestock industry. Incorporating the necessity of animal identification into the production and marketing systems will facilitate a more rapid adoption of the necessary technologies and its use for improvements in the industry itself, while maintaining the very important structure of the industry.

Integration within existing systems. The current systems at work within the cattle industry specifically include auction market, brokerage and production management software packages that already collect more information than is necessary to meet the regulatory requirement. We should focus our resources on incorporating the animal identification number and premise id into these existing systems and then create a reporting function that will allow these very important intermediaries to provide movement reporting as a function of their normal business. Many have been advancing the thought that the collection of animal movement data should be a completely separate function from the commerce that takes place in order to insure that inappropriate information does not find its way into the regulatory channels. We strongly disagree with this philosophy since a completely separate system would require extra investment in additional data collection equipment, additional labor to operate and maintain and would most certainly slow the marketing system. The data management system created by the Southeastern Livestock Network, LLC would provide a platform for all sectors to utilize as the grassroots level of data assimilation. It is our opinion that this type of entity can continually scour the technology suppliers for the equipment and data systems that will create efficiencies and reduce the cost to producers. A common comment among producers and markets is that they don't mind reporting the movement of animals to protect the industry but they are worried about government becoming a part of their daily business functions.

Uniformity. Within this Southeastern region of the United States there are over 300 independently owned and operated livestock marketing facilities that are the foundation of the industry. These markets provide a simple and accessible marketing system for the small producer to move his/her product into the national system. These markets in turn depend on a network of brokers or order-buyers that move from one market to another and put together the livestock from multiple producers into larger more merchantable groups. Many of these buyers operate in as many as 100 different markets scattered across the region on a weekly basis. This situation defines the need for uniformity in reporting mechanisms and procedures across the states within the region. It is our concern that a cumbersome, governmentally operated system would create a scenario that could very easily establish a discount system in particular areas because of local variations in procedures or timeframes associated with data collection and reporting.

The role of the Southeastern Livestock Network, LLC has been and will continue to be one of bringing all the parties impacted by the NAIS to the table to make these important decisions together. Setting guidelines for collection of regulatory information without considering the impact of those decisions on the production or marketing sectors will create those unintended consequences that we fear. We have been successful in facilitating important conversations that have included State Animal Health Authorities, market operators, producers, data and equipment service providers, commodity organizations and educators. These conversations should continue and be the forum where implementation decisions are made since they will bring to light the concerns of each of these sectors and create a level of appreciation and understanding between the parties. This was the intent of the USAIP process and to an extent it achieved success. However, the missing element was that all regions of the country were represented in the same room and in that environment it was impossible to reach consensus for one national policy on specific issues since there are very stark regional differences that require very different solutions. A good example is the contrast between the western brand states and our Southeastern region. The brand states, in our opinion, have a good framework in place for premise identification since they deal with relatively small numbers of producers and large tracts of land that are fairly static in terms of ownership and control. In contrast the south is an ever changing patchwork of small farms with multiple operators that move livestock from tract to tract independent of land ownership. These two scenarios require very different approaches to identification of both the prem-

ises and the animals themselves. These situations can only be dealt with in an appropriate manner when those decisions are made at the local or regional level.

Working Cooperatively. Historically, because of the small size of the production units and the independent nature of the producers themselves, the cost of production for livestock in the southeast has been among the highest in the country. This exists in large part due to the inherent inefficiency of input purchases on a small scale operation. Compounding this is the fact that calves out of the region typically garner the lowest bids in the marketplace due to transportation and environmental differences. Many producers have expressed a concern that NAIS will create yet another advantage for the larger western producers that already operate at distinct advantages on many other fronts.

The Southeastern Livestock Network, LLC has proposed to operate in a manner that will use the collective volume of these many small producers to provide low cost solutions for data collection and transfer. Very few of the markets or producers within the region have the volume required to go into the technology marketplace and formulate a competitive arrangement for services or equipment. However, working collectively we can provide a solution to those who wish to utilize it. We do not intend to force anyone to utilize the SELN system, if it is to their advantage to utilize other services and they can meet the regulatory requirements for reporting, then that should be their decision.

Primary role of State Animal Health Official. We have held from the very beginning that the NAIS should be a state based system. The State Animal Health official is the cornerstone of disease surveillance as it should be. Producers are much more accepting of working with their state official than with Federal authorities. The SELN has held that the state animal health official should be the gatekeeper to the data that is collected within that jurisdiction. Our concept is that the privately held data collection system would accumulate the animal movement information associated with the appropriate data and premise numbers and make this information accessible on an as needed basis in a mirrored database system that will allow quick, accurate and appropriate access to information. In this scenario, the confidentiality issue is simpler since the data would remain in the ownership of the producer until accessed by the state animal health official when it would then enter the public domain.

The state animal health official should be the key figure in insuring that the private systems operating within their jurisdiction are indeed operating in a manner that will provide the appropriate information within the parameters set forth by the NAIS.

Concerns of Integration. Another commonly held and, in our opinion, valid concern is that of NAIS providing a mechanism to force integration within the cattle and other independent livestock sectors. Without question, the use of technology and the ability to respond to changes in regulatory requirements are much easier for larger producers and even more so for corporate, integrated production systems.

The basis of the concern comes on two fronts. The first, that a member of the wholesale or retail sector of the marketing system could dictate a technology that the average, independent producer would be unable to implement or even participate in thereby forcing them to either integrate or leave the business. The second, that entities higher in the marketing system would be able to garner from the system, information that would allow them to arbitrarily differentiate product without the consent of the cow/calf producer thereby setting up a reward/discount structure that could very well put independent producers at a distinct disadvantage.

We must be diligent in our efforts to insure that NAIS is designed to meet the needs and consider the concerns of this very important sector of the agricultural economy and community.

Federal funding. We certainly support funding for USDA to complete the premise allocator and all aspects of the implementation of the premise id system through state veterinarians. Furthermore, it is understood that USDA should play the key role in administration, oversight and compliance surveillance relative to the entire NAIS.

The budget numbers that have been put before you by the USAIP Steering Committee are in our opinion real numbers that will be required to achieve the objective. However, the priorities outlined for those funds are in our opinion misaligned. The focus to this point has been on huge centralized databases and not the most important facets of the system. As we have discussed before, the data management systems required to achieve the objective already exist in private industry and although funding would be required to bring those systems to the necessary level of performance, capacity and uniformity, the sum of those funds would be far less than that required to build one single system from the ground up. The real challenge lies in working with the 800,000 plus producers, thousands of feeders, hundreds of mar-

kets and packers to coordinate the collection of this movement data without changing the nature of commerce or slowing it.

Data collection infrastructure. Regardless of the mechanism for transmitting and storing data in the animal disease surveillance system, the real challenge will come in placing the data collection systems in the marketing infrastructure. The auction marketing system, that is so important to the cattle industry, is where the smaller producers will enter the system. It is our opinion that with appropriate modifications the marketing system can provide a reporting service to both buyer and seller without an additional level of workload or complication in their system.

The rapidly developing and ever evolving RFID scanner market is moving aggressively to provide the equipment necessary to achieve this objective. The costs associated with equipping the concentration points to not only read the id devices but assimilate the identification into their software and generate a file for reporting purposes should be shared between the industry and government. We have proposed an approach modeled after the cost share system already operating in Kentucky where a 50/50 match is available to markets to make the necessary improvements, including the improvements and additions required to provide identification services within the market.

It is the position of the SELN, LLC that a program of this manner would be much more effectively delivered by a private entity than through the Animal Health authorities. The reasoning behind this position is that the ability to administrate the distribution of funding and provide the necessary technical support is more easily accomplished outside of state government. The SELN, LLC was formed to provide an organized structure, with oversight, to provide this function.

Tag Distribution. There are many issues relative to the distribution of certified animal identification devices. It is the position of the SELN, LLC that the procedures in place should facilitate easy entry into the system at the most basic levels of the production sector.

Our philosophy has been to create a system that allows easy access to devices in the existing retail marketplace and through entities such as the local veterinarian or sale barn. We have demonstrated an ability to associate these UAINs with the premise id number as the animals enter commerce. This is in stark contrast to the currently held position in the regulatory community that tag distribution should be a reportable event to the national data system.

There is tremendous resistance at the producer level to registering the tags upon distribution, and for good reason. Many producers are concerned about being able to access the tags in a timely manner as many, especially smaller producers, make marketing decisions on very short notice as a matter of everyday operation.

We fully recognize the advantages and disadvantages of both approaches. The strictly regulated system could result in the population of a data management system with large quantities of erroneous data resulting from the swapping of tags after the distribution has been recorded. It most certainly will add considerable cost to the devices themselves by creating the need for an entirely new layer of data collection equipment and infrastructure. The cost of this need is difficult to clearly define but will without question find its way to the pocketbook of the producer unless government is willing to put the necessary systems in place to achieve the objective.

The system we have proposed is certainly not as tight up front, but in our opinion will result in a larger quantity of more accurate data in the long run. We believe that this will be the result of a much higher degree of acceptance at the producer level coupled with a very accurate system of associating the animal id with the appropriate premise id at the point where everyone concedes is important, that initial entry into commerce.

We further believe that the local veterinarian is a resource that has been ignored in the discussion of implementation. This group of trained and certified individuals is the grassroots connection to the producer and should be considered as a very effective means of entry into the traceability and surveillance system. We encourage USDA to look at program develop that would subsidize the local veterinarian to not only apply devices but provide a basic level of data collection service.

We anticipate that many private industry providers will step forward to provide the services necessary to enter the system. A clear mechanism for certifying these private individuals is needed at the earliest possible stages of implementation to prevent the workload of individual animal identification from gravitating solely to the markets. If there is a prohibitive cost looming in implementation it is the cost of applying id devices for those producers, who may opt to deliver animals to the markets and rely on personnel there to provide identification services.

Education and Communication. A key objective of the SELN is to coordinate this effort across the region. Not only is it important that the information and delivery mechanisms be of the highest quality but that those materials are developed in a

manner that account for the specific needs of the region and are delivered in a manner that they will be utilized by producers. The planning of these educational and communication efforts should be carried out by the individuals that understand the specific needs of the region and the cultural and economic considerations that will drive producer acceptance. Commodity organizations and Land Grant University Extension services working with the state Departments of Agriculture should be the center of this decision making, development and delivery process.

Premise ID Systems. We fully support and recognize the appropriateness of the State Animal Health authority serving the function of complete control of the premise identification system. It is our hope that the SELN would, through its network of communication throughout the varying sectors of the industry, be able to provide insight into the implementation strategies that will move this process forward in an efficient and accurate manner. Supporting and communicating the special needs that NAIS has placed on these authorities has been and will continue to be the first objective of the SELN. The appropriate level of funding to achieve the registration of premise id within each member state in a uniform and timely manner is of utmost concern. We fully recognize that, even within this region, there are differences in the current status of premise registry capabilities. Funding should be made available to bring all states to a level of functionality that will satisfy the requirements of the NAIS. No progress can or will occur in the arena of tracking individual animals without the premise id system protecting the identity of the individuals moving animals.

A key component of the SELN plan is the ability to communicate with the premise systems in the states in order to provide the animal tracking capability to state animal health authorities. We have proven that with the appropriately protected linkages a system exists to harvest animal movement information out of the privately held data management system and cross reference it with the associated premise registry information housed in the state system and create a very effective and timely traceability chain.

Animal movement tracking. The central concept that allows this type of approach to function is that of a mirrored database structure. Within this type of system, data can be stored on one side of the mirror remaining the property of the individuals that placed the information in the system. When a query to that database comes from an individual authorized to access it, only the information necessary to answer that question would cross to the other side and then enter the public domain. The current system will allow an individual with the appropriate authority the ability to trace not only the animal in question, but other animals that it may have come in contact with as it has moved through the production, transportation, marketing and harvest sectors.

The technology provided by the BIE(Beef Information Exchange) is another important piece that will allow the private sector to choose among data service providers that best fit their needs. BIE offers a common platform that provides a highly secure connectivity between the numerous privately held systems that enables traceability of individual animals even though they may have crossed from one data collection system to another as they have moved through the process.

Cost to Producer. We support the language incorporated into the USAIP Beef Working Group report that states, "Producers should not bear the full cost of the system". We do recognize that the flexibilities being proposed by organizations like the SELN, LLC will require producers to share some of the costs. There is little resistance at the producer level to paying for the identification devices. We have gone a step further in proposing that a very nominal fee associated either with the purchase of the id device or collected to report data be utilized to fund the operation of the privately held data collection system. The SELN, LLC has not and will not ask for funding to develop software, build databases or operate either. In our opinion it would be inappropriate to ask for these flexibilities and the funding to achieve them. We have proposed that funding be allocated to the State Animal Health Authority to complete the premise id process and maintain it over time as well as to provide for the added responsibilities of compliance monitoring and surveillance that will be created by NAIS. The only Federal funding we have proposed should go to organizations like the SELN, LLC is funding necessary to carry out the education/communication components and implement the data collection infrastructure.

SUMMARY

At this point animal id is a cattle issue due to the recent incidents of disease that have heightened the move toward traceability. We recognize that any industry driven effort must be formulated in such a manner that it can be inclusive of other species and variable production and marketing systems. The beef cattle leadership in

a ten state region of the Southeastern United States has stepped forward to provide a structure for this group of states to identify, communicate and develop solutions to the specific concerns of all sectors of the industry.

The SouthEastern Livestock Network, LLC is a producer driven initiative that seeks to bring to the table all entities impacted by the implementation of the NAIS within the ten state region. Its purpose is to facilitate a dialog that will minimize the unintended negative consequences of achieving the regulatory objective. Furthermore, this organization wishes to serve as the vehicle for delivering the technical expertise, communication and education necessary to promote acceptance from all sectors of the livestock industry.

Without the acceptance of the grassroots producers no system of traceability will be able to operate with accuracy or efficiency. The very nature of this initiative satisfies many of the concerns that have limited producer willingness to participate in source verification of food animals in the past.

Relative to the agricultural community, we certainly realize the unconventional nature of the proposal we lay before you. However, there is precedent for this type of approach in other sectors of American society. Within the human health and national defense arenas, private entities team with Government agencies to achieve an objective and it has become common place. It is our sincere hope that you as members of a very important committee along with those within USDA responsible for administering the NAIS will recognize the advantages of utilizing this partnership to achieve an objective that we all agree is necessary. Implementation of any regulatory effort that includes the challenges of the vast number of independent, individual people and the animals that they represent will require an approach very different than has been taken in the past for specific disease surveillance or eradication programs. The implementation of the NAIS will eventually impact every person in the United States of America that is involved in the production, marketing, transportation and harvest of livestock, we need to do this right.

Statement of The Beef Information Exchange

Mark Armentrout, Chief Operating Officer
AgInfoLink Global, Inc.
Before the Subcommittee on Livestock and Horticulture
Committee on Agriculture
U.S. House of Representatives
The Honorable Robin Hayes, Chairman
July 22, 2004

Introduction and Executive Summary

Mr. Chairman and Distinguished Members of the Subcommittee, thank you for the opportunity to participate in this hearing on a national animal identification system, an issue of great concern for both animal agriculture and the public at large. I am Mark Armentrout, Chief Operating Officer of AgInfoLink Global, a founding member of the Beef Information Exchange, also referred to as BIE. I am accompanied today by fellow founder BIE Members from the following companies: MicroBeef Technologies, Ltd., IMI Global, eMerge Interactive, and APEIS Corporation.

Today I would like to outline the purpose and benefits of BIE. The BIE is an industry-driven, private-sector solution that works to fulfill the requirements of a National Animal Identification System (NAIS) and fulfills the needs of both public and private interests. We have come together to use our experience to advance and accelerate a low-cost implementation of the NAIS by creating the BIE and proposing a technical solution that we believe meets the USDA's investigation and surveillance needs as well as producer and privacy concerns.

Safeguarding the health of the national livestock herd and protecting the interests of America's animal producers is vital to the well-being of animal agriculture and all U.S. citizens. As long-time participants in animal agriculture, we recognize that by protecting the agricultural industry, we promote human health; provide wholesome, reliable and secure food resources; mitigate national economic threats; and enhance a sustainable environment. Central to achieving these goals is an efficient and effective animal identification program with 48-hour traceback capability while protecting producer and processor rights by preserving data privacy and data confidentiality on all animals in the national herd that are not involved in an immediate investigation or surveillance activity. Both objectives are equally important.

The need for a national identification program has never been more urgent as U.S. producers have experienced increased market volatility, closed export markets, and perilous trading relationships that have depressed the value of beef by over \$165 per head. Livestock producers are united in their commitment to producing the safest and most wholesome food products in the world. Many producers are very concerned over the unknowns associated with the implementation of the NAIS, especially the data privacy issues. They are looking to industry leaders and others to provide education, guidance and valid solutions that protect their livelihood and investments as well as the interests of consumers. The time to move forward with the NAIS is now, and the BIE Member companies all support the NAIS program objectives to provide a 48-hour traceback. Recognizing that there is no perfect alternative for such a system, BIE Members have worked to provide their opinion about what constitutes the best alternative, based on objective criteria. We believe that the best solution is one that meets the following requirements:

- Holds individual animal location and movement data in specially certified private sector companies (which we call "Data Trustees").
- Automatically and electronically provides federal and state government agencies with information on individual animals and individual premises when those are involved in an investigation or surveillance.

The NAIS is the right decision, but it must utilize the best available technology; be based on the most sustainable infrastructure; and be implemented by those who are most experienced within the livestock sector. The system that accomplishes these objectives should be both dynamic and flexible incorporating new and proven technologies as they become available and flexible enough to allow traditional production practices to continue.

Reaction to the BIE concept from farmers and ranchers, producer organizations, state and local health officials, members of Congress, and other data service providers has been overwhelmingly positive. The difference between BIE and other alternatives is that we have proven systems and an established track record. BIE Members have made the necessary investments to develop the systems and infrastructure to accomplish the requirements set before the industry by USDA in the NAIS document and we desire to supply these inventions to USDA and the industry. In some cases Members of this group have had tracking or traceback systems in place for greater than 10 years. Our combined intellectual property, implementation expertise, and existing system infrastructure mean that BIE Members are uniquely qualified to implement a private-sector solution and can do so more quickly, efficiently, and at a lower cost than any other alternative including a centralized public-sector database.

The adoption of commercial management and animal identification systems also provide livestock producers a direct economic benefit by gathering more information on their herd and making management and genetic improvements with the data and the systems. These types of improvements are well documented and provide producers an opportunity that increases the value of their herd in conjunction with improving the health and well-being of the entire agricultural complex.

A critical element regarding the implementation of the NAIS is the extensive effort that will be needed for effective communication and education in order to obtain industry support and participation. This required effort speaks clearly to the opportunity for a government-industry partnership. BIE Members are committed to working with industry associations, USDA, state health departments, land grant universities and others to gain participation in the NAIS undertaking and have an effective jump start on the process with our respective customer bases and existing field forces.

Yesterday, BIE Members conducted a live demonstration of the BIE system for members of the House, their staff, and USDA officials. The demonstration effectively established that competing and dissimilar database systems can be seamlessly linked and that we are currently capable of collecting, storing, and reporting the required data at the speed of commerce to meet the 48-hour traceback objectives. We are confident that the BIE concept is the most efficient, practical, and readily implementable solution for animal agriculture to conform to the requirements of the NAIS.

Mr. Chairman and Members of the Subcommittee, we respectfully submit that the BIE model and infrastructure plan provides the best alternative for the implementation of the NAIS and that it is ready to implement and scale immediately. We recognize that this effort is a significant undertaking and that no one entity can do this alone. BIE serves as a positive example to industry and government, that through collaboration, we can work together to meet and serve the needs of the greater good. We thank you and look forward to answering your questions.

1. Executive Summary

The Beef Information Exchange Members are Concerned for the Future of the Beef Industry

The Beef Information Exchange (BIE) Members are five independent companies with over 50 years of experience identifying and tracking millions of individual beef cattle with regard to their ID, health, and growth. BIE Member companies understand what works when tracking beef cattle and want to utilize our knowledge and experience to help the USDA, National ID Development Team, and various producer organizations, producers and processors make animal identification work in the United States.

To us, a workable national identification program is one that meets both the government's need for 48-hour traceback and the private industry's need to preserve data confidentiality and privacy. We believe it is possible to satisfy both goals with a small set of specific enhancements and clarifications to the United States Animal Identification Plan (USAIP). This document summarizes our recommendations.

The Beef Information Exchange and USAIP Designers Have the Same Goals

The BIE Member companies agree that protecting American animal agriculture by safeguarding animal health is vital to the well-being of all U.S. citizens. We recognize that protecting animal agriculture promotes human health; provides wholesome, reliable, and secure food resources; mitigates national economic threats; and enhances a sustainable environment. Essential to achieving this goal is an efficient and effective animal identification program with 48-hour traceback capability. We also support the fact the USAIP is focused on utilizing state-of-the-art national and international animal identification standards with the best available and practical technologies. We agree that the plan should be both dynamic and flexible, and should incorporate new and proven technologies as they become available.

BIE Members strongly support the efforts that have brought the USAIP document to its current state. We appreciate the fact that more than 100 animal industry and state and federal government professionals representing more than 70 allied associations and organizations collectively worked together to create the current document. BIE Members, many who participated in drafting the plan, have spent substantial time assessing the draft plan in order to suggest additional improvements and enhancements. Our goal has been to ensure the final plan meets current and future U. S. animal identification needs for both the government and private industry. We believe these recommendations, if incorporated into the plan, will help build on the strong foundation the National ID Development Team has created, and help make the plan a success.

We acknowledge that costs associated with the USAIP will be substantial and that public or private funding is justified. Significant state and federal costs will be incurred in overseeing, maintaining, updating and improving necessary infrastructure. Continued efforts will be required to seek federal and state financial support for this system to protect American animal agriculture. With these factors in mind, BIE Members suggest that implementing these recommendations allow better coordination between existing private systems and government systems will allow a more rapid implementation of the USAIP at the lowest possible cost.

Towards all these ends, the BIE Member companies respectfully make the following recommendations for clarifications and enhancements to the USAIP document. BIE Member companies believe that these clarifications and enhancements taken in the context of the entire USAIP document are relatively minor and can be incorporated without changing the USAIP system goals.

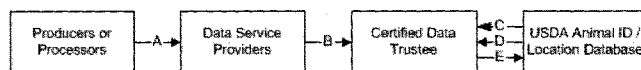
Beef Information Exchange Member Recommended Improvements

System clarifications and enhancements recommended by BIE Members can be categorized into four major areas: data architecture; numbering system; reporting and receiving procedures; and improved data management practices. Implementing these changes involves relatively minor changes to the overall plan. All recommended changes are supplemented with technical papers that may be found in an appendix for each respective topic.

Data Architecture

BIE Members recommend that a new role of Data Trustee be implemented between Data Service Providers, livestock markets, packers, and the USDA (see Figure 1). The Data Trustee will hold actual identification and premises data for each animal and provide the USDA central database only the animal's identification number and the name of the Data Trustee holding the data. By connecting these Data Trustees to the USDA system via high-speed internet connections, data can be rapidly provided to facilitate 48-hour traceback in the event of an animal incident. Traceback would be initiated by USDA asking the Data Trustee of a target animal for its identification and premises information along with any cohort information. USDA would then obtain information from other Data Trustees who have information on specifically-identified animals. Typically, this investigation will result in information on only a small percentage of the national herd being transferred to the USDA.

Figure 1. "Pull" Database Architecture



The benefit of this approach is that confidential data would not be visible to government agencies, helping to protect the security of the private industry. BIE Members anticipate there will be multiple Data Trustees, approved by the USDA and certified and audited by industry associations. This data architecture is one that has worked extremely well for the global credit card system and other large-scale, distributed databases. Furthermore, this is consistent with the USAIP document's statement on page nine that the USAIP system may be implemented as a series of seamlessly-linked databases.

Numbering System

The existing plan calls for the official animal number to be the same number as that of an RFID device. Because a physical device is not permanent, it may become lost or unreadable. The BIE Member recommendation would accommodate the existing USAIP plan of having the number encoded into the first RFID device be the same as the official animal number. The BIE Members refer to this number as the UAIN or Universal Animal Identification Number.

The Numbering System (See Figure 2) for individual animals recommended by BIE provides for:

1. Permanent use of a unique permanent database Universal Animal Identification Number (UAIN) to which all ID devices and methods are permanently linked in the database.
2. Permanent allowed use of existing ID devices and methods linked to the database UAIN.
3. Permanent requirement for an Official Device Animal Identification Number (DAIN), to be linked to the database UAIN.
4. Transitional requirement of either an official RFID (DAINRF) or official Visual device (DAINVI) to be linked to the UAIN.
5. Post-transitional requirement for only the DAINRF to be used with optional DAINVI.
6. Permanent use of any ISO-Compliant RFID tag allowed as a DAINRF with the knowledge that through normal attrition all will be replaced with 840-country code single or multi-use RFID tags (DAINRF).
7. Permanent use of existing visual device number systems on the DAINVI tag which contains an Official ID number

Figure 2. Identification Systems.

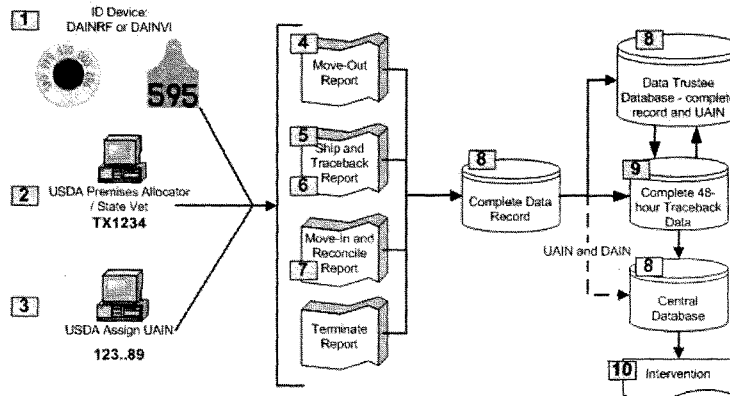
A. Database Numbers	Classification	Official/Allocated
1 Premise Number in Database	Unique/Permanent	Yes
2 Non Producer Participant Number in Database	Unique/Permanent	Yes
3 Individual Animal Number In Database UAIN	Unique/Permanent	Yes
B. Physical Device or Method (one or more linked to UAIN)		
1 Official DAINRF Any ISO	Unique	Yes
2 Official DAINVI	Unique	Yes
3 Alternate Visual Device	May be Unique	No
4 Alternate Retinal Scan	Unique	No
5 Alternate DNA Profile	Unique	No
6 Alternate Brand/Markings	State Unique	State
7 Alternate Other	May be Unique	No
C. Group / Lot ID	Unique	Yes

Reporting and Receiving Procedures

Include movement reconciliation as part of the process, specify how marketing traceback data are to be used and ensure confidentiality of Premises IDs.

The existing document makes no mention of a number of features BIE Members believe are important to effective operation of the overall system. To elaborate on what BIE Members believe is the intention of the USAIP, we propose that the overall reporting and receiving procedures include the data flow seen in Figures 3 and 4. It is important to note that our recommendations are similar to the flow shown in the USAIP document. These recommendations add the ability to achieve a higher level of efficiency and integrity to the recording and traceback process without compromising the USAIP intent.

Figure 3. BIE-Recommended USAIP / Traceback System

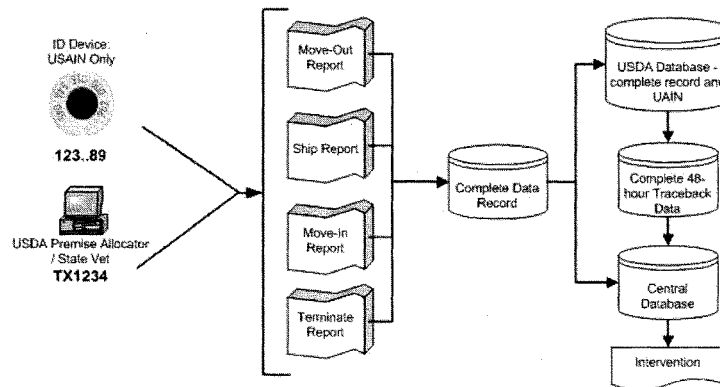


Specific key improvements and highlights are as follows (see Figure 3):

- 1) Unrestricted availability of official and alternate identification devices and tagging animals for identification when it is most convenient for the producer's management practices
- 2) Data Trustees (DT) check for allocated valid Premises ID of both the Source and Destination.

- 3) Allocated UAIN animal assignment by UAIN numbered DAIN or other official numbered DAIN on animal, both linked to UAIN in database by Event Report.
- 4) Source Move-Out Report to DT for linking of UAIN to DAIN and alternate ID
- 5) DT provides the Move Out Report to the Source and Destination, including a Traceback record.
- 6) The DT Premises ID confirmation is used in place of the actual Premises ID number to validate the Premises and protect confidentiality.
- 7) Move In Report to DT by Destination and Reconciled by automated process.
- 8) Immediate transfer of data to the DT Database and the Central Database.
- 9) Immediate availability of complete traceback data by the government in a foreign animal disease case by pulling data from the DT database as described in Section 2.1 of our comments.
- 10) Intervention strategy implementation

Figure 4. USAIP Identification / Traceback System



Improved Data Management Practices

BIE Member recommendations address a number of data system operations and functional improvements. Some of these improvements include protecting premises IDs, increasing database efficiency and accuracy, and protecting premises data from FOIA.

The Role of BIE Members Going Forward

BIE Members currently deal day-to-day with beef cattle producers and processors, and we understand their needs and fears. Prior to the implementation, BIE Members would like to use their experience to assist the National Identification Development Team and the Bovine Working Group in designing the best plan possible. No matter how good the initial plan is, new challenges will inevitably arise. From the outset, the BIE and its member companies can use their existing relationships with customers to help overcome implementation issues and ensure that what is actually built and operated is acceptable to the needs and requirements of a diverse industry. BIE and its member companies will provide a vital link between government and industry speeding up the implementation, efficiency, and effectiveness of the USAIP.

Finally, in light of recent developments, many concerned members of the beef industry, for their own protection, want to implement a traceback system provided by the private sector as soon as possible. Among their top concerns are the system costs and assurance that they can continue to use or adopt proven, existing identification and traceback systems, and get started now, while the USDA develops its action steps. The proposed improvements to the USAIP document submitted by the BIE Members will improve the speed at which this goal can be accomplished. Additionally, BIE Members can help reduce the cost of implementing a national identification system by utilizing existing commercial production systems which produce tangible financial benefits to help offset the costs to producers and processors.

2. USAIP Recommendations

BIE members have recommended a variety of improvements to the USAIP document. These recommendations are designed to promote greater user acceptance of the system, to enhance privacy and system robustness, and to improve system effectiveness and flexibility. The details for each of these recommendations are presented below.

2.1 Utilize Privacy-Protected Data Trustees and Use IDs in a Central Database With a Pull for Traceback

What Exists in the USAIP Document:	The USAIP document indicates on page 9 that to achieve the “48-hour” traceback, information on individual animal movement or “units of animals” must be reported to <u>either</u> a central database or “a seamlessly linked local database infrastructure”.
What is Proposed:	We recommend that the USAIP system be composed of “a seamlessly linked local database infrastructure” rather than the single, central database.
Reference for More Information:	Appendix B – Push/Pull Appendix C – Premises System

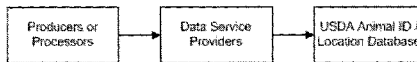
Rationale – Improve System Efficiency, Privacy and Acceptance:

Though the USAIP document on page 9 indicates that the USAIP system could be implemented either as a single centralized database, or a series of seamlessly-linked local databases, the remaining sections of the USAIP document create the presumption that a single, centralized database will be used, especially the diagrams in section IV beginning on page 21.

Push Architecture:

Utilizing a single, centralized database will be difficult because implicit in a single, centralized database system is the notion that data are immediately pushed to that centralized site and that anyone with authorized access to that centralized site has visibility on all stored data. This type of database architecture is commonly referred to as a “push” database system because information is immediately pushed to the single, government site. Figure 2.1 below depicts the “push” approach as illustrated on page 21 of the USAIP document.

Figure 2.1 “Push” Database Architecture



There are a number of concerns centered around a “push” database approach for animal identification because this database architecture routinely stores ownership, movement and location information about individual animals or groups of animals on government databases before that information is required to deal with a specific, valid animal health issue. The Beef Industry has expressed serious concerns about this information being available to government officials and others with no need to control a disease outbreak before it occurs. Based upon this information the BIE believes animal ownership and location information should be made available when needed to facilitate the specific 48-hour traceback requirements.

The “push” approach is not necessary because there is a valid, viable alternative, which will better protect producer and processor privacy while still meeting the USAIP’s central objective of 48-hour traceback. That alternative is alluded to in the introduction of the USAIP document on page 9 (“seamlessly linked local databases”), but is not further developed in the document. Before reviewing this alternative, known as “pull” database architecture, we will discuss a few of our concerns about the “push” approach that is currently discussed at length in the USAIP document:

Data Mining Concern: Free government access to location and ownership data in advance of a legitimate animal health emergency need will make user acceptance of the USAIP system very difficult. Even with assurances that these data will be used properly, there will be a strong temptation by various government agencies to explore the data to answer policy or compliance questions that were beyond the scope of the USAIP project. The USAIP is solely designed to rapidly respond to animal disease threats in a 48-hour period, thus no additional use of this ownership and location data should be made. The best way to ensure this occurs is to not have central storage of all data in a government database.

Privacy Concern: Beyond the concern about government agencies potentially data mining information that has been pushed to the government system, there is a strong privacy concern. Given that premises identification numbers, as described in the USAIP document, will quickly become associated with individual producers or processors, commercial data related to ownership and location transactions can be quickly identified. Identifying commercial chain of ownership is clearly an undesirable, unintended consequence of a central database. Overlaid with concerns about having these data potentially discoverable through a Freedom of Information Act request further jeopardizes commercial relationships and USAIP adoption.

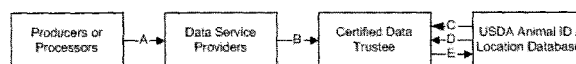
48-Hour Response: Given the discussion above, BIE fully understand that it is valid for the U.S. government and animal health specialists to be able to rapidly perform traceback for animals under question as well as determine the traceback status of any co-located animal within 48 hours.

A 48-hour traceback requirement, though, does not necessitate having the location and ownership data “pushed” into a single, central database. A “pull” database strategy can equally meet or exceed the 48 hour service performance requirement, and can also address the privacy and data mining concerns raised above.

Pull Architecture:

In a “pull” database architecture, each data service provider into which data was input would immediately transfer their data not to a single, centralized government database, but to a Data Trustee. The Data Trustee would be a third-party intermediary between the data service providers and the government database and would act like an escrow agent, holding the producer or processor’s data until a legitimate need for that data was established by an appropriate regulatory entity. Figure 2.2 below depicts the basic “pull” architecture.

Figure 2.2 “Pull” Database Architecture



In the “pull” architecture, the data would be pushed from the producer or processor to their selected data service provider (A), and the data service provider would push the data to their selected Data Trustee (B). The Data Trustee would then send only the UAIN (USAIN) of each animal or group to the central, government database (C) along with the Data Trustee’s Internet address of where the data are located. When a traceback requirement arose, the government database would ask for the location and ownership information of a specific animal or group of animals and any cohort data (D), and the Data Trustee would automatically provide that information (E).

Data Trustee Role: We anticipate there would be multiple Data Trustees, and these Trustees would be certified and audited by the government or the government's appointed agency (e.g., a species association). The Data Trustee would notify the government central database of the USAIN of each animal received and the address of the location of the specific data. No other actual data would move from the Data Trustee to the central government database until data were requested about an animal or groups of animals, and this request was associated with the established criteria. Producers and processors would be free to choose which Data Trustee they wished to collect and store their data with.

Under this recommendation, the government would still have a single, central database. However, that database would only store the USAIN and the Internet address of the Data Trustee where the data were stored. By knowing only the USAIN, the government would know the number of animals stored in Data Trustee databases, and the government could perform tests of the system to determine that each Data Trustee was performing their obligations.

"Pull" Works: The BIE knows that this "pull" architecture works because it has been used successfully in the past. This is the data approach used for the global credit card systems and credit card transactions are able to occur in a matter of seconds even though the transaction seamlessly links a large number of separate databases. The Animal Health Institute, an association of Pharmaceutical companies for their Electronic Data Interchange (EDI) to obtain product sales information, has utilized a similar method for years.

Specific Recommendations:

This recommendation is implemented via the following proposed changes to the document:

Ref Number:	2.1-A
Existing Page & Text:	Page 21 -- Illustration IV.1
Recommended New Text:	On the arrow carrying information from 10, 11, and 12 to the National Animal ID Database, add an intermediary database labeled Data Trustees.

Ref Number:	2.1-B
Existing Page & Text:	Page 24, Illustration IV.4
Recommended New Text:	Modify this illustration as described in 2.1-A above.

Ref Number:	2.1-C
Existing Page & Text:	Page 24 -- "Brief Animal Event/Transaction Record Flow Chart"
Recommended New Text:	Modify the description such that on steps 10, 11 and 12, the data are shown to flow first to a Data Trustee as opposed to immediately populating the National Animal ID database.

Ref Number:	2.1-D
Existing Page & Text:	Page 24 -- No existing text
Recommended New Text:	Add new section IV.B.1 to describe the data flow procedure for the Data Trustee. Add the illustration for the "pull" architecture shown above and in Appendix B immediately after Illustration IV.4.

2.2 Add Traceback Integrity to Animal Identification and Chain of Custody

2.2.1 Use the Universal Animal Identification Number (UAIN) with Multiple Unique Devices

<p>What Exists in the USAIP Document:</p>	<p>The USAIP document proposes that for individual animal identification, the official US Animal Identification Number (USAIN) is the only number to be allowed to be coded into a single RFID device or printed on a visual tag.</p>
<p>What is Proposed:</p>	<p>We recommend that for individual animal identification, the UAIN (USAIN), be permanently used in the database to be linked to multiple unique physical device numbers as they are recorded for the animal.</p> <p>The current USAIP document plan of coding the USAIN into the initial primary RFID tag identifier is not affected by this recommendation provided that this approach is made optional rather than mandatory.</p>
<p>Reference for More Information:</p>	<p>Appendix D – Alternate Animal ID Appendix E – Universal Animal ID Numbers Appendix F – UAIN White Paper Supplement Appendix G – DAINVI to Complement UAIN Appendix H – DAIN/UAIN Cross-Reference Database</p>

Rationale – Improve System Flexibility, Effectiveness, Robustness and Utilize Proven Systems:

The USAIP document indicates that for the purpose of individual animal identification, the government will issue a U.S. Animal Identification Number - USAIN (page 15), and that this number will be unique. The BIE supports this recommendation as well as the methodology proposed in the USAIP document for issuing the USAIN for each animal in the database and optionally for the identical number on a physical device.

The USAIP document further states that only the USAIN will be coded into a single RFID device or printed on a visual tag and the USAIN will be permanently paired with a specific RFID device or visual tag (pages 15, 17, 19, 23-24, 29, 31, 43-45). A number of problems arise when a single, official USAIN number in a database is also required to be present in a specific, physical identification device on an animal. These issues are described below:

Tags are not tattoos: Except for biometric identifiers and tattoos, no physical identification device is permanent. An RFID tag is not permanent, nor is a visual tag. RFID tags are lost in some percentage of the animals. Visual tags typically are lost at a higher rate than RFID tags because they dangle below the ear and can get more easily caught in trees, brush, or fence. Further, because RFID tags are an electronic device, some percentage malfunction and cannot be read. All of these well-established facts argue against requiring the initial, single government identifier to be in place the animal's entire life. It is simply not a realistic expectation. The USAIP must be designed to easily handle a substantial number of animals which will need re-identification with a subsequent device linked to the UAIN.

Re-establishing identity: If an animal loses its RFID device or visual tag, or the RFID device malfunctions, a new identifier must be attached to the animal. If the RFID tag is to store only the USAIN as defined in the current USAIP document, then somehow the old USAIN must be coded into a new RFID. This process is simply not practical because of the re-manufacturing and delivery time required. Alternatively a new RFID with a different USAIN needs to be inserted in the animal's ear.

With approximately 100 million head of cattle in the U.S., it can be expected that several million head per year will require replacement devices each year. Although databases can associate a single animal with multiple primary keys (the USAIN), this approach is not ideal and introduces technical complexity and potential uncertainty to future traceback and traceforward activities because the USAIN is not permanent.

UAIN - Unique permanent identification number in a database for each animal: A much simpler approach is to have a unique, permanent identification number for each animal – in technical terms, a single primary database key. This number would be the government-issued USAIN which would be a unique and permanent database number for a single animal, linked with the current physical device identifier on the animal (whether visual tag or RFID) and multiple other alternate identifiers. The BIE refers to this official number as the UAIN (Universal Animal Identification Number). When the animal is first tagged, it is possible the UAIN will be no different from the device number as defined in the current USAIP document. In fact, if a manufacturer chose to code the UAIN onto the first physical identifier as described in the current USAIP document, they could do that. However, the producer must be able to link any unique ISO-compliant RFID or visual tag number (DAIN) with the UAIN to be flexible, practical, and workable under actual beef production conditions.

Establishing a unique, permanent database number for the animal, the UAIN, will allow easy re-tagging or re-identification. Under the proposed recommendation, re-tagging links a new physical identifier with the UAIN. There would not be a change in UAIN for the same animal. There would only be one UAIN, the original UAIN (or USAIN), linked with one animal. Multiple physical identifiers on a single animal can then be easily linked with that single UAIN in the database.

USAIN Management Unchanged: Management of the USAIN (or UAIN) in the database would not change under this recommendation. In fact, the process would be simplified because no physical ID device would need to be allocated in advance to inventory or managed by the producer. The government would allocate the UAIN number to the USAIN Managers as proposed in the USAIP. At the time of tagging, a physical device is obtained, attached to the animal, and linked with the UAIN in the database.

Lookup is improved with the proposed recommendation. When the producer replaces a device (DAIN) on the animal the UAIN database record for that animal is unchanged and it is linked to the new DAIN and the old one retired, thus the system is less complex. Also, anytime a unique physical device number is entered into the computer to review a record, the unchanged UAIN is reported because it is linked directly to the current device number on the animal.

Additional reasons for adopting this recommendation are listed in Appendix E.

Specific Recommendations:

This recommendation is implemented via the following proposed changes to the document:

Ref Number:	2.2.1-A
Existing Page & Text:	Pages 15, 17, 19, 23-24, 29, 31, 43-45
Recommended New Text:	Replace the single words or phrases in the above pages with the words as shown in Appendix E.
Ref Number:	2.2.1-B
Existing Page & Text:	No existing Text
Recommended New Text:	Add a new appendix to the USAIP document to describe the cross reference table between the UAIN and the various physical identification devices (DAIN – Device Animal Identification Number) as described in Appendix H.

2.2.2 Permanently Expand the Number of Usable Identification Devices

What Exists in the USAIP Document:	The USAIP document lists only two alternate animal identification types and indicates that alternate animal identification is a temporary stop-gap to handle the transition to full national identification.
What is Proposed:	We recommend that alternate identification types should be a permanent feature of the USAIP and that more than two alternate identification types should be accommodated.
Reference for More Information:	Appendix D – Alternate Animal ID Appendix E – Universal Animal ID Numbers Appendix F – UAIN White Paper Supplement Appendix G – DAINVI to Compliment UAIN Appendix H – DAIN/UAIn Cross-Reference Database

On page 56 of the USAIP document, alternate animal identification is limited to two alternate identifications, and it is stated that these alternate ID fields will be phased out in the future. We recommend both statements be amended such that the alternate identification devices will be a permanent part of the USAIP, and that multiple alternate identification devices could be cross-referenced to the official, government animal identification number (USAIN).

The primary limitations of the proposed Alternate Animal ID description in the USAIP document are:

- Data fields are hard-coded into the system and therefore inflexible and restrictive.
- The current format does not allow for additional, alternative, or future ID Types (i.e.: Bar Code, DNA String, Optic Scanned Images, etc.).
- The current format only allows two spaces for Alternate IDs (animals typically have multiple management identifiers or tags).
- Does not provide for existing production identification methods.
- Current USAIN and all Alternate ID types are device-dependent (a tag is not a tattoo, it can be lost or unreadable).

Re-establishing identity when tags are lost or unreadable: One objective of alternate identification devices is to re-establish the identity of an animal, which has a lost, or unreadable primary identification device. In a given herd of animals, for example, some number will have lost their RFID tag during their lifetime. When animals arrive at the pens prior to shipping, the owner needs an easy way to re-establish the correct identity of all animals that have lost their RFID. If the RFID is linked in the database to a management visual tag, for example, which is still in place, then it is easy for the owner to quickly put a new RFID tag in the animal and replace the missing RFID tag number with the new RFID tag number. If there is a Bangs tag still on the animal, re-identification is likewise easy. The same goes with retinal scan images, tattoos or any other form of alternative identification. Therefore, having as many different identification methods for an animal as possible will facilitate re-identification in the event the primary RFID is lost or unreadable. Being able to easily re-identify an animal that has lost its primary identification device will make the USAIP more acceptable to all producers.

Many alternate identifiers are needed: The number of alternative identification types should not be limited to just two. Registered heifers today in many states will generate at least four separate IDs (ISO RFID, Bangs tag number, registered tattoo number, and management visual ID number). It is recommended that a fixed number not even be used. Rather, a data element can be added for the fixed record format that indicates the number of alternate IDs in a given record, and the receiving software can easily and immediately process the resulting variable length, fixed record.

Alternate IDs are linked with USAIN: Having a number of alternate identification methods which are linked in the national database with the USAIN is not a technical challenge given modern database architectures and has been successfully used for many years. In fact, having multiple, alternate identification methods adds robustness and flexibility to the USAIP system.

Specific Recommendations:

This recommendation is implemented via the following proposed changes to the document:

Ref Number:	2.2.2-A
Existing Page & Text:	Page 54 – No existing text
Recommended New Text:	Add a new data element between data element 14 (Status) and 15 (Alternate Animal ID 1). This new data element will be called "Number of Alternate IDs". This field would determine the number of paired ID and ID-types would follow.
Ref Number:	2.2.2-B
Existing Page & Text:	Page 54 – Alternate ID Type has a record size of "1".
Recommended New Text:	Change the length of the ID Type from "1" to "3" to accommodate multiple new ID types and to make the ID type more intuitive when raw data are reviewed.
Ref Number:	2.2.2-C
Existing Page & Text:	Page 54 – Alternate Animal ID has a record size of "17"
Recommended New Text:	Change the record size from "17" to "32" to accommodate the alternate ID length of identifiers such as retinal scan data and Microsoft GUIDs.
Ref Number:	2.2.2-D
Existing Page & Text:	Page 56 where it shows that alternate ID will be phased out.
Recommended New Text:	Change the text to indicate that alternate ID will be a permanent part of the USAIP to allow for retagging

2.2.3 Create Two Official Identification Device Fields DAINRF and DAINVI

What Exists in the USAIP Document:	As discussed in Recommendation 2.2.2, there are only two alternate identification fields defined in the USAIP document that are to be used, not only for alternate identification, but also for retagging.
What is Proposed:	As a corollary to Recommendations 2.2.1 and 2.2.2, we recommend that two special alternate animal identifier fields be created called the DAINRF and the DAINVI. These refer to the Device Animal Identification Number (DAIN) for both RFID tags (DAINRF) and visual tags (DAINVI).
Reference for More Information:	Appendix D – USAIN / Animal Transaction Record (Alternate ID) Appendix E – Universal Animal Identification Number (UAIN) and the Use of Existing Identification Systems. Appendix F – UAIN White Paper Supplement Appendix G – Creating a National Visual Tag (DAINVI) to Compliment the UAIN Appendix H - DAIN/UAIN Cross-Reference Database

The concept of the UAIN should be adopted as recommended in Recommendation 2.2.1. This 2.2.3 corollary to Recommendation 2.2.2 is to create two special data fields, the device animal identification number data field for RFID (DAINRF) and the device animal identification number data field for visual tags (DAINVI). These two data fields would contain the current physical identifier attached to the animal for RFID and/or visual tag. Creating separate data fields for the DAINRF and the DAINVI allows the USAIP system to give official status to the unique physical identifier that is currently on the animal, and allows more rapid database referencing from the current DAINRF or DAINVI to the UAIN in the database for the animal. The USAIN is also referred to in this document as the UAIN with unique official status; this can now be a required field where DAINRF, DAINVI or both satisfy the requirement.

Specific Recommendations:

This recommendation is implemented via the following proposed changes to the document:

Ref Number:	2.2.3-A
Existing Page & Text:	Various
Recommended New Text:	See Recommendation 2.3 for specific wording recommendations regarding the DAIN.

2.2.4 Require Move-Out and Move-In Events, Reconciliation, and Chain of Custody

What Exists in the USAIP Document:	The USAIP document is ambiguous about whether it requires a double-entry system of pairing a move-in event at a new premises with a move-out event from a previous premises within a specified time period.
What is Proposed:	We recommend that the USAIP document be modified to require a double entry "Chain of Custody" including procedures to automatically reconcile movements.
Reference for More Information:	Appendix H – DAIN / UAIN Cross-Reference Database Appendix S – Chain of Custody Concept

The current USAIP document is ambiguous on pages 9, 23, 24, and 30 as well as illustration IV.1 about whether or not both move-in and move-out events are both required for a single movement from one premises to another. Requiring a paired move-out event and a move-in event for the same, single movement is typically called a double-entry system.

DoubleEntry Chain of Custody: Many livestock tracking companies have realized from experience that the only way they can ensure that livestock are located where the database says they are located is to impose a double-entry system thus creating a clear Chain of Custody. The Chain Of Custody concept is based upon pairing and verifying a move-in event at the destination location with a move-out event at the shipping location within specified time period. In addition, a reconciliation process is required to resolve discrepancies involving only a single entry.

Without a clear Chain of Custody, animal movements that are in transit and do not have a receipt confirmation back to either a centralized or distributed database may not be accounted for during a specific timeframe. This oversight would impact the national database's ability to traceback within 48 hours.

Breaking chain can miss premises: Furthermore, if there is not a clear Chain of Custody, there might be an intervening premises that housed the animal, which is not registered in the national ID database. An animal might leave ranch A for auction market B and be bought by buyer C. If seller A does not indicate the destination of their movement (auction market B), and if buyer C registered the animal without any reference to receiving it from auction market B, then it is highly likely the movement history for this animal would neglect its temporary residence at auction market B. Such an omission would clearly impact the integrity of the national database.

The BIE acknowledges that implementing a full Chain of Custody requirement may need to be a later deliverable, but it should be an option now and an integral part of the overall USAIP design.

Specific Recommendations:

This recommendation is implemented via the following proposed changes to the document:

Ref Number:	2.2.4-A
Existing Page & Text:	Page 9 – In section III.A, append the recommended text.
Recommended New Text:	Add the paragraph "A movement from one premises to another will require two animal movement events (see the Animal Event Code tables for individual and group/lots in Appendix B). First, a move-out event from the originating premises will be required with reference to the premises number of the receiving premises. Second, a move-in event to the receiving premises will be required with reference to the premises number of the originating premises."
Ref Number:	2.2.4-B
Existing Page & Text:	Page 54 – Data field 3 (Source/Destination Premises ID) in the USAIN/Animal Transaction Record is currently shown with a Required flag of N.
Recommended New Text:	Change the required flag for this field to a Y.
Ref Number:	2.2.4-C
Existing Page & Text:	Page 57 – No existing text
Recommended New Text:	Add a new data field, the Destination premises field, following data field 2 in the Group/Lot Movement Record Format. Currently, there is no method within the group/lot movement record to indicate the premises ID of the receiving premises for event code 3.
Ref Number:	2.2.4-D
Existing Page & Text:	No existing text.
Recommended New Text:	Explain the procedure for reconciling Chain of Custody. Appendix S contains a sample procedure that may be adopted by the USAIP.

2.3 Add Privacy and Efficiency for Premises ID and Allocation of Premises IDs

What Exists in the USAIP Document:	The current USAIP document jeopardizes the market relationships of existing cattle marketing participants because it does not sufficiently address methods for protecting the privacy of premises identification numbers to later buyers. This protection is important because later buyers, if aware of the premises identification of the "best cattle," may be able to directly contract with those premises, bypassing the middle market that plays a vital role in today's livestock industry.
What is Proposed:	We recommend that premises identification numbers not be visible to commercial traders, but, because traders will want assurance that a valid premises number exists, each commercial transaction be accompanied with a confirmation code provided by the Data Trustee that the premises identification database has been checked and that a valid premises identification number exists

	for that animal's prior location. This confirmation code would be similar to the confirmation numbers issued by hotels for a hotel reservation and will identify the Data Trustee.
Reference for More Information:	Appendix I - Privacy Concerns in a National Animal ID Program Appendix J - Public/Private Data in a National Animal Identification Program

The historical antagonism exists between segments of the beef industry has resulted in a lack of trust among these segments, and an unwillingness to share certain types of information. The potential for abuse is great in a system where everyone potentially has access to all location data via a Freedom of Information request (FOIA). Putting premises information on individual animals in the hands of anyone filing out a FOIA application or otherwise having access to the USAIP system will undoubtedly create resistance to the USAIP system from those who do not want their competitors to have access to their data. Likewise, exposing the premises identification number on an animal in a sale will potentially make it possible for a buyer in one segment to simply "go around" a supplier that he would normally buy from, and go directly to the supplier's supplier. As USAIP matures, buyers will want assurances that a valid premises identification number exists for each animal they buy. Otherwise they might be left "holding the bag" in the event of a traceback involving that animal.

Protecting premises IDs in commerce: Although the USAIP document states (Section IV.C.1) that "access to the premises repository will be limited to authorized users," we believe it will be very difficult for sellers to avoid providing their premises identification number to buyers in order to provide the buyers with some assurance the animal they are buying comes from a valid premises and has been registered. Likewise it will be very difficult for the government to protect the premises repository information from FOIA or other discovery. Such a concern is another reason for our Recommendation 2.1 for a "pull" database architecture with an intervening Data Trustee. In light of this, we recommend that a confirmation number be used to ensure the buyer that a valid premises identification number exists for the animal while the true, private premises identification number is not publicly exposed.

For all of these reasons, we recommend that in commerce and day-to-day operation, premises identification numbers not be exposed but rather, a confirmation code is paired with the USAIN to indicate that a valid premises number exists.

Specific Recommendations:

This recommendation is implemented via the following proposed changes to the document:

Ref Number:	2.3-A
Existing Page & Text:	No existing text
Recommended New Text:	Add text in section III explaining how the actual premises identification number will not be exposed during commercial transactions or during day to day operation of the system, but rather, a confirmation number will be generated which indicates a valid premises identification number has been assigned to the animal, and which points to that premises.

2.4 Add Necessary Data Elements for Certain Animal Event Codes

What Exists in the USAIP Document:	Fourteen Animal Event Codes are listed on page 55 of the USAIP document. Half of these codes do not, in our opinion, have sufficient data elements defined in the document.
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What is Proposed:	We recommend that the data elements required to support animal event codes 7 through 14 be more fully defined.
Reference for More Information:	Appendix K - Inconsistencies Between Animal Event Codes and Animal Transaction Record Format

For approximately half of the fourteen event codes defined by the USAIP document to describe animal movements, the 17 fixed format, supporting data fields defined in the USAIN/Animal Transaction Record shown on page 54 are highly appropriate and supply all of the information required to support those event codes. However, beginning with animal event code 7, we believe that this and subsequent event codes have not provided adequate information via defined data elements to support the listed event. The intent may be to use the 50 characters of the Remarks field (field #13) to provide this information, but this is not clearly defined. If the Remarks data field is planned for this purpose, please see Recommendation 2.6 for proposed changes to how the Remarks field is to be handled.

For example, animal event #9 (Animal sighting) requires some level of consistent coding for the type and result of the animal sighting. If these data are random, free form comments entered into the Remarks field, they will not necessarily be easily processed, analyzed and compared. Animal event #11 (Slaughtered) does not define the coding that will be used to define method of death so that data can be compared across the various different groups inputting data. Standardizing the method of entering data to support these event codes will facilitate epidemiological investigators role in 48-hour traceback.

Specific Recommendations:

This recommendation is implemented via the following proposed changes to the document:

Ref Number:	2.4-A
Existing Page & Text:	No existing page.
Recommended New Text:	Add an appendix to the USAIP document that lists for each event code (whether animal or group/lot) all the data elements that are required for that event code. Identify which are to be pre-defined and which are to be coded in the Remarks column. See recommendation 2.5 below regarding the need to pre-format and sub-divide the Remarks column.

2.5 Pre-Format the Remarks Data Field for Each Event Code

What Exists in the USAIP Document:	The Remarks data field in both the USAIN/Animal Transaction Record and the Group/Lot Movement Record is a fifty-character field with no pre-formatting. By not specifying how and where data can be entered into this data field to support the various event codes, it will be difficult to compare data from one data entry to another. The effectiveness of the national system will thereby suffer.
What is Proposed:	We recommend that the USAIP document be modified to sub-divide and pre-format the fifty-character Remarks column for certain of the event codes.
Reference:	Appendix K - Inconsistencies Between Animal Event Codes and Animal Transaction Record Format

If the Remarks field is to be used to provide support information for certain event codes, relieving the system's need to predefine dedicated data fields, the fifty character Remarks field needs to be sub-divided and pre-formatted for each specific event code so that the data can be reliably parsed. Currently no procedure is provided for how data are to be entered into the Remarks data field.

Remarks field needs sub-field formatting: If the 50-character Remarks field is allowed to be a "free-format" field, there is a high likelihood that different organizations submitting data will format this field differently. Having idiosyncratic coding will substantially hinder the system's overall purpose of rapidly responding to animal health threats because the idiosyncratic use of the remarks field would require human intervention rather than allow the computers to effectively parse data. For example, if the Remarks field were used to store the country of origin for an importation event, and if there was no pre-formatting of how this country data would be encoded (both which positions or how a country would be represented), then one data supplier might indicate a Mexican origin by putting "MEX" in column 1 of this field, while another might put "From Mexico" in column 1, and a third might just put "M" in some other column. Without the USAIP document specifying the type and method of data entry into the Remarks field, an infinite number of coding schemes will be using, slowing down a traceback investigation.

Specific Recommendations:

This recommendation is implemented via the following proposed changes to the document:

Ref Number:	2.5-A
Existing Page & Text:	No existing page.
Recommended New Text:	As part of recommendation 2.5, the proposed new USAIP appendix should include the actual subdivision and pre-formatting to be done within the Remarks data field for each animal and group/lot event code.

2.6 Allow Data to be Transferred to the National Database Using XML

What Exists in the USAIP Document:	The USAIP document defines a fixed-record format for transferring records to the national database. The fixed record approach was first popularized in the 1960s. In today's computing environment, a fixed format record structure tends to be relatively inflexible and cumbersome.
What is Proposed:	We recommend that data be communicated to the national database using either the proposed fixed record format or the XML record transfer format.
Reference for More Information:	Appendix K - Inconsistencies Between Animal Event Codes and Animal Transaction Record Format Appendix L - Event Data Transmission Using XML

Extensible markup language (XML) is rapidly becoming the standard data exchange file format. Its primary advantage over older systems of fixed record file transfer systems is that new data elements can be added without a major revision of the record structure. Microsoft's use of XML in its Office 2003 productivity suite promises to make XML even more pervasive in the future.

Fixed record formats are inflexible: Currently, the fixed-record format proposed in the USAIP document is not very flexible and will be difficult to add new data elements or modify their length. The USAIP document design may be thinking that the fifty-character Remarks data field might be used to accommodate such expansion, but this data field has its own issues as explained in the immediately preceding BIE recommendation. In any event, the Remark data field as defined in the USAIP document is still only limited to a total of fifty characters which imposes a limit to future system expansion.

While drafting the USAIP, there was a concern that if the USAIP document required data transfer exclusively via XML file format, then older software systems might be disadvantaged because they do not have XML output capability. It should be noted, though, that by requiring the fixed record format, the USAIP document is not reducing any workload on software vendors or government databases. Software vendors will still need to write an export file based on the USAIP file format regardless of whether this output file is in fixed record format or XML. However, by making either XML or a fixed-record format as possible data entry methods to the national database, the USAIP document could accommodate both the past and the future.

XML allows expansion: The USAIP system complexity will not be substantially increased by allowing either record format and, by allowing XML, the USAIP would provide maximum flexibility for future system expansion. A future animal health issue may require the recording of certain vaccinations in addition to the information currently listed. Vaccine batch numbers may, for example, need be collected. If the data were transmitted via an XML record structure, adding these new data elements would be relatively easy.

Another concern about XML is that it could potentially increase the file sizes of data to be moved. This concern is not always true as is shown in the example below using a simple "move out" event:

Record structure for fixed format as per the USAIP document

```
04A123R69A321R962003080112231840123456789012bbb1bbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbb
bbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbbb
```

(record takes 149 bytes – note: "b" denotes spaces)

Record structure of the same record using XML format

```
<trx type-id="4"
  report-prem-id="A123R69"
  src-destin-prem-id="A321R96"
  trx-time="2003-12-16 16:09:00 CDT"
  uain-id="840123456789012"
  id-elec-read="1">
</trx>
```

(record takes only 139 bytes)

XML is not always a larger record: Not only does the XML record structure consume 10 fewer bytes than the fixed format record in this instance, the XML record is self-describing, open, and concise. In addition, XML lends itself to data element modifications more easily than fixed-format. When an XML record structure is larger than the fixed record structure, and there will certainly be instances where this occurs, this increased space should not be given too much weight given modern data transmission, compression, and storage technology. The additional flexibility from XML far outweighs the potential cost of additional space.

Finally, it should be noted that XML is not the only technology needed for data interchange among heterogeneous databases, but it is an important precursor. Other security and data mapping technologies are required.

Specific Recommendations:

This recommendation is implemented via the following proposed changes to the document:

Ref Number:	2.6-A
Existing Page & Text:	USAIP Appendix B, pages 53 through 57.
Recommended New Text:	Add to the existing text of the tables in USAIP Appendix B the XML tag name for each data element by adding a column to each of the record format tables. Appendix L provides a suggested tag name for each data element. Also explained in this appendix is how data can be communicated to the national system using either a fixed record format or XML.

2.7 Add Error Detection Field to Record Header File using CRC Checksum

What Exists in the USAIP Document:	Appendix B (pages 53-57) of the USAIP document describes the file format for transmitting one or more records to the national ID system for premises updates, individual animal updates and lot updates. Aside from listing as data element number 3 of the record header the number of records that follow, there is no mechanism for determining data integrity.
What is Proposed:	We recommend incorporating a simple CRC-32 checksum as data element number 5 of the header for each of the premises, individual ID, and lot/group records. This addition helps ensure that the data received at the national database were the data actually sent; that data have not been changed – either accidentally or maliciously.
Reference for More Information:	Appendix M - Error Detection in Transmitted Data Files Using a Cyclic Redundancy Check Checksum

This recommendation is critical to ensure data integrity. Implementing this recommendation helps protect against unexpected modification of the USAIP data records, whether inadvertently during transmission errors or by a malicious act.

The current draft document only has one method for ensuring data integrity, a record count in the header. A record count is important but not sufficient to guarantee data integrity during transmission. A record count cannot ensure that the data received were the data actually sent. One or more bit errors may be made within a record without the record count being adjusted, resulting in inaccurate data being transmitted.

The incorporation of a simple CRC-32 checksum into the USAIP data files will provide a highly reliable, low overhead method to ensure that no unexpected modification of those files has occurred, and that the received data are in fact what were sent. The CRC-32 checksum would be computed for the entire packet – header and each individual record.

The proposed checksum digit is above and the error handling procedures outlined in the USAIP document Appendix G.

Specific Recommendations:

This recommendation is implemented via the following proposed changes to the document:

Ref Number:	2.7-A
Existing Page & Text:	Page 53 – No existing text
Recommended New Text:	Add to table "Premises Upload Record Format" file header record data element 5 with field description CRC-32 Code, data type Binary, size of 4, and example of 229 041 176 008.
Ref Number:	2.7-B
Existing Page & Text:	Page 54 – No existing text
Recommended New Text:	Add to table "USAIN/Animal Transaction Record Format" file header record data element 5 with field description CRC-32 Code, data type Binary, size of 4, and example of 229 041 176 008.
Ref Number:	2.7-C
Existing Page & Text:	Page 57 – No existing text
Recommended New Text:	Add to table "Group/Lot Movement Record Format" file header record data element 5 with field description CRC-32 Code, data type Binary, size of 4, and example of 229 041 176 008.

2.8 Make Species Data Element a Required Field for Animal Record

What Exists in the USAIP Document:	Field number 7 of the record description for the USAIN / Animal Transaction record shown on page 54 of the USAIP document indicates that the species field is not a required field.
What is Proposed:	We recommend that the species field is a required field for the USAIN / Animal Transaction record.
Reference for More Information:	Appendix N - Species Record Element Needs to be Required Field

This recommendation has been made to improve the consistency of the USAIP document. On page 57 field number 7 of the record description for the Group/Lot Movement Record Format indicates that species is a required field. We concur that species should be a required field for both individual animal movements and group movements.

Specific Recommendations:

This recommendation is implemented via the following proposed changes to the document:

Ref Number:	2.8-A
Existing Page & Text:	Page 54, Field number 7 shows required = N
Recommended New Text:	Page 54, Change required for field number 7 to Y

Text:	
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2.9 Require Additional Data for Foreign Animal Events

What Exists in the USAIP Document:	The Animal Event Codes shown on page 55 of the USAIP document list two events relating to animal imports and exports. The document does not provide any specific information that should be recorded.
What is Proposed:	<p>We recommend that for animal importation (animal event code 7), the document be modified to at least include</p> <ul style="list-style-type: none"> • Country of origin. • Premises within the foreign country, if applicable, from which the animal came. • Border station port number as the move-in transaction, and the premises ID of the premises to which the animal is consigned in the USA and/or the carrier trailer license number. <p>Other data elements to support tracking across international borders should be added as needed by USDA personnel. These data elements, though, should be clearly identified and be part of the USAIP document in the technical appendices. All of these data elements should be stored in the Remarks field #13, and this fifty-character field should be pre-formatted with fixed length sub-fields for each of these data elements.</p>
Reference for More Information:	Appendix O - Foreign Animal Traceback See also Recommendation 2.5 and Appendix K for the need to pre-format the Remarks data field #13 for each specific animal event code.

The USAIP document does not make any specific reference to the process in which foreign animals will be controlled and monitored entering or leaving the United States. Nor is there any reference to any pre-existing policies governing this process or to the type of information that should be collected.

Given the recent cross-border BSE event, the need for more specific information in the USAIP document is underscored. Without specifying the specific data elements to be collected for Animal Event Code 7 (Importation), the USAIP document is incomplete. Information on animal exports is also required and the type of information collected and its formatting should be determined by USDA staff and put into the final USAIP document.

Specific Recommendations:

This recommendation is implemented via the following proposed changes to the document:

Ref Number:	2.9-A
Existing Page & Text:	Page 55 – No existing text
Recommended New Text:	Following the Animal Event Code table on this page, there should be a list of the specific data elements that are associated with each of the animal event codes and how these data elements are to be pre-defined within the fifty character Remarks column, data field number 13 in the USAIP/Animal Transaction Record and data field number 8 in the Group/Lot Movement Record.

	<p>Specifically for Animal Event Code #7 (Imported – Animal is imported into the USA), the following data elements are recommended to be collected:</p> <ul style="list-style-type: none"> • Country of origin. • Premises within the foreign country, if applicable, from which the animal came. <p>Border station port number as the move-in transaction for the “move-in” transaction, and the premises ID of the premises to which the animal is consigned in the USA and/or the carrier trailer license number.</p>
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2.10 Expand Group/Lot Event Codes

What Exists in the USAIP Document:	The Group/Lot Event Codes shown on page 57 of the USAIP document do not include events for moving a group/lot in or out of the United States.
What is Proposed:	We recommend adding group/lot event codes that handle the importation or exportation of a group/lot in or out of the U.S.
Reference for More Information:	Appendix J - Public/Private Data in a National Animal Identification Program Appendix O - Foreign Animal Traceback

Currently, there are no event codes for groups or lots that handle the movement of groups of animals into and out of the United States. We believe this is an oversight unless it is the USAIP policy to only allow movement in and out of the United States via individual animal identification. If this is the USAIP policy, it should be so stated.

Also, if this is the policy, then the group/lot event codes need to be expanded to allow an individual animal with a previously defined individual animal identification number to be entered into or taken out of a defined group/lot. The “Alternate Animal ID” section on page 56 describes how the lot number of an animal is to be stored in one of the alternate ID fields if an individual animal ID is assigned to that animal, but there is no group/lot event code for extracting an animal from a group.

Specific Recommendations:

This recommendation is implemented via the following proposed changes to the document:

Ref Number:	2.10-A
Existing Page & Text:	Page 57 – Nothing currently exists.
Recommended New Text:	Add importation and exportation event codes for groups/lots (codes 6 and 7)

Ref Number:	2.10-B
Existing Page & Text:	Page 57 – Nothing currently exists.
Recommended New Text:	Add group/lot event code 8 to move individual animal into a group/lot and event code 9 to extract from a group/lot an individual animal.

2.11 Include Full Set of Database Functions for the National Animal ID Database

What Exists in the USAIP Document:	The current USAIP document describes a database that is "write-only". In other words, the system as currently described can only accumulate information, and only allows for one of the four basic database functions. For example, there is no mechanism for producers to see what transactions are associated with each of their premises (read), or to request changes to information that may be inaccurate (update or delete).
What is Proposed:	We recommend adding database functions that are currently missing from the USAIP document (read, update and delete). Producers who send data to the database should be able to review that data (read) and make necessary corrections (update and delete). However, we recommend no data entered into the national identification database or one of its Data Trustees is actually ever deleted, and there is a clear audit trail of all data updates. Updates and deletions are just recorded as transaction events and the database can either report on the most recent value or the historical changes to a field.
Reference for More Information:	Appendix P - CRUD Analysis on the Proposed USAIP Database Appendix Q - USAIP Needs to Be More than a Write-Only System

There is no mechanism in the USAIP document for feedback to those supplying data to the system, and this deficiency needs to be corrected. Producers and/or processors should have the ability to check the accuracy of inventory in the system currently assigned to them. Neglecting this review function creates potential problems for the national ID database to be "out of sync" with reality, and could promote a sense of unease in producers and processors with respect to the national ID program.

Specific Recommendations:

This recommendation is implemented via the following proposed changes to the document:

Ref Number:	2.11-A
Existing Page & Text:	No existing page or section.
Recommended New Text:	<p>Add a new appendix (Appendix J) that explains the mechanism by which the three missing database functions (read, update and delete) are to be implemented, and how producers and others supplying data to the national database can review their transactions and make appropriate adjustments to ensure accurate data.</p> <p>Guidelines and procedures should be created to allow incorrect records to be updated and/or deleted if necessary. This will reduce ambiguity in the dataset that a USDA/APHIS official will have to utilize in the event of a traceback situation by eliminating incorrect data. This will also increase the efficiency of the query and analysis by enabling the official to look at only correct data instead of first trying to determine which records are correct and which ones might not be correct before performing an analysis of the data.</p> <p>Procedures must be included in the national system, which restrict access to records only to those authorized government agents, or to those possessing the necessary passwords for a specific premises or premises. Furthermore, only those who have owned an animal may make changes to that animal's record, and a clear audit trail must be maintained for all changes to previously entered records.</p>

2.12 Expand the List of Data Security Features Needed in the National System

What Exists in the USAIP Document:	Section IV.C.4 and IV.C.6 on page 26 of the USAIP document lists six and five security issues respectively that the system needs to address for premises and individual or group records. While these are all important, they are by no means the full range of security issues that need to be defined in the USAIP design document prior to system implementation.
What is Proposed:	We recommend that the text of Section IV.C.4 and IV.C.6 be expanded as described below, and that a separate, new appendix be added to the document that explains how each of these security items will be handled in the USAIP.
Reference for More Information:	Appendix R - Data Security

The current USAIP document gives a very broad and general description of the proposed security measures of the National Animal ID Database Application. Security across the multiple layers of the application plays an important role in the ultimate success of this system. To date the specific security layers and needs of this application have not been thoroughly explored or identified, and no protocols or procedures have been developed to support these needs.

Specific Recommendations:

This recommendation is implemented via the following proposed changes to the document:

Ref Number:	2.12-A
Existing Page & Text:	Page 26 – Section IV.C.4 and Section IV.C.6
Recommended New Text:	<p>Replace with the following: “Recognizing the security and privacy issues, the plan calls for security procedures surrounding each of the following areas:</p> <ol style="list-style-type: none"> 1. Hardware/Software <ul style="list-style-type: none"> • Physical Security (Facility Security Measures) • Network Security • Firewalls • Load Balancing • Redundancy • Backup/Off Site Storage • Disaster Recovery 2. Users <ul style="list-style-type: none"> • Administration and Management of User Names and Passwords • User Roles • User Level of Access • User Validation • Session State 3. Data

	<ul style="list-style-type: none"> • Data Encryption • Use of Secure Socket Layer (SSL) <p>Each of these procedures is discussed more thoroughly in Appendix R. Some of the key procedures include:</p>
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Ref Number:	2.12-B
Existing Page & Text:	No existing section.
Recommended New Text:	Add a new Appendix to the USAIP document that describes the desired security procedures for each of the areas listed in IV.C.4 and IV.C.6.

3. Appendix A – BIE Participants

AgInfoLink Global

AgInfoLink, a member of the John Deere FoodOrigins™ Alliance, is a leading provider of customized information and traceability solutions for the meat and livestock industry. AgInfoLink provides flexible and easy to use management tools for all production chain segments from ranch and farm through processor(s) to the retailer. These tools implement traceability on individuals or groups to increase profits for each chain segment as well as meet regulatory requirements. The core of AgInfoLink technology is the secure sharing of pre-approved information from one owner to the next within the chain, inter-connecting dissimilar databases. AgInfoLink products make it simple to implement systems for individual animal management, source-verification, and processes documentation. For more information, visit www.aginfoLink.com.

APEIS

APEIS (Animal Permanent Electronic Identification System Inc.) was created to individually identify and track information on the world's beef supply and enhance the quality of beef and long-term profitability of cattle producers. APEIS has created a fully integrated cattle-tracking system that is internationally accessible while maintaining a level of integrity, security, and user friendliness necessary to accomplish this monumental feat by today's beef producers. The "Trax" family of products utilize a patented tag tracking method that will enable compliance with upcoming regulations.

eMerge Interactive

eMerge Interactive, Inc. is a technology company providing individual-animal tracking, food-safety and animal information solutions to the beef production industry. The Company's individual animal-tracking technologies include CattleLog™, an exclusive USDA Process Verified Program providing data-collection and reporting system that enables beef-verification and branding. The Company's food-safety technologies include VerifEYE™, a meat-inspection system that was developed and patented by scientists at Iowa State University and the Agricultural Research Service of the USDA for which eMerge Interactive holds exclusive rights to its commercialization. For more information, visit www.emergeinteractive.com.

IMI Global

John Saunders founded IMI Global in 1995, anticipating the need for a more sophisticated system for capturing, recording and analyzing critical livestock information. Today the company is on the cutting edge of creating customized integrated livestock software that helps customers - from the rancher to retailer - be more profitable. The IMI team has worked with some of the largest livestock organizations in the U.S., providing them with agricultural software products and consulting services specially tailored to meet each customer's needs. Some of IMI's products include Web Integrator™, Chuteside™, Chuteside Lite™, and Beef Passport™. For more information, visit www.imiglobal.com.

MicroBeef Technologies Ltd.

Micro Beef Technologies is a cutting edge, research and development based, innovator of patented computerized management systems for comprehensive individual animal information collection and management decision-making and has over 33 years experience pioneering information, marketing, health and nutrition systems. MBT introduced the beef industry's first individual animal identification and food safety assurance traceback system in 1986 with the revolutionary DRUG-TRAC® Animal Health System, which has individually tracked and managed millions of cattle. The ACCU-TRAC® Electronic Cattle Management System has utilized RFID technology since the early 1990s for individual animal data collection and traceback along with advanced management and marketing practices. MBT's technology portfolio includes 50 U.S., U.K., Canadian, and Australian patented inventions. The majority of the fed beef industry uses MBT's technologies. For more information visit www.microbeef.com.

4. Appendix B – Push/Pull Database Technology

Although the USAIP document indicates that the USAIP system could be implemented either as a single, central database under government control or a seamlessly linked set of local databases (p. 9), the document focuses most heavily on the central database architecture as shown in Figure 4.1 below:

Figure 4.1 “Push” Database Architecture



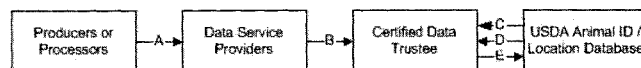
Modern database technology allows data to be distributed among separate and heterogeneous databases and only brought together at the appropriate time. This technology is what was meant by the USAIP's document indication that the USAIP system might be created using a seamlessly linked set of local databases.

The world's credit card system, for example is one of the ways this is done. It is not based upon a single, central database. Rather, the credit card system maintains the confidentiality and separateness of each bank's data until the moment of the transaction. When a retail transaction occurs, the merchant's credit card terminal reports the consumer's card number and the merchant identification to the credit card system (e.g., Visa). Visa then queries both the merchant's bank to retrieve relevant merchant information and the consumer's bank to obtain the relevant consumer information. It is only at this instant, the specific time of need, that the relevant data is married and exposed to a central database in the form of a credit card transaction.

Since these credit card transactions have routinely been accomplished globally in a matter of a few seconds, it appears that providing 48-hour traceback on individual animals could easily be accomplished.

In its most simplistic form, the system of seamlessly linked set of local databases is illustrated in Figure 4.2 and is referred to in the remainder of this appendix as the "pull" architecture.

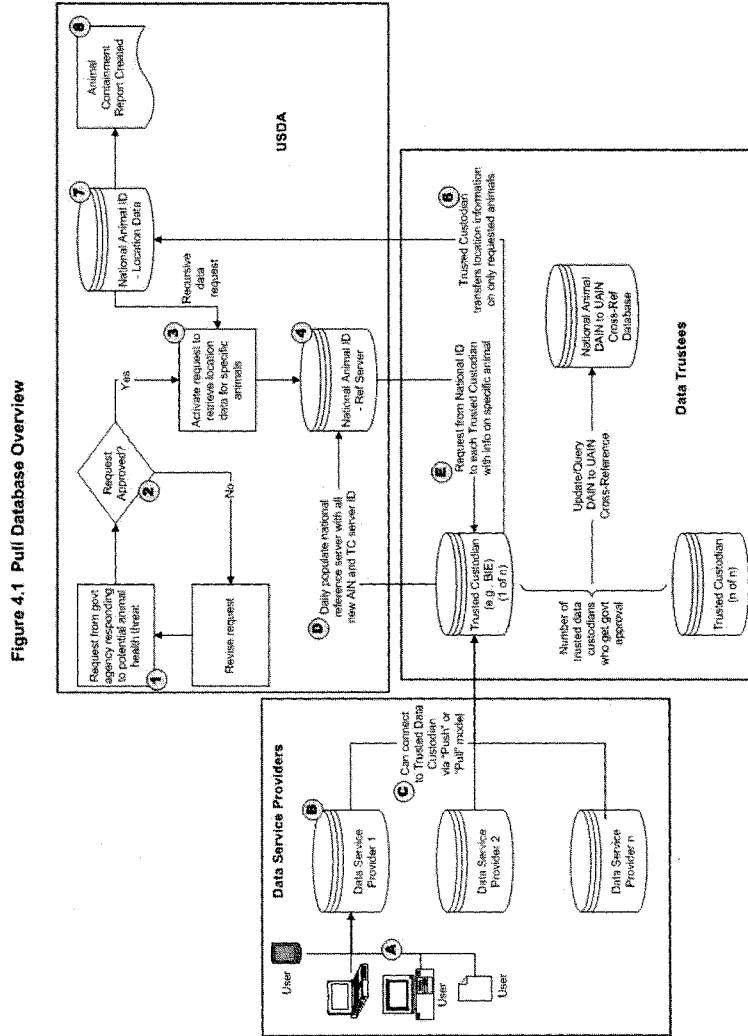
Figure 4.2 “Pull” Database Architecture



“Pull” Database Architecture

The diagram above illustrates the concept of the “pull” database architecture. The heart of the “pull” approach would be the creation of a new role, the “Data Trustee (DT)”. These would be entities with which data service providers would be willing to entrust their data. DT's would have to register with and meet the requirements of the state and federal government. Failure to meet certain performance requirements would result in a DT being de-certified. BIE would be an example of one such DT although there are likely to be several of these.

The specific “pull” architecture proposed by the BIE is shown in Figure 4.1 on the next page. The following discussion refers to that illustration.



Producers and processors would continue to select their preferred data service provider, similar to the present situation (steps a and b). Each data service provider would then select which DT they would use to interconnect with the national identification system.

The DT would retain all location data received and only pass to the government the new animal transaction received since the last communication with the government. No other data would be sent to the government database, just the UAIN and the address reference of the DT that currently stores the location and other data about that animal. It is anticipated that the DT would send a daily file to the national system of all new UAIN transactions the custodian saw from its data service providers during the day.

Knowing the UAIN, the national system would be able to monitor the number of animals in the system and the address of the database containing information about those animals. It would not know who owned which animals and where those animals were located until such information was required.

In the event of a valid requirement for information, the government system (step 1) would determine which animals would be required to contribute information for the search beginning with the index animal(s). A request from the government server would then go to each DT server having information about that animal and the time window under consideration (e.g., a three week period beginning on a specific date) (steps 3, 4 and 5).

The DT would then automatically return to the government the specific traceback information as specified by the USAIP file formats #1 and #2 as appropriate (step 6). This returned information would populate the individual animal identification database (step 7). The initial request from the government database might also request the IDs for all time/location cohorts of the index animal(s) are returned. Recursive calls from the government database to the DT databases would be made until all animals required for the analysis are populated, and the animal surveillance report is generated (step 9).

Estimates indicate that this data can be requested and retrieved in a matter of several minutes to, in the worst case, a few hours, using the data formats specified in USAIP file ID #1 and #2. Certainly well under the 48-hour service performance requirements. Once the national identification database is populated with the location data for all affected animals, the appropriate report(s) can be produced by the national system.

“Pull” System Advantages

The “pull” system has none of the privacy or data mining concerns that the “push” system has. Producers or processors will select in the marketplace those organizations/companies they trust to hold their data for them. Data would then be safe from unauthorized access, and the producer or processors would be free to move their data repository to another custodian if they lost trust in their DT.

Furthermore, the DT could be the location where public/private premises identification translation occurs to further provide additional data confidentiality (see Appendix C).

5. Appendix C – Premises System

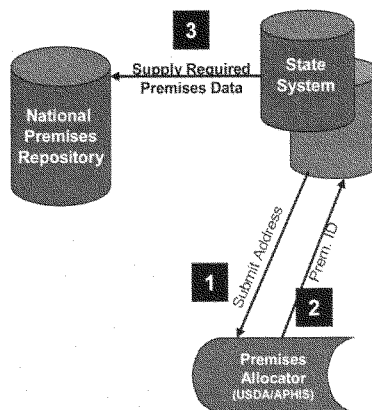
The current USAIP Premises System is outlined as follows:

1: The state system premises enrollment begins by requiring the producer or operator of an entity to provide the address (or legal description if no address is available) of the premises. The state system, through a machine-to-machine interface, passes the address to the USDA/APHIS Premises Allocator. The Premises Allocator determines if the address is valid and if the address has previously been allocated a U.S. Premises Number.

2: When the address is valid and has no premises ID on record, the Premises Allocator returns the next available sequential premises number to the state system. If a U.S. Premises ID Number is on record, the Allocator will return that premises number. The state system completes the identification/enrollment process of the premises, collecting as a minimum the data elements required by the Premises Repository.

3: The state system updates the Premises Repository according to prescribed update procedures and file format specifications. This includes updates of new and revised premises records daily and monthly "master" updates. The "master" updates contain all records from the State System.

BIE believes that it can reduce the amount of system infrastructure and support staff necessary for a state system to operate by acting as an intermediary between the state system and producers. Instead of dealing directly with thousands of producers, the state system could simply deal with BIE, provided that the state is willing to allow BIE to interact with it on behalf of the producers. BIE would develop an automated interface for producers to apply for and receive their U.S. Premises Numbers, as well as a means of updating contact information and other required data. BIE would then forward this data on to the state system on behalf of the producers, thereby providing a service to producers and easing the load on the state by requiring it to deal with only one entity – BIE – instead of thousands of producers.



6. Appendix D - USAIN/Animal Transaction Record (Alternate Animal ID)

This document discusses the Alternate Animal ID fields in the current USAIN proposal.

Current Proposal Record Description

The current USAIN Proposal allows for two Alternate Animal Identification Descriptions in the following format:

Field No.	Field Description	Data Type	Size	Required	Example
15	Alternate Animal ID 1	Character	17	N	Alternate pre-existing official Identification number if USAIN not available, Lot ID number if animal has USAIN number and was moved out of a lot, old USAIN number if tag replaced
16	Alternate Animal ID Type 1	Character	1	N	(A)merican ID,(U)SDA eartag, (R)FID, (B)reed registry number,(L)ot number,(T)attoo, required if Alternate ID (field 15) is provided, R(E)placement USAIN number if event code 6 used
17	Alternate Animal ID 2	Character	17	N	Second Alternate pre-existing official Identification number if USAIN not available, Lot ID number if animal has USAIN number and was moved out of a lot, old USAIN number if tag replaced
18	Alternate Animal ID Type 2	Character	1	N	(A)merican ID,(U)SDA eartag, (R)FID, (B)reed registry number,(L)ot number,(T)attoo, required if Alternate ID (field 16) is provided

Alternate Animal ID (From page 56 in USAIP)

Up to two pre-existing official ID numbers such as American ID, USDA series numbers,

RFID and Breed registry numbers can be used during the transition period if an USAIN number is not yet available. If an alternate US Animal Identification Number is used, an alternate animal ID type code must be submitted to define the type of alternate ID.

Alternate ID and identifier together should create a unique ID for the animal. In the case an animal loses a tag, this field can be used to report the previous USAIN number of the animal. The alternate ID type code must reflect an "R" to indicate the replaced USAIN number.

The alternate ID and type code fields will be phased out in the future and these fields will only be used to report the USAIN number of an animal that lost a tag.

The secondary use of the alternate animal ID field requires that if an animal was previously assigned to a Lot ID and received an individual animal ID (USAIN number), the Lot ID# the animal was originally assigned to needs to be supplied in the Alternate animal ID field, and the Alternate animal ID type field needs to reflect that the number entered is a Lot ID.

Limitations of Current Proposal

- Primary limitations of the proposed Alternate Animal ID description
- Data fields are hard coded into the system and therefore restrictive
- The current format does not allow for additional, alternative, or future ID Types (i.e.: Bar Code, DNA String, Optic Scan Image Blob etc.)
- The current format only allows two slots for Alternate IDs (Animals typically have multiple tags)
- Doesn't provide for using multiple production IDs when DAINs are lost
- Current USAIN and all Alternate ID Types are device dependent (tags can be lost or unreadable)

Requiring a DAIN (Device Animal Identification Number)

While the individual animal transaction record format requires the animal's universal animal identification number (UAIN), requiring a DAIN such as a Radio Frequency ID tag number (DAINRF) or a Visual ID tag number (DAINVI) would facilitate timely trace back and reinforce the accurate identification of each animal. Adding a new DAIN field to the animal transaction record and making it a required field will satisfy the needs of both the USDA who wants to use ISO RFID tags and most state vets who want to use a unique visual ID tag.

Recommendations:

- Alternate Animal ID
- Expand types of authorized animal IDs
- Expand alternate ID type field to three characters
- Alternate ID field should permanently be used in conjunction with the AIN, not just during the transition period, in order to facilitate re-identification in the event of a lost tag
- For verification and rejection purposes the database should store as many IDs as possible
- BIE recommends allowing more than two alternate IDs, with the total number of alternate IDs being designated with a variable-length counter
- Alternate ID field should be extended from 17 to the total number needed per transmission (Microsoft GUID is 32 characters)
- Adding a new DAIN (Device Animal Identification Number) field to the animal transaction record and making it a required field
- Access to AIN devices must be possible with minimal delay to producer

7. Appendix E - Universal Animal Identification Number (UAIN) and the Use of Existing Identification Systems

The current numbering system proposed for permanent identification of individual animals in a database utilized for 48-hour trace back is based upon a temporary physical identification device which is not a permanent identification device at all. It is only the animal identification until it is either separated from the animal, fails to automatically read with an RFID reader or the printed number is illegible to the observer. At the occurrence of any of these events, the device must be replaced with another device having a different number, thus the original device number is not permanent. Both device numbers need to be linked in the reported database record with a permanent identifier in the database. This methodology has been utilized in existing systems for many years with success.

As documented in Appendix D, the individual animal transaction record format needs to require the animal's UAIN, including the DAINs, which will facilitate timely trace back and reinforce the accurate identification of each animal.

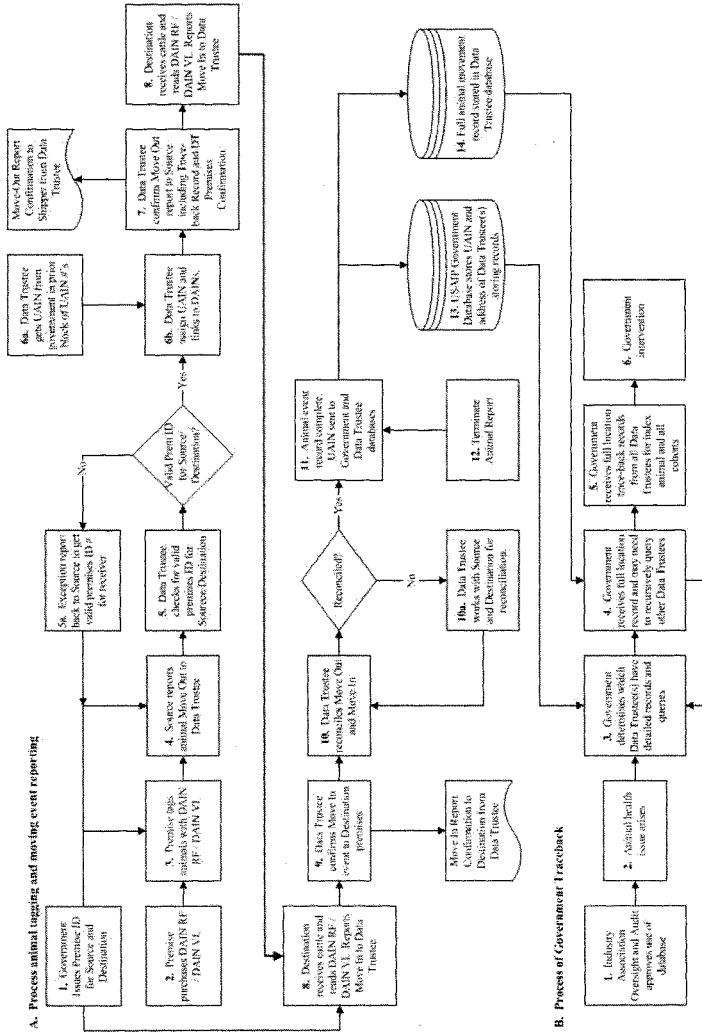
This provides both a unique and permanent database animal ID number for the individual animal record and a unique device number to be used on the animal until it is required to be replaced with a different unique number on the same animal.

The following examples will reinforce the requirement and value to use a permanent individual animal record number in the database that ties all associated DAIN's to the individual animal:

- 1) Ease of grandfathering existing devices and transitioning from those to the final system over time during the transition period.
- 2) Enables all animals in a group / lot to be assigned UAIN identifiers whether or not an individual device is attached or recorded so that if a group / lot is converted to a co-mingled group the individual record is already present in the database with which to match the device number.
- 3) Enables an accountable method of recording individual and group disease intervention actions such as vaccines or treatments in the individual records for all animals whether the group animals utilize an individual ID device or not.
- 4) Enables a more accurate total current inventory count total of all animals in the database when group / lot ID systems are used by assigning UAIN identifiers to all animals in the groups in the database so the animal counts can be utilized for compliance.
- 5) Aids in implementing the National Identification Plan more quickly by continuing to utilize existing animal identification devices linked to the UAIN until all animals arriving at pre-harvest confinement feeding premises already have a functionally acceptable RFID device previously attached.
- 6) Recognizes the uniqueness of both multi-use and single use device identifiers, which both have an ISO-compliant unique number and may be used to lower the cost of use.
- 7) Provides more accurate use of replacement devices and production type identifiers to aid in the trace back.
- 8) Provides more flexibility in acceptance, transition and continuing methodologies matched to the specific task.
- 9) More flexibility in utilizing future enhanced technologies, which may improve accuracy and speed of trace back.
- 10) Lowers the cost of meeting regulations by taxpayers and the industry for implementation.
- 11) Lowers the resistance by industry relating to current management system identifier changes required.

- 12) Creates a truly permanent individual animal record identity for permanent recurring analysis of system performance long after the device is retired.
- 13) Eliminates the need for multiple RFID tags per animal during the transition years when an earlier device that is used for production is not accepted for trace back.
- 14) Implements a permanent ID number for each animal with the UAIN and DAIN regardless of what type of identification device is used now and in the future.
- 15) Uses a unique animal number in the computer database without limiting the type and capability of the device used for both National ID and animal production management purposes.

Figure 7.1 BIE National System Animal Movement Cycle and Traceback Reporting Steps



BIE National System Animal Movement Cycle and Traceback Reporting Steps Illustration (see Figure 7.1)

The Data Trustee (DT) performs the function of:

1. Service Provider
2. Universal Animal Identification Number (UAIN) Manager
3. Tag Distributor

A. Process of Animal Tagging and Movement Events

1. Premises obtains Premises Identification number from auto allocator
2. Purchase of Device Animal Identification Number (DAIN) - Premises purchases identification devices from unrestricted sources of the following types. One or more of the following DAINs is required.

▪ Official DAINRF – Any ISO	▪ Retinal Scan
▪ Compliant Tag (UAIN or other)	▪ DNA
▪ Official DAINVI	▪ Brand/Markings
▪ Alternate Visual Tag	▪ Other
3. Tagging and Moving Animals

Source or destination premises tag each animal with at least one required DAIN. Both DAINRF and DAINVI are recommended. As many alternate identification devices as desired may be used.

With each movement a Move Out report and Move In report must be filed and reconciled. The premises works together with the DT for assignment of UAINs to the Move Out/Move In reports following the check for valid premises identification of the Shipper and Destination premises (Under certain circumstances, a 24-hour time period may be allowed for the Source to obtain a premises identification number and report.)

4. The Source Move Out report is provided to the DT by following the procedure outlined for reporting movements of animals.
5. Valid Premises Identification Check
DT checks for valid premises Source and Destination premises identification prior to reporting.
6. Move-Out Report
 - DT assigns UAINs (previously allocated to the DT by virtue of being an UAIN Manager) sequentially for each animal and links one or more official DAINs and all other alternate identification devices to the UAIN in the individual animal record in the DT database.
7. Move-Out Confirmation Report
 - A traceback record is prepared using current and other data (if any) from previous reports to provide a confirmation report to the shipper.
 - The Premises ID numbers for the Source and Destination are recorded in the DT database, however for confidentiality purposes a premises validation confirmation statement for the DT performing the service (a permanent non-participant number) is issued in its place.
 - When the report is complete, the DT sends it to the Source, and to the Destination at the Destination's request. This is the primary report used for commercial and regulatory purposes in cattle movement as proof of recording in the certified database.
8. Destination Move-In Report

This report is sent to the DT as a receiving record to validate the receipt of the animals.

9. Move-In Confirmation Report

This report is prepared by the DT and sent to the Destination to validate that the report has been recorded in the certified database and includes the information in the Move-Out confirmation report for the Destination to utilize when and if another movement or event occurs.

10. DT Reconciliation Process

This process is required in order to account for and correct discrepancies in the number of animals, or the additional identification devices, or absence of identification devices compared to expected.

11. Move Record Complete

Following reconciliation, this record is completed by the DT and certain information from the record is provided to the Destination, the Source, DT database and the Government database.

12. Animal Termination Report

Termination of an animal occurs following a dead event or a slaughter event by completing an event transaction or report. This termination record is sent to both the DT and Government database.

13. Government Database Record

For each animal, at the completion of the event record the DT will forward the UAIN and the DT identification to the Government database so that the complete animal record may be obtained in the case of a confirmed FA disease case.

14. DT Database Record

For each animal, at the completion of the event record the DT will forward the complete record to the DT database for confidential and secure storage and obtainable by the Government in the case of a confirmed FA disease case.

B. Process of Government Traceback

1. Oversight

A coalition of Beef Industry Organizations will conduct the oversight and audit process for both the DT database and the Government database to ensure accuracy, completeness, confidentiality, and security.

2. When an animal health issue arises the Government Traceback process is initiated.

3. Government determines which Data Trustee(s) have the detailed records and queries the DT Database.

4. Government receives full location record and may need to recursively query other Data Trustees

5. Government receives full location traceback records from all Data Trustees for index animal and all cohorts

6. Government Intervention:

- The government will determine and implement an intervention strategy. The DT traceback capability will be able to record testing and intervention practices as they are employed in the industry to aid in controlling a disease.

National ID System Numbering Summary

A. Database Numbers	Classification	Official/Allocated
1 Premise Number in Database	Unique/Permanent	Yes
2 Non-Producer Participant Number in Database	Unique/Permanent	Yes
3 Individual Animal Number In Database UAIN	Unique/Permanent	Yes
B. Physical Device or Method (one or more linked to UAIN)		
1 Official DAINRF Any ISO	Unique	Yes
2 Official DAINVI	Unique	Yes
3 Alternate Visual Device	May be Unique	No
4 Alternate Retinal Scan	Unique	No
5 Alternate DNA Profile	Unique	No
6 Alternate Brand/Markings	State Unique	State
7 Alternate Other	May be Unique	No
C. Group / Lot ID	Unique	Yes

1. Premises ID
 - ID allocated by government
 - 7 characters
 - Unique in database
2. Non-Producer Participant ID
 - ID allocated by government
 - 7 characters
 - Unique in database
3. Universal Animal ID Number (UAIN)
 - Number allocated by government
 - 840 ISO number
 - Number format 840 + 12 digits, starting at 2 billion
 - The only unique, permanent ID in database
4. Official Device Animal ID Number RF (DAINRF)
 - Any ISO RF device
 - Country/manufacturer code + 12 digits
 - Multiple types of ISO-compliant devices with unique numbers
5. Official Device Animal ID Number Visual (DAINVI)
 - Number allocated by government
 - Visual tag format 999-999-999, starting with 000-000-001
 - Multiple types of visual devices with unique numbers
 - Official number on tag bottom – can print existing ID system on tag
6. Alternate IDs
 - Non-allocated
 - Multiple methods, non-unique
7. Group / Lot ID
 - ID allocated by government

- Premises ID plus date
8. During Transition Period
- Minimum requirements are UAIN in database and one DAIN
 - DAINRF or DAINVI required
 - Can have both DAINRF and DAINVI
9. After Transition Period
- Minimum requirements are UAIN in database and DAINRF
 - Can have both DAINRF and DAINVI

Recommendation

It is the recommendation that USAIP be modified to utilize existing identification systems and freely available devices used in the beef industry in order to aid in the implementation and operation of the identification systems to meet the 48-hour traceback goal.

Utilize a computer-generated sequential permanent identification number throughout the information exchange system for each individually identified animal in order to have a permanent identifier in the system with which to link all physical identification devices that may be used now and in the future. This allows the use of current and future identification methodology such as visual ID, tags, ISO RFID devices of all types, DNA, retinal scan, brands, metal tags, tattoos, ear notches and any other official or commercial production identifiers. The importance of this flexibility and completeness of identification may become critical to an accurate traceback as well as defending producers against inaccurate or false claims, quarantines or movement / sale restriction.

Specific modifications are as follows:

Page 17 IID Identification Devices - First Paragraph

Change "...electronically encoded in the chip."

To: "...electronically encodes in the chip or a current identification process that is associated with the official ID number in a database."

Change: "...both utilizing eartag devices to attach the US Animal Identification Number to the animal."

To: "...both utilizing eartag devices to attach the US Animal Identification Number to the animal or to attach current tagging devices to the animal which will be associated with the official ID number in a database."

Page 17 IID Identification Devices - Second Paragraph

Change: "Required visible information printed will be the official US logo and the complete official number."

To: "Required visible information printed will be the official US logo and the complete official number (UAIN number or the preferred option of a unique official DAINVI) or a current identification process that is associated with the official ID number in a database. "

Page 19 IID2. Radio Frequency Identification, Performance and Devices Standards

Change: "Transponders are to be encoded with the US country code (840)."

To: "Transponders are to be encoded with the US country code (840) or use existing transponders in the supply chain."

Change: "The required visible US logo and the AIN will be printed on the transponder portion of the tag."

To: "The required visible US logo and the AIN will be printed on the transponder portion of the tag or use existing transponders in the supply chain."

Change: "The official height and width of the official logo is to be 5mm."

To: "The official height and width of the official logo is to be 5mm, with the exception of using existing RFID tags in the supply chain that do not require the official logo."

Change: "The printing and tag color contrast of the official logo, lettering..."

To: "If applicable, the printing and tag color contrast of the official logo, lettering..."

Change: "Only approved devices for use in the National Identification System will use the US logo."

To: "Only approved devices for use in the National Identification System may use the US logo."

Page 23-24 IV.B. Animal System, Brief USAIN Administration and ID Tag Distribution Flow Chart

Number 5:

Change: "If the US Premises ID Number is correct, the USAIN Manager provides the official identification devices to the producer/premises."

To: "If the US Premises ID Number is correct, the USAIN Manager provides the official identification devices or the official UAIN number to the producer/premises."

Number 6:

Change: "The USAIN Manager reports the USAINs to the ID DB that were printed or encoded on the...the tags are purchased."

To: "The USAIN Manager reports to UAINs to the ID DB that were printed or encoded on the...the tags are purchased. In the case of using an existing tagging processes the UAINs are just reported to the ID DB."

Page 29 V.A.3 Animal Tracking

Change: Paragraph one, all references dealing with "USAIN Tags"

To: "UAINs"

Page 31 V.B.1 Cattle

Change: "...US Animal Identification Number (USAIN) versus a tag..."

To: "...US Animal Identification Number (USAIN) or use of an existing tagging system associated with an UAIN in the database versus a tag..."

Page 43 VI.E.1 Cattle

Change: Paragraph One, "...with a lifetime number that can be printed on a visual tag, encoded on an RFID transponder or a combination of both."

To: "...with a lifetime number that can be printed on a visual tag, encoded on an RFID transponder or use current identification process that is associated with the official ID number in a database. A combination of the three methods is preferred."

Page 44 VI.E.1 Cattle

Certified USAIN Managers

Change: Paragraph One, "USAIN identification devices will be distributed through USAIN Mangers who will be approved..."

To: "USAIN identification devices or UAIN numbers will be distributed through USAIN Mangers who will be approved..."

Requirements for a Certified USAIN Manager

Change Bullet three: "...(SKU number) that each number was imprinted on and/or encoded, in particular if the device was electronic (RFID) and/or visual."

To: "...(SKU number) that each number was imprinted on and/or encoded or if the official number was issued to be used with an existing tagging process, it also needs to be stored in the database."

Change Bullet four: "...encoded on officially approved devices."

To: "...encoded on officially approved devices or used in a database as a universal ID with an existing tagging process."

Requirements for a Certified USAIN Manager

Change Bullet five: "Furnish official identification devices to producers..."

To: "Furnish official identification devices or UAIN numbers for use with existing tagging processes to producers..."

Page 44 VI.E. 2

Change: "is attached to the animal's ear with a tamper resistant eartag (one time use)"

To: "is attached to the animal's ear with a tamper-resistant eartag whether it be a single or multiple use tag to allow for the use of existing tagging processes currently in place"

Page 45 VI.E. 2

Change: "...the American identification Number is imprinted on a tamper resistant eartag (one time use)"

To: "...the unique official visual tag number (DAINVI) or a multitude of alternate devices which are associated to a UAIN in a TC database and the national cross-reference database."

Page 45 VI. E. 3. Phase out of existing official numbering systems, line three

Change: "USAIN"

To: "UAIN"

Page 45 VI. F. Official Identification Devices

Change Paragraph One: "USDA/APHIS will promulgate...the USAIN or premises number system."

To: "USDA/APHIS will promulgate...the USAIN or premises number system. In addition, allow the use of current identification/tagging processes that is associated with the official ID number (UAIN) in a database."

Change Paragraph Two: "The USAIN and the U.S. logo will be imprinted on an official identification devices."

To: "The USAIN and the U.S. logo may be imprinted on an official identification and existing identification devices depending of the types of approved devices used in the animal tracking and traceback process."

8. Appendix F – UAIN White Paper Supplement

An Industry, Federal and State partnership is working together to develop a United States Animal ID Plan (USAIP) that can be effectively implemented to provide for a 48 hour trace back program for foreign animal disease prevention, containment and eradication. As part of an October, 2003 USAHA Meeting held in San Diego, CA a resolution was passed that transferred further development of the Plan to species specific associations and their working groups. In addition the USAIP has been posted and made available for public comments.

Therefore, regarding the implementation of the plan for the beef industry, the following are recognized as fundamental changes that must be incorporated into the USAIP as requirements for effective implementation.

The USAIP must require that each individual animal possesses, in a database, a unique universal identification number that is stored as the permanent official ID but that is not required to be affixed to the animal.

The USAIP states, and so it is understood by beef industry members, that the implementation must make use of existing tagging systems during a transition period. Moreover, a December 4, 2003 announcement posted by the USAIP on their website reinforces this requirement by stating, "Currently, USAIP working groups are being formed to provide needed detail to the Plan including but not limited to... how current identification systems may be integrated into the Plan."

To enable the Plans requirements an animal must be identified with an official number allocated to that animal by the government. Fundamentally it is understood that this identification number must be unique, permanent and tamper proof. In order for the identification to meet those requirements the ID can only be secure if stored in a database. Once stored in a database, all currently available and future forms of tagging devices on the animal may then be associated to the permanent ID for that animal in the database. The permanent database ID is referred to as the Universal Animal Identification Number (UAIN). The UAIN is synonymous to the USAIN referred to in the Plan however; the difference is that the UAIN is not required nor does it assume that it be affixed to the animal. The reason is that no ID attached to the animal is permanent or tamper proof and most importantly the Plan requires the aforementioned use of existing tagging systems that in and of itself precludes the use of an official ID on the animal. So, to accommodate these stated requirements the Plan and its implementers cannot order the enforcement of an official device on the animal during a transition period nor can databases assume, expect or require that any type of "Official" ID (USAIN) will be on the animal. To do so creates an implementation failure from the outset. Moreover, the current use of a permanent database Universal ID is a norm among leading software companies and can be easily and effectively implemented by Data Service Providers.

The logic of these requirements is sound because as one considers performing the 48-hour traceback process one recognizes that it will be a database procedure. The database is where officials will enter the animal's current premises and visual ID and source the essential information.

A further requirement that must be included in the Plan is that all necessary components required for compliance purposes, including but not limited to identification numbers and devices of all types, must be freely available.

Terminology in the Plan should be modified to include changing the AIN or USAIN to UAIN. This change must reflect that the UAIN is stored in the database and not required to be affixed to the animal. All additional IDs are referred to as a DAIN or Device Animal Identification Number, which is affixed to the animal and associated to the UAIN in a database.

An additional benefit of these clarifications is that the industry during the implementation and transition phase is not forced to change its ID systems or the way it sources its identification systems and tag manufacturers are not required to change their methods of producing and distributing tags. It is also recognized that these changes allow the free enterprise system to choose which ID method(s) is ultimately used.

In summary, the following represent the only officially allocated numbers to be used in complying with the USAIP and the administrator of such numbers.

UAIN – A unique and official number assigned to an animal, allocated by the government and stored in database to enable the traceback process.

DAIN RFID – A unique numbering scheme allocated to RFID manufacturers and overseen by ISO.

DAIN VID – A unique official visual ID number allocated by the government to AIN Managers or DSPs.

Premises ID – A unique premises identification number allocated by the government.

Alternate ID – A non-official current identification method used by the beef industry.

9. Appendix G- Creating a National Visual Tag (DAINVI) to Complement the UAIN

The government needs to issue unique visual tag numbers (DAINVI) to tag manufacturers for tag production. This number is different from but still unique and linked to the UAIN number in the database when assigned to an animal by an event. This DAINVI may be used separately or used in conjunction with a DAINRF for identifying an animal. These low cost DAINVIs will be freely available in the market place and when purchased and applied to an animal will then be linked to the UAIN assigned by the government and linked to any other device on the animal.

Recommendation

It is recommended that the government issue a separate unique identification number for official visual tags to manufacturers that is a different unique number from the UAIN that is permanently assigned to animals in the database. These numbers will be controlled between the tag manufacture and the government to ensure uniqueness and may contain an official logo. This tag will complement the use of ISO RFIDs (DAINRF) and existing tagging/identification processes currently in place today. These will contain the unique number at the bottom to allow for hot stamping at customer locations for operational purposes or printed by the manufacturer to utilize an existing numbering system.

10. Appendix H - DAIN/UAIN Cross-Reference Database

Since the UAIN may not be physically attached to an animal or it may have been attached to the animal and is now lost or unreadable, we must have a database service available that allows for the linking of any DAIN to the UAIN between Data Trustee (DT) networks. When an animal moves from one premises to another, this information must exist in a database that is readily available to the receiver or the receiver's DT. The UAIN information will be included in official animal transfer documents in order to facilitate quick trace back. The data should be available electronically. If the animal is moved from one premises to another within the same DT network, this database is a natural function of the DT. When the animal is moved from one premises to another outside the DT network, the database most likely should reside in a central database used by multiple DTs. The majority of the industry does not want this cross-reference database maintained by the government.

Recommendation:

Create a national cross-reference database for the linking of all DAINs to a UAIN for a specific animal to facilitate the tracking of animals while using existing and proposed identification tagging systems in a distributed architecture.

11. Appendix I - Privacy Concerns in a National Animal ID Program

The USAIP proposes a national database that serves as the foundation for a system that provides 48-hour traceback to any premises, and all animals that have been exposed to an animal with a Foreign Animal Disease (FAD). While there can be no doubt as to the value of such a system in helping to maintain the health and economic viability of U.S. animal agriculture, the fact that the system will be capturing data that many in the industry may consider as private (i.e. of a personal or commercial nature), and the fact that the current document makes no effort to address privacy issues, may cause this effort to meet with a great deal of resistance.

Data, today, is treated as a valuable asset by both private companies and public institutions that can be used for fact based decision-making. Unfortunately for privacy concerns, it is also possible to use this data for analysis by means of data mining tools for automatic exploration and pattern discovery. In addition, it is inevitable that where large databases of information are available, whether the information is of a private nature, or not, officials and others think up new uses for the data.

Privacy Issues

The following are general privacy issues related to the misuse, or misapplication of private data:

Secondary Use of Personal Information

Surveys have shown a great concern about the use of personal data for purposes other than the one for which the data has been collected. Most individuals consider the use of information for secondary analysis a direct invasion of privacy.

Handling Misinformation

Misinformation can cause serious and long-term damage, so individuals should be able to challenge the correctness of data about themselves.

Granulated Access to Personal Information

The access to personal data should be on a need-to-know basis, and limited to relevant information only.

New Privacy Threats

With the advent of data mining tools it has become very easy to use general patterns for guessing confidential properties. It has been determined that combining two or more general patterns may lead to disclosure of individual information, either with certainty, or with a high probability. Also, knowledge of totals and other similar facts about the data may be correlated to facilitate compromising individual values.

Possible Solutions

Any solution to the problem of privacy will necessarily be a mixture of technology and policies. As such, we first present an overview of current privacy regulations and guidelines, followed by eight principles for responsibly managing private information, and finally some technical solutions that can be used to help protect private information.

Privacy Regulations and Guidelines

The U.S. Privacy Act of 1974 gives thorough guidelines for limiting the collection, use, and dissemination of personal information by the Federal government. The act stipulates that Federal agencies must:

- Permit an individual to determine what records pertaining to him are collected, maintained, used, or disseminated
- Permit an individual to prevent records pertaining to him obtained for a particular purpose from being used or made available for another purpose without his consent
- Permit an individual to gain access to information pertaining to him in records, and to correct or amend such records

- Collect, maintain, use or disseminate any record of personally identifiable information in a manner that assures such action is for a necessary and lawful purpose, that the information is current and accurate for its intended purpose, and that adequate safeguards are provided to prevent misuse of such information
- Permit exemptions from the requirements with respect to the records provided in this Act only in those cases where there is an important public policy need for such exemption as has been determined by specific statutory authority
- Be subject to civil suit for any damages that occur as a result of willful or intentional action that violates any individual's right under this Act.

These concepts have led to what are known as "Fair Information Practices", and have been incorporated into important international guidelines for privacy protection. The most well known of these were developed by the Organisation for Economic Cooperation and Development (OECD) which put forth the following principles for data protection: collection limitation, data quality, purpose specification, use limitation, security safeguards, openness, individual participation, and accountability.

Eight Principles for Data Protection

Based on the previously described guidelines and regulations, we now describe a set of principles that we believe should be addressed by any system that purports to responsibly manage private information. They also serve as a statement as to what a data donor can expect from the system. They are as follows:

- **Purpose Specification:** For personal information stored in the database, the purpose for which the information has been collected should be associated with that information.
- **Limited Collection:** The personal information collected should be limited to the minimum necessary for accomplishing the specified purposes.
- **Limited Use:** The database should run only those queries that are consistent with the purposes for which the information has been collected.
- **Limited Disclosure:** The personal information stored in the database should not be communicated outside the database for purposes other than those for which there is consent from the donor of the information.
- **Accuracy:** Personal information stored in the database should be accurate and up-to-date.
- **Safety:** security safeguards against theft and other misappropriations should protect personal information.
- **Openness:** A donor should be able to access all information about the donor stored in the database.
- **Compliance:** A donor should be able to verify compliance with the above principles. Similarly, the database should be able to address a challenge concerning compliance.

Technical Solutions

The primary goal of a database system is to provide an environment that is both convenient and efficient to use in retrieving and storing information. Given the design goals of current database systems, it is not surprising that they fall short in providing for privacy concerns. Nonetheless, there are some techniques that could be applied to a national animal ID database that would help to address these concerns:

Query Restriction and Data Perturbation

Query restriction includes restricting the size of query results, controlling the overlap among successive queries, keeping audit trails of all answered queries and constantly checking for possible compromises, suppression of data cells of small size, and clustering entities into mutually exclusive atomic populations.

Data perturbation includes swapping values between records, replacing the original database by a sample from the same distribution, adding "noise" to the values in the database, adding "noise" to the results of a query, and sampling the result of a query.

Secure Databases (Public/Private Data)

Whenever sensitive information is exchanged, it must be transmitted over a secure channel and stored securely to prevent unauthorized access. As there is extensive literature related to access control and encryption, we won't go into further detail here.

However, there are particular aspects of database security that should be of interest in a national animal ID database, particularly the ideas on multilevel relations in the context of multilevel secure databases. Simply put, multiple levels of security are defined (e.g. top secret, secret, confidential, unclassified) and associated with individual data items. The security level of a query may be higher or lower than that of individual data items. A query with a lower level of security cannot read a data item with a higher security attribute. On the other hand, a higher security query cannot write a data item with lower security. Two queries having different levels of security can therefore generate different results.

This idea can be abstracted further to the point where there are only two security levels: unclassified and classified, or public and private. For the purposes of this discussion one can think of public and private data as:

- Public Data – data that deals exclusively with the state, condition, description, and care of the individual animal.
- Private Data – data that links to animal owners, handlers, location, or cost.

A very simple means of protecting private data would be to encrypt the data fields flagged as private prior to placing them into the database using a public key encryption methodology. This has the desired effect of "hiding" the data until such time as it is needed. Should the data be needed during a suspected FAD, it can be decrypted prior to running a report.

Decryption of the data would be controlled by who has access to the key. Using a "nuclear silo" analogy, one could split the key into pieces between two or more responsible parties, such that the data could not be decrypted unless all parties agreed, and made available their piece in order to create the whole key.

"Need-to-Know" Access

Another technique for maintaining privacy is to store information such that it is distributed among a number of different locations. When the data are needed they can be retrieved from these distributed systems. Thus, no one system has a complete picture of the information pertaining to a given individual. Please see the Beef Information Exchange (BIE) white paper "USAIP Architecture - Centralized "Push" or JIT Decentralized "Pull"?" for a more in depth discussion.

Conclusion

Technology alone cannot address all of the concerns surrounding a complex issue like privacy. The total solution must be a mixture of laws, societal norms, markets, and technology. Therefore, the BIE recommends that the national animal ID database has 1) clearly stated principles similar to the eight principles outlined above, for the collection, and use of information, and 2) that some combination of the technologies discussed, e.g. public/private data and a JIT data access methodology be adopted. Only by effectively managing private information can the USAIP hope to gain the support and trust of the industry, thus mitigating the resistance that may otherwise be encountered.

References:

<http://www.usdoj.gov/foia/privstat.htm>

<http://www.oecd.org>

12. Appendix J - Public/Private Data in a National Animal Identification Program

The historical antagonism that has existed between segments of the beef industry has resulted in a lack of trust between them, and an unwillingness to share certain types of information. The potential for abuse in a system where everyone has access to all data is great, and will undoubtedly meet with resistance from those who do not want their competitors to have access to their data. For example, by having access to all of the location data about an animal, or group of animals, it might be possible for a buyer in one segment to simply "go around" a supplier that he would normally buy from, and go direct to the supplier's supplier. In addition, there may be resistance to a third party such as the U.S. government to be able to "mine" this data.

Public/Private Data

Central to any system that needs to maintain the anonymity of certain data is the idea of public and private data. For purposes of discussion we will use the following definitions:

Public Data – data that deals exclusively with the state, condition, description, and care of the individual animal.

Private Data – data that links to animal owners, handlers, location, or cost.

As the currently proposed system treats all data as public, i.e. available to all, and is a fairly unambiguous idea, we will be limiting the remainder of our discussion to the use and implementation of private data in the proposed national system.

Private Data

Since the goal of the USAIP system is:

"To achieve a traceback system that can identify all animals and premises potentially exposed to an animal with a Foreign Animal Disease (FAD) within 48 hours of discovery"ⁱⁱ

a method is needed to decouple the data deemed to be private, from the data that can uniquely associate an individual with it, yet still permit traceback in the event of a FAD.

Access Control

There are a number of different access control methodologies, but one that is often used to manage private data is known as Content-Based Access Control (CBAC). CBAC simply denies access to any private data item to all but a specific privileged account. While CBAC will not permit non-privileged accounts access to private data, it does nothing to prevent "data mining" since all of the data is essentially visible to the privileged account. Unfortunately, all forms of access control suffer from this problem.

Encryption

A very simple means of protecting private data would be to encrypt the data fields flagged as private prior to placing them into the database using a public key encryption methodology. This has the desired effect of "hiding" the data until such time as it is needed. Should the data be needed during a suspected FAD, it can be decrypted prior to running a report.

Decryption of the data would be controlled by who has access to the key. Using a "nuclear silo" analogy, one could split the key into pieces between two or more responsible parties, such that the data could not be decrypted unless all parties agreed, and made available their piece in order to create the whole key.

One drawback to this scenario is the case where someone is aware of a transaction taking place and uses this knowledge to search the database for transactions that have similar characteristics. Once the likely transactions have been found it may be possible to deduce the private data. Simply broadening our definition of private data such that any distinguishing characteristics are also hidden can mitigate this problem. Another possibility would be to change the encryption method, or key, at a regular interval to lessen this possibility.

There may be some concern that encryption adds additional overhead to the system, but considering that FAD's are not daily occurrences, and that the target turn around is 48 hours, it is doubtful that having to decrypt certain data fields prior to their use in reporting will impose much of a burden on the system.

One final benefit of encryption would be to make "data mining" virtually impossible. This of course requires that appropriate control is maintained of whom, and when, data may be decrypted.

13. Appendix K - Inconsistencies Between Animal Event Codes and Animal Transaction Record Format

Version 4.0 of the USAIP identifies fourteen animal event codes on page 55 of the document. The event code is a two-character field appearing as field number 1 in the individual animal transaction record and the group/lot movement record.

For many of the fourteen event codes the remaining 17 fixed format data fields for the animal are highly appropriate, and no change is required. However, beginning with animal event code 7 we believe that this event code and subsequent event codes do not provide sufficient information to support the event. It may be the intent to use the 50 characters of the remarks field (field #13) to provide this information, and, if so, a pre-formatted, event-specific data field format should be utilized within these 50 characters for each event so that the data can be reliably parsed.

If the 50-character remarks field is allowed to be a "free-format" field, there is the high likelihood that different organizations submitting data will format this field very differently. Having idiosyncratic coding will substantially hinder the system's overall purpose of rapidly responding to animal health threats because the idiosyncratic use of the remarks field would require human intervention rather than allow the computers to effectively parse data. For example, if the remarks column were used to store the country of origin for an importation event, and if there was no pre-formatting of how this country data would be encoded (both which positions or how a country would be represented), then one data supplier might indicate a Mexican origin by putting "MEX" in column 1 of this field, while another might put "From Mexico" in column 1, and a third might just put "M" in some other column.

The following event codes are a sample of the type of information that appear to be missing:

- Event 7 (Animal importation) - This event requires identifying the source premises and the destination premises. Currently, only one data field (field #3 – source/data premises ID) is provided to support this event and that is insufficient to record both the premises exporting the animal and the premises receiving the animal. At least one more premises identification data field needs to be added. And even if data field # 3 is being used for either the sender or the receiver, the current premises identification record for identifying premises is insufficient.
- Event 8 (Animal exportation) – Requires the same adjustment as event #7.
- Event 9 (Animal sighting) – Requires some level of consistent coding for the type and result of the animal sighting. If these data are random, free form comments, they will not necessarily be easily processed, analyzed and compared.

A second issue with event codes is that they appear to be designed for individual animal movement as opposed to the group/lot movement record format (ID #2). One specific deficiency is that the group/lot movement record format does not indicate the number of the animals in the group. Another is that there are no events that can be used to either add or subtract animals from a given lot.

A final issue is the actual record structure used to report animal transactions. The record structure for the remaining 18 designated data fields is a fixed format structure, with approximately one-third of this total being allocated for a free-form remarks column that has been previously discussed. A fixed format transaction record structure was the industry standard for the early-computerized age, and remains a frequently chosen structure. However, there are more modern, variable formats for data transfer available today such as XML and its variants (reference the BIE white paper recommendation regarding XML). While there is a concern to allow older, legacy software to send data to the national system, basing communication structures on an older data approach could potentially hamstring potential future growth and expansion.

Recommendation

BIE recommends that the USAIP work plan be modified to either adopt a more flexible record communication format such as XML (strongly preferred), or pre-format the fifty character remarks data field (data field #13) to be specific to each event type. While either path would solve the problems identified in this paper, the BIE strongly is in favor of expressing the transaction record format as an extensible XML record. Accommodation of this XML recommendation with legacy systems could be handled via a small piece of "middleware" software that would translate the XML code to the legacy record structure. Such coding will be required by legacy systems even to accommodate the recommended fixed record structure.

The second recommendation is that the data sub-fields required to support each event code be identified, and either tags for these sub-fields be identified (for an XML solution) or the fifty character remarks field be pre-formatted to accommodate storage of this information (pre-formatted field structure).

The third recommendation is that the group/lot movement record format indicates the number of animals in the group/lot, and that events be added to the event structure, which allow for movement of animals into and out of groups.

14. Appendix L - Event Data Transmission Using XML

Extensible markup language (XML) is rapidly becoming the standard data exchange file format. It rivals older standards today and Microsoft's use of it in its Office 2003 productivity suite promises to make XML pervasive in the future. The ability to transparently transfer animal movement data between computerized databases is vital in expediting animal trace back.

Sample XML

Sample XML files have been constructed to reflect the file layouts described in the current USAIP work plan. The XML formats cannot be finalized until the USAIP database schema is finalized.

File Size Issues

It is commonly thought that, because of the use of field tags, XML data files take more space than fixed-length data files. But it is the use of field tags that allow XML data fields to be of variable length, taking only the space needed to hold the data.

For example, a data field that is designed to hold 50 characters in a fixed format will take 50 characters even if the data to be transmitted needs much less space. Even though the transaction takes 10 bytes less to express in XML, the data is now self-describing, open, and concise. In addition, XML lends itself to data element modifications more easily than fixed-format.

While it is true that XML does consume more space for small data elements, the point here is that the space usage issue should not be given too much weight given modern data transmission, compression, and storage technology.

References:

<http://www.xml.org>

<http://www.microsoft.com/office/editions/prodinfo/technologies/xml.msp>

15. Appendix M - Error Detection in Transmitted Data Files Using a Cyclic Redundancy Check Checksum

The USAIP has provisions for data validation and error correction of the Premises, Animal, and Lot ID records, however, there is no provision for ensuring the integrity of the transmitted data file. In all likelihood any national system will need to accommodate the transmission of data files using a variety of protocols depending on the capabilities and level of sophistication of the sender. Different protocols have varying levels of reliability with regard to the sent and received data. In addition, the possibility of malicious individuals trying to corrupt the system cannot be ruled out. A means of determining whether the received data file has been modified unexpectedly, whether by hardware failure, software failure, or malicious tampering, would provide an additional method to help ensure the accuracy of the data.

Error Detection

The purpose of an error detection technique is to permit the receiver of a message to determine whether the message has been corrupted. To accomplish this, the sender calculates a value known as a checksumⁱⁱ that is a function of the data being sent. The sender then sends the data and its checksum to the receiver. The receiver of the data then uses the same function to determine if the data were received correctly. A typical checksum function might simply sum each byte of data and perform integer division by 256 on the final sum. For example (all numbers are decimal):

Original Data	: H I T	(72 73 84)
Data with Checksum	: H I T σ	(72 73 84 229)
Data after Transmission	: H O T σ	(72 79 84 229)

In this example, the second character is changed from an I (73) to an O (79) during transmission. The receiver can detect this error by comparing its calculated checksum (235) to the received checksum included with the data (229). If the checksum is corrupted during transmission, correct data may be incorrectly identified as bad, but this particular failure does no harm and simply requires retransmission of the data. A more dangerous failure occurs when the data and/or checksum are corrupted in such a way that the transmitted data remain internally consistent. Unfortunately, there is no way to avoid this type of failure. The best that one could hope for is to minimize the probability by using a checksum larger than one byte.

Improving the Checksum

As demonstrated by the example in the previous section it is fairly easy to detect minor data corruption using an algorithm that calculates a checksum by summing the bytes modulo 256. The main problem with this algorithm is that it is too simple. If more than one corruption occurs in the data there is a 1/256 chance that the errors will go undetected. For example:

Original Data	: H I T	(72 73 84)
Data with Checksum	: H I T σ	(72 73 84 229)
Data after Transmission	: L E T σ	(76 69 84 229)

In order to improve upon this checksum algorithm we could increase the number of bytes used to store the sum from one to two, thus reducing our failure probability from 1/256 to 1/65536. Unfortunately, while this solution appears to be adequate on its surface, in reality it will still fail in this particular example. The simple summing strategy is not sufficiently random because each incoming byte can only affect about one byte of the sum. Therefore, for this example, the technique will fail regardless of the number of bytes used to store the sum. This problem can only be solved by using a more sophisticated algorithm that permits every incoming byte to affect all bits of the checksum.

Cyclic Redundancy Check (CRC)

From the examples in the previous sections, it is clear that addition is not nearly strong enough for generating effective checksums. However, it turns out that division works well providing that the divisor is about as wide as the number of bytes used for the checksum. The basic idea behind all CRC algorithms is to treat the incoming data as one giant binary number, divide it by another fixed binary number, and use the remainder as the checksum. The details of how CRC algorithms work have been discussed in many publications by others, so we will not go into depth on how to calculate CRC's in this white paper.

CRC-32

CRC-32 generally refers to a specific 32-bit CRC algorithm defined by the *Comité Consultatif International Téléphonique et Télégraphique* (CCITT) an organization that sets international communication standards.

The CRC is calculated using polynomial division. A block of data, or "message", is treated as if each bit in the block were the coefficient of a long polynomial. For example, the hexadecimal value F8 would correspond to the polynomial:

$$1 * X^7 + 1 * X^6 + 1 * X^5 + 1 * X^4 + 1 * X^3 + 0 * X^2 + 0 * X^1 + 0 * X^0$$

Since the zero terms drop out we are left with:

$$1 * X^7 + 1 * X^6 + 1 * X^5 + 1 * X^4 + 1 * X^3$$

While it may appear that calculating the CRC of a large message, e.g. a data file, would cause a problem due to the very large values of the exponents that would be produced, this is not in fact a problem. The exponents are not used in the calculation of the CRC so they may grow unconstrained by an upper bound.

As mentioned briefly in the previous section, the calculation of the CRC is performed by dividing a second polynomial, the generator polynomial, into the polynomial representing the message resulting in a quotient and a remainder. The CRC-32 algorithm uses the following generator polynomial:

$$X^{32} + X^{26} + X^{23} + X^{22} + X^{16} + X^{12} + X^{11} + X^{10} + X^8 + X^7 + X^5 + X^4 + X^2 + X^1 + 1$$

After dividing the generator polynomial into the message polynomial and obtaining a quotient and remainder, the quotient is discarded and the remainder becomes the checksum.

CRC-32 for File Verification

While CRC-32 was originally created by the CCITT for use in telecommunications, there is nothing intrinsic to the algorithm that would make its use unsuitable for detecting unexpected modifications to a file. Using the CRC-32 algorithm to generate a 32-bit number for a file would permit the creation of a "fingerprint" for that file. This fingerprint would provide for a probability of failure of $1/2^{32}$ ($1/4,294,967,296$). In addition, there are several more characteristics that make the CRC-32 very attractive for verifying files:

- Every bit in the message contributes to the CRC. This means that changing any bit in the message should change the CRC.
- Relatively small changes in the message should always result in changes in the CRC. We want to be sure that it would take an extremely unlikely combination of errors to produce an identical CRC.
- The histogram of output CRC values for input messages should tend to be flat. For a given input message, we want the probability of a given CRC being produced to be nearly equal across the entire range of possible CRC's from 0 to FFFFFFFF hexadecimal (0 to 4,294,967,296 decimal).

These characteristics should give us great confidence that the chance of damaging or modifying a file without modifying its CRC is exceedingly small.

Conclusion

Due to the possibility of unexpected modification of the USAIP data files, whether inadvertently during transmission or by a malicious act, a method is needed to ensure the integrity of these files. The current draft document provides for limited error handling with regard to the data contained in the Premises, Animal and Lot ID records, but there is no provision for ensuring that the data received was the data that was actually sent. We recommend the incorporation of a simple CRC-32 checksum into the USAIP data file header to provide a highly reliable, low overhead method to ensure that no unexpected modification of those files has occurred, and that the received data is in fact what was sent.

16. Appendix N - Species Record Element Needs to be Required Field

The USAIP indicates in the record layout for the individual animal transaction record that the field 7, which has been allocated to record "species", is not a required field.

Given that a single premises will possibly have a mixture of species, given that certain diseases may cross species barriers, and given that the USAIP has been given to the species groups for final implementation, it makes good sense for this field to become a required field.

Recommendation

Field 7 ("species") be changed to a required field.

17. Appendix O - Foreign Animal Traceback

The USAIP does not make any specific reference to the process in which foreign animals will be controlled and monitored in the United States or reference any preexisting policies governing this process.

Recommendation

Review criteria required on the importation of foreign animals for incorporation into the USAIP:

- Country of origin
- Premises within the foreign country, if applicable
- Border station should record the port number as the move-in transaction. The move-out transaction should contain the destination premises or carrier trailer number

Reference Appendix K for event code 7 on animal importation.

18. Appendix P - CRUD Analysis on the Proposed USAIP Database

The USAIP includes guidelines for the creation of a national database designed to store individual animal movement and sighting records. The plan outlines the process by which state systems, service providers, and even producers themselves can upload individual animal transaction records to the national database. This process outlines what can only be described as a "push" system – meaning that data is "pushed" to the national system by state systems, service providers, and producers whenever the data is available. Data records, which have been pushed to the national database, cannot be touched again once they have been processed and entered into the national database. These records simply accumulate in the database. There is no means by which erroneous records can be updated or deleted. In order to correct an erroneous record, a new record must be uploaded with corrected data. The incorrect record would remain on the system, but would essentially be "buried" under the newer, corrected record.

Also, in the current USAIP there is no interface for retrieving data from the database in the event of a disease outbreak and/or a traceback situation. Furthermore, there is no mechanism for feedback to those supplying data to the system, and this deficiency needs to be corrected. Producers and/or processors should have the ability to check the accuracy of inventory in the system currently assigned to them. Neglecting this review function creates potential problems for the national ID database to be "out of synch" with reality, and could promote a sense of unease in producers and processors with respect to the national ID program.

Recommendation

BIE believes that the USAIP national animal ID database design guidelines should be expanded to allow for the creation of a much more robust and functional database. Guidelines and procedures should be created to allow incorrect records to be updated and/or deleted if necessary. This will reduce ambiguity in the dataset that a USDA/APHIS official will have to utilize in the event of a traceback situation by eliminating incorrect data. This will also increase the efficiency of the query and analysis by enabling the official to look at only correct data instead of first trying to determine which records are correct and which ones might not be correct before performing an analysis of the data.

BIE also recommends that the USAIP work plan be modified to allow a producer or processor to request a report showing their current inventory as seen by the system. Having this function would allow producers and processors to correct any potential database errors by initiating potentially omitted transfer events.

In the event that the "pull" database model is adopted, this request for the current inventory would become the responsibility of the trusted data collector with which the producer or processor is currently working.

Access to this "inventory report" should be granted (via the internet) to a user who logs in with a unique premises number and a corresponding password. This password would have to be generated by either the USDA/APHIS Premises Allocator (in the case of the "push" model) or by the trusted data collector (in the case of the "pull" model).

In summary, BIE would like to see the database design guidelines currently outlined in the USAIP modified to allow more functionality to a broader array of end users. At minimum, the database must be modified to allow end users to have the ability to perform the essential functions of reading, updating, and deleting data records where necessary.

19. Appendix Q - USAIP Needs to Be More than a Write-Only System

As proposed, the USAIP system is a "write-only" database with respect to producers and processors who are entering data, and there is no mechanism for a producer or processor to check the accuracy of inventory in the system currently assigned to them. Neglecting this review function creates potential problems for the national ID database to be "out of synch" with reality, and could promote a sense of unease in producers and processors with respect to the national ID program.

Recommendation

The BIE recommends that the USAIP work plan be modified to allow a producer or processor to request a report showing their current inventory as seen by the system. Having this function would allow producers and processors to correct any potential database errors by initiating potentially omitted transfer events.

In the event that the "pull" database model is adopted, the Data Trustee with which the producer or processor currently is using would handle this request for the current inventory.

20. Appendix R - Data Security

The current USAIP document gives a very broad and general description of the proposed security measures of the National Animal ID Database Application. Security across the multiple layers of the application plays an important role in the ultimate success of this system. To date the specific security layers and needs of this application have not been thoroughly explored or identified and no protocols or procedures have been developed to support these needs. The following is a list of key security issues that should be addressed and documented:

Hardware/Software

- Physical Security (Facility Security Measures)
- Network Security
- Firewalls
- Load Balancing
- Redundancy
- Backup/Off Site Storage
- Disaster Recovery

Users

- Administration and Management of User Names and Passwords
- User Roles
- User Level of Access
- User Validation
- Session State

Data

- Data Encryption
- Use of Secure Socket Layer (SSL)

Recommendations

Security is a crucial element to the success of the proposed system. The Beef Information Exchange recommends that a special task force be put together to design and develop the specific security protocols and procedures needed for the National Animal Identification Database Application.

21. Appendix S - Chain of Custody Concept

Many companies have realized that to ensure the integrity of transaction processing systems that a formalized set of checks and balances need to be implemented into the design and operation of the system. The concept of transaction Chain Of Custody deals with the verification that a receipt of the movement transaction at the destination location has been performed within a specified time period. In addition, a reconciliation process needs to be developed to resolve discrepancies with the transaction exchanges.

This concept is focusing on the following events as defined by the USAIP plan:

- Move Out Transactions
 - Animal Transaction Record File ID #1
 - Event 4 – Moved out – Animal is moved out of a premises
 - Event 10 – Slaughtered – Animal was sent to slaughter
 - Group/Lot Movement Record File ID #2
 - Event 3 – Moved Group/Lot out of a premises
- Move In (Receipt) Transactions
 - Animal Transaction Record File ID #1
 - Event 3 – Moved in – Animal is moved into a premises
 - Event 12 – Tag retired – Mainly by a packing house
 - Group/Lot Movement Record File ID #2
 - Event 2 – Moved Group/Lot into a premises

When a move out transaction from one premises to another has been initiated then a corresponding move in (receipt) transaction needs to acknowledge that the animals actually arrived at a valid premises within a specified time period. This chain of custody concept is commonly called a double entry process similar to the credit/debit entries used in general accounting principals to ensure the integrity of transactions.

If this type of concept is not adopted then animal movements that are in transit and do not have a receipt confirmation back to either a centralized or distributed database will not be accounted for during an specific timeframe which could be months. The in transit movements must be reconciled within a set time period to ensure the 48 hour traceback is obtainable.

In the current USAIP plan, the Source/Destination Premises ID field is not required for a valid transaction, which can lead to major problems in the integrity of a true traceback process. The destination premises ID must be required on all Moved Out transactions. The source premises ID on Moved In transactions does not pose as great of a risk in providing accurate data in the event that a traceback is initiated because this is simply an acknowledgement of receipt at a valid premises ID. In most cases every premises custodian should know exactly where they are authorizing a movement of animals to go and should be provided the capability to obtain the destination premises ID prior to movement. Whether that is via an online system or a simple phone call to the destination premises custodian.

One scenario that could happen to invalidate the traceback process within the guidelines of the current USAIP would be that animals are moved from a production site to a valid market site with the appropriate move out transaction submitted which did not contain the destination premises ID (Market site). The animals are bought by another valid production site at the Market that same day and delivered to the new production site. At this time a move in transaction is initiated from the new production site premises location without a source destination (Market site). The animals are accounted for but there will never be any reference point in the database to indicate the animals were ever at the market site premises ID. Without having a true chain of custody process for animal movements to and from valid premises IDs will greatly inhibit the ability to perform a valid traceback.

Centralized Database Concept for Chain of Custody

Assumptions:

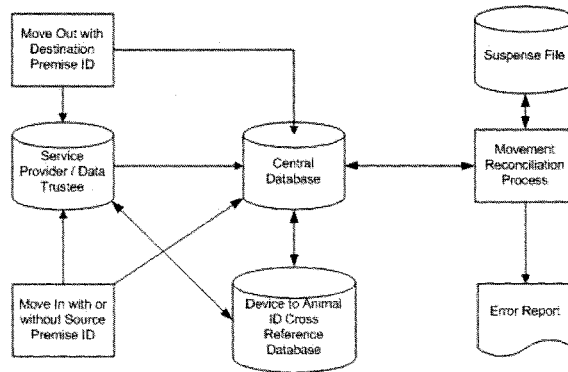
- One single centralized database for the national ID program

Sequence of Events for the following diagram:

- Move out and Move in transactions can be sent to the central database via a Service Provider/Data Trustee or directly to the central database from the source
- The central database will reconcile all movement and resolve discrepancies
- The Device to Animal ID Cross Reference Database is used to link Devices to the actual Universal Animal Identification number (UAIN)
- Reference BIE white paper dealing with Centralized "Push" or JIT Decentralized "Pull"

Figure 21.1 illustrates this concept below.

Figure 21.1 Central Database for Chain of Custody



Distributed Database Concept for Chain of Custody

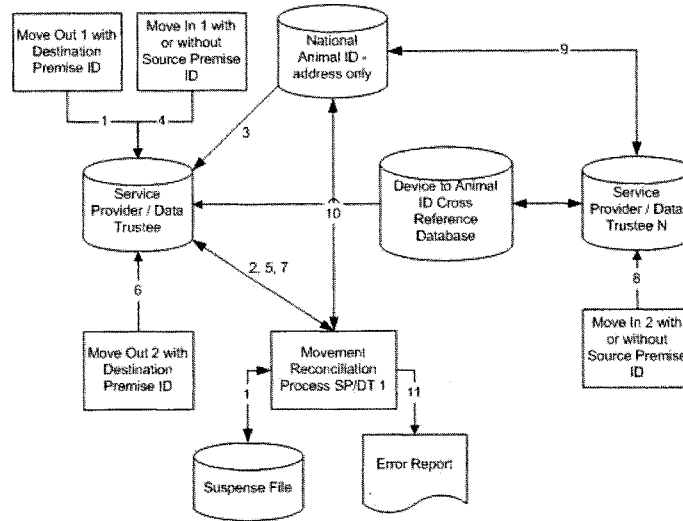
Assumptions:

- Only the Universal Animal Identification Number (UAIN) and the address reference of the Data Trustee that stores the information about the animal will be on the National database
- There will be multiple Data Trustee and Service Providers which submit data to the trusted collectors
- Data is not shared between different trusted collectors unless agreements are instituted
- Technical capabilities need to be provided to allow for service providers for a single Data Trustee (i.e. BIE) to access all information for a given individual animal under the guidance of agreed to specifications
- Data Trustees will have access to query the national database for an event activity on a specific Universal Animal Identification Number (UAIN) to reconcile an in transit movement.
- Move transactions may use the trailer license plate number in the remarks section to assist in the reconciliation process
- Reference BIE white paper dealing with Centralized "Push" or JIT Decentralized "Pull"
- SP/DT will reference the Device to Universal Animal Identification Number (UAIN) Cross Reference database as required

Sequence of Events for following diagram:

- 1 – Move out1 transaction of animals from Premises A to Premises B to SP/DT1
- 2 – Write in transit records to Suspense File
- 3 – Send UAIN and SP/DT address to National Database, if not previously transmitted to indicate UAIN data stored at the specific DT address
- 4 – Move in1 transaction of animals from Premises B to SP/DT1
- 5 – Remove in transit records from Suspense File
- 6 – Move out2 transaction of animals from Premises C to Premises D to SP/DT1
- 7 – Write in transit records to Suspense File
- 8 – Move in2 transaction of animals from Premises D to SP/DT2
- 9 – Send UAIN and SP/TC address to National Database
- 10 – SP/DT1 polls National Database for a corresponding timestamp to remove in transit records from Suspense File
- 11 – Any discrepancies on need to be reported and reconciled to ensure data integrity

Figure 21.2 Distributed Database for Chain of Custody



Conclusion

It is recommended that an automated movement transaction reconciliation process, Chain Of Custody, be established and incorporated into the USAIP to ensure the database information is synchronized with the actual movements of animals and the validation of the current premises location is achieved.

The information contained in this document represents the current view of Beef Information Exchange participants on the issues discussed as of the date of publication. Because the Beef Information Exchange must respond to changing market conditions, it should not be interpreted to be a commitment on the part of the Beef Information Exchange or its participants. Beef Information Exchange participants cannot guarantee the accuracy of any information presented after the date of publication.

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July 14, 2004

Representative Hayes
Chairman
Livestock and Horticulture Subcommittee
1301 Longworth HOB
Washington, D.C. 20515

Dear Chairman Hayes,

On behalf of the board of directors of the Northwest Individual Identification Pilot Program (NWPP), I would like to thank you for your interest in our proposed project. The NWPP is a regional producer-driven program, which will explore the practical, hands-on application of the National Animal Identification System (NAIS). It will not only help answer questions for producers, but will also provide needed information to the states and the USDA, as the NAIS is developed. Enclosed with this letter is the summary of our project that we have presented to the USDA.

This project has a broad base of support throughout the Northwest from all the cattle and dairy associations, state governments, several universities, and every segment of the industry. The board of the NWPP continues to be optimistic about the project's benefits for producers, our state governments, and the NAIS. The project will be conducted with participants from California, Idaho, Nevada, Oregon, Utah and Washington.

We believe that the NWPP will help provide "real world" application and data and in addition communicate the advantages of the NAIS to producers in our region. Our real-world field trials will cover a multitude of production scenarios, in every segment of the Northwest cattle industry, while utilizing a variety of identification methodologies. We are confident that the project will help identify the problems and the solutions to the issues that must be resolved to make animal identification work in the Western United States.

We sincerely thank you for your time and interest in the NWPP and look forward to providing any additional information that you may require. We apologize for not being able to present this information in person.

Please feel free to contact me at (208) 338-2500, or the Idaho Cattle Association staff at (208) 343-1615 at any time if you would like more information on the status of the NWPP.

Sincerely,

Rick R Stott
NWPP Chairman
1555 Shoreline Drive, Suite 300
Boise, Idaho 83702
208.338.2500
208.338.2605

July 14, 2004

USDA APHIS VS
c/o Neil Hammerschmidt, NAIS Coordinator
National Center for Animal Health Programs
4700 River Road – Unit 43, Suite 3A54
Riverdale, MD 20737

Dear Mr. Hammerschmidt,

On behalf of the board of directors of the Northwest Individual Identification Pilot Program (NWPP), I would like to thank you for your interest and for your guidance related to our proposed project. The NWPP is a regional producer-driven program, which will explore the practical, hands-on application of the National Animal Identification System (NAIS). It will not only help answer questions for producers, but will also provide needed information to the states and the USDA, as the NAIS is developed. Enclosed with this letter is a brief summary of the current status of the NWPP and our estimated budget for the first year of the project.

The cattle associations of the Northwest region (including California, Idaho, Nevada, Oregon, Washington, and Utah) began working on the NWPP earlier this year before decisions were made on how USDA would distribute pilot project funding to applicants. As the NWPP developed the project gained momentum and broad base support from other animal associations and state government partners. Our original hope was to apply to USDA for pilot project funding with one application for the entire regional NWPP. Unfortunately, for several reasons a single application could not be submitted; therefore, the NWPP worked with each of the six state agencies and submitted as part of their grant proposals.

Although the cattle and dairy associations will manage the NWPP as one regional project (described in the attachment), the Northwest region funding request has been divided into two groups containing all six states' proposals. The first funding request is authored by Washington and supported by Oregon and California. The second request comes from Idaho and is supported by Utah and Nevada. Each of these states requested funds (approximately \$60,000 each) on behalf of the NWPP. We greatly appreciate your consideration of these requests for funding of our project.

The board of the NWPP continues to be optimistic about the project's benefits for producers, our state governments, and the NAIS. We believe that the NWPP will help provide "real world" application and data and in addition communicate the advantages of the NAIS to producers in our region. Our real-world field trials will cover a multitude of production scenarios, in every segment of the Northwest cattle industry, while utilizing a variety of identification methodologies. We are confident that the project will help identify the problems and the solutions to the issues that must be resolved to make animal identification work in the Western United States.

We sincerely thank you for your time, consideration, and continued interest in the NWPP, and look forward to providing the USDA with critical information about the realities of premise and animal identification in our region.

Please feel free to contact me at (208) 338-2500, or the Idaho Cattle Association staff at (208) 343-1615 at any time if you would like more information on the status of the NWPP.

Proposal from the Northwest Cattlemen's and Dairy Associations to support...

THE NORTHWEST INDIVIDUAL IDENTIFICATION PILOT PROGRAM (NWPP)

...and participate in the Northwest Region's efforts to implement the National Animal Identification System (NAIS)

BACKGROUND:

With the announcement on December 23, 2003 that the U.S. had diagnosed our first case of BSE, the cattle industry began to receive more attention and scrutiny than ever before. As the United State's inability to track "at-risk" cattle became a major concern for the government, consumers, and industry alike, national animal identification was propelled onto the fast track towards implementation. Whether the identification program is ultimately voluntary or mandatory, livestock producers around the Northwest realize that now is the time to become intimately involved with the development and implementation of the National Animal Identification System (NAIS) to ensure that the program: 1) is practical in terms of cost and management practices, and 2) will not increase producer liability or violate the confidentiality of production data.

THE NWPP:

Given the highly integrated nature and similarities of the cattle industry in the western states, the beef and dairy industries of California, Idaho, Nevada, Oregon, Utah and Washington have joined together to:

- ◆ Help USDA address the unique challenges and characteristics of our region, including:
 - Our significant dependence upon public lands grazing requiring us to address the lack of contact with the animals for extended periods of time, common allotments, unmanaged cattle movements across state lines, etc.
 - The existence of brand laws and animal health inspections for interstate livestock movement,
 - The presence of every segment of the cattle industry including cow/calf operations, feedlots, seedstock operations, dairies, livestock auction yards, and packers,
 - The presence of a unique commerce system where cattle move extensively and routinely between states either through commerce or open ranges,
 - The movement of cattle from both Canada and Mexico, and
 - The interstate livestock movement where animals do not pass through any type of concentration point.
- ◆ Assist USDA in refining the NAIS to be as workable, reasonable and practical as possible for every segment of the industry in our region, while striving to meet the goal of 48-hour traceability, using real-world production scenarios.
- ◆ Provide producers with the opportunity to learn about and shape the NAIS through hands-on trials of a variety of identification methods and technologies.
- ◆ Work with our state government officials to provide real data to populate and test their premise identification systems as they are developed.
- ◆ Provide auditable animal movement transactions to the NAIS database as it's developed. If necessary, provide a host for data transactions until a USDA database is created.

COORDINATING WITH STATE GOVERNMENTS:

The NWPP recognizes and appreciates the variety of efforts being undertaken by the state governments in the region to address implementation of the NAIS, and particularly, to develop workable premise identification systems in the very near future. The industry groups participating in the NWPP are seeking funding as part of their state's overall grant application to USDA in order to pursue our hands-on, producer-driven field trials. Accordingly, the industry groups within each participating state have identified the production scenarios and identification issues they will address, along with the funding and resources required on a state-by-state basis to achieve the overarching goals of the NWPP. Following is a detailed outline of the role each state's cattle industry will play in the NWPP, including our specific goals and funding needs.

INDUSTRY COORDINATION:

The NWPP has a tremendous amount of support from every segment of the cattle industry in the 6-State Region that includes California, Idaho, Nevada, Oregon, Utah and Washington. The following represents the number of potential beef, dairy, sheep and buffalo participants that have or will make commitments to the project.

- Cow/calf producers – 125
- Markets/auctions – 6
- Order buyers – 5
- Feedlots – 14
- Transportation – 13
- Packing Plants – 5

These industry participants will provide approximately 27,000 head of cattle to the project.

INTERESTED PARTIES COORDINATION:

In addition, the following groups and institutions have expressed their commitment to the NWPP project:

- Washington State University Testing Lab – data integration for testing samples
- UC Davis Testing Lab – data integration for testing samples
- Utah State – education and outreach
- Alberta Cattle Feeders Association – integration of Canada's identification system
- Several retailers and fast food companies – product source verification

THE NWPP PLAN:

- ◆ **Who:** The NWPP will serve as the primary administrative entity for funds dedicated to the NWPP under this grant proposal, and will work with the respective cattle and dairy associations, State Department of Agriculture, the Brand Board, and the other interested parties to ensure project coordination and achievement of state and NWPP goals. Representing thousands of cow/calf, feeder, dairy and stocker members, the cattle and dairy associations, under the umbrella of the NWPP, is coordinating the efforts for all segments of the beef business in the Northwest.

In addition to these state and industry organizations, NWPP will seek out the following industry participants:

Producers: Each cattle and dairy association will enroll producers who are willing to meet or exceed the following criteria:

- Agree to generally keep cattle (birth to harvest) within the six (6) states participating in the NWPP.
- Agree to a target of a 75% “tag retired” success rate. In addition, the producers must be willing to attempt to track the 25% “fallout” and identify reasons for fallout.
- Must be willing to participate in the additional recordkeeping requirements and costs associated with this project.
- Must accept the responsibility to help cover the initial hardware and implementation costs of their choice of identification devices.

Feedyards, Packers, Auction Barns: All other non-producer participants must agree to meet or exceed the following criteria in order to participate in this program:

- Demonstrate a willingness to participate in training and to work with others who are cooperating with this project.
- Demonstrate a willingness to participate in the collection, sharing, and transmittal of data from their various organizations that has bearing on the outcome of this project.
- Demonstrate a diversity in the types of cattle transactions so that a meaningful industry cross section can be achieved.
- Must accept the responsibility to help cover the initial hardware and implementation costs of their choice of identification devices.

Third Party Technology Vendors: The breadth and diversity of producers will allow for a wide variety of third party vendors to participate in the program. While this project will not endorse any particular identification technology, the individual producer participants will determine which vendors will be participating in the project. This scenario most accurately reflects the real marketplace, which ultimately will segregate the viable technology vendors from the also-rans.

All the third-party vendors must agree to meet or exceed the following criteria:

- All proposed technology must be reviewed and approved to ensure the specifications meet the criteria set forth within the USAIP as well as this project.
- A willingness to work as a cooperator and commit resources to make the NAIS and the NWPP a success.
- Must accept the responsibility to help cover the initial hardware and implementation costs of their choice of identification systems.

- ◆ **What:** The following numbers of livestock is the target to be enrolled in the NWPP in order to evaluate a variety of identification technologies in a diversity of real-world production scenarios, including:

○ Beef/ Buffalo:		
▪ <i>Cow/ calf operation to...</i>		<i># of head</i>
• Direct to harvest		2,300
• Feedlot to harvest		4,700
• Grass pasture to feedlot to harvest		4,600
▪ <i>Cow/ calf operation that crosses state lines to...</i>		
• Direct to harvest		2,700
• Feedlot to harvest		4,100
• Grass pasture to feedlot to harvest		4,200
○ Beef – Canadian Imports:		
• Direct to harvest (fat cattle)		200
• Direct to harvest (feeder)		200
○ Dairy:		
• Calf yard to feedlot to harvest (bull calves)		1,200
• Calf yard to heifer feedlot to milk herd		1,000
• Direct to harvest (non-feds)		1,100
○ Sheep:		
• Lambs to pasture to harvest		700

TOTAL		27,000

Within this general breakdown of various production scenarios, we will target five different classifications of identification technology/methodology to be used:

- Identified by brand only
 - Identified by visual tags only
 - Identified by electronic ID only
 - Identified by visual tags and electronic ID
 - Identified by brands, visual tags, and electronic ID
- ◆ **Length of project:** While we recognize that this overall grant application is for first-year funding, we are planning to continue this project over the next 3-4 years to ensure adequate evaluation of various identification methods throughout the duration of real-life production scenarios.
- ◆ **Education:** A key factor to the success of the NAIS is to educated producers of not only the regulatory requirements of the program but also provide positive reasons for the producer to embrace animal identification. The NWPP and each state cattle association will play a critical role in providing out-reach services to not only member producers but all members of the industry. These outreach services will be coordinated with the combined resources of the State

Veterinarian, universities and other producer associations in order to maximize the effectiveness of these services.

♦ **Projected Costs:** Recognizing that two of the primary goals of the NWPP are to test state premise identification systems and provide livestock tracking and movement data to populate those databases, producers will receive cost share assistance for their participation each time they enter their data into the system. Under the NWPP, producers will receive \$0.75/head/database entry. Following is a breakdown of these cost-share expenses and other funding needs:

o Producer financial incentives (Year 1):	\$101,250
(Assuming \$0.75/hd/transaction x 5 transactions/year (avg.) x 27,000 head)	
o Hardware and software (readers, software, website, databases):	\$ 53,250
o Staff (3 fte) coordinator/outreach:	\$150,000
o Other – Data audits, overhead, travel, etc.	<u>\$ 60,000</u>
Total for the NWPP	\$364,500

Cost Sharing/In-kind Contributions: In the first year, a significant amount of contributions in kind will be made by participants, cooperators, and third-party vendors. Below is estimated the time and money that will be spent for the project.

<u>Cow/Calf & Dairy Producers</u>	
Tag Cost	\$ 2.00
Labor Cost	<u>\$ 2.00</u>
Total Cost	\$ 4.00
# of Tags	<u>26,800</u>
	\$ 107,200
 <u>Equipment Costs</u>	
70% of Cow/Calf Producers	87
Average cost of reader	<u>\$ 600.00</u>
	\$ 52,080
 <u>Participant Contributions</u>	
# of hours in participation	10
Value of time per hour	<u>\$ 30.00</u>
Cost per participant	\$ 300
# of participants	<u>167</u>
	\$ 50,100
 <u>Administration</u>	
<u>Board of Directors</u>	
# of hours per week	5
Value of time per hour	\$ 100.00
# of Board members	<u>12</u>

Value per week	\$ 6,000	
Annual Value Contributed		\$ 312,000

Committee Members

# of hours per month	8	
Value of time per hour	\$ 50.00	
# of committee members	<u>40</u>	
Value per Month	\$ 16,000	
Annual Value Contributed		\$ 192,000

Cattle Associations

# of hours per week	20	
Value of time per hour	\$ 50.00	
# of Associations	<u>6</u>	
Value per week	\$ 6,000	
Annual Value Contributed		\$ 312,000

Dairy Associations

# of hours per week	10	
Value of time per hour	\$ 50.00	
# of Associations	<u>8</u>	
Value per week	\$ 4,000	
Annual Value Contributed		\$ 208,000

Website Hardware/Software Management

Value contributed - Development and Hosting		\$ 10,000
---------------------------------------------	--	-----------

Third-party Other Hardware/Software/Products		<u>\$ 50,000</u>
----------------------------------------------	--	------------------

Total In-Kind Contributions		<u><u>\$1,293,380</u></u>
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United States Senate
WASHINGTON, DC 20510

July 8, 2004

The Honorable Bill Hawks
Under Secretary
Marketing and Regulatory Programs
United States Department of Agriculture
1400 Independence Avenue, S.W.
Washington, D.C. 20250

Dear Mr. Under Secretary,

We are writing to introduce to you the Southeastern Livestock Network (SELN) and express our support for the concept of a producer driven initiative to guide the development and implementation of the National Animal Identification System (NAIS) within a given region.

A group of beef industry leaders from Alabama, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia have collaborated and formed the SELN to focus on the limitations specific to the Southeast and address them during the various phase-in processes outlined by the Secretary. We realize the historic nature of an organized producer initiative taking the lead on implementation of a program of this nature, and have worked in concert with animal health officials in its development.

This initiative is driven by the concern of this organization for the livestock producers of this region, the economy they impact and ultimately their customers. The SELN is committed to achieving the stated objective of the NAIS that is to facilitate rapid animal trace back for disease surveillance.

The intent of this group is to coordinate the massive efforts that will be required for producer education and communication, infrastructure development and data management. We believe that this program can be developed and sustained in a simple and inexpensive fashion if it is producer driven. The capability for this organization to hold and handle funds on a regional basis is critical to further the efforts of the NAIS, initially as a function of implementation projects and ultimately as a function of management.

The SELN recognizes the necessity of integral involvement of the respective Agriculture Commissioners, Directors, Secretaries and State Veterinarians, all channels of the livestock marketing system and eventual inclusiveness of other species and is committed to support these principals. In the development of the forthcoming SELN implementation plan significant consideration was given to the needs of the animal health regulatory authorities and marketing industries.

Under Secretary Hawks
July 8, 2004
Page Two

We strongly encourage the selection of this organization as an integral part of the implementation process of the National Animal Identification System.

June Miller

Sarily Chambliss

April Marshall

Jim Benning

Jeff Bennett

Paul Cook

John L. Sauer

Frank Lott

Lois Allen

Pat Hollings

Elizabeth Dale

Liz Gordon

Mary J. Johnson

John Breau

Richard Shelby

Laura Alexander



Georgia Cattlemen's Association

P.O. Box 24510; Macon, GA 31212
478-474-6560; Fax: 478-474-5732

July 30, 2004

The Honorable Robin Hayes
Chairman, U. S. House Subcommittee on
Livestock and Horticulture
130 Cannon H.O.B.
Washington, DC 20515

Dear Mr. Chairman,

On behalf of the Board of Directors and the members of the Georgia Cattlemen's Association I would like to enter into the record of the animal identification hearing held on July 22, 2004, this letter expressing our support for the written and verbal testimony submitted on behalf of the SouthEastern Livestock Network, LLC by Mr. Jim Akers and Mr. John Stevenson.

The Georgia Cattlemen's Association has been actively involved in the development of the SELN due to our strong support of the concept of a privately held data management system providing the required information for disease surveillance. We feel that this is key to protecting the confidentiality of information and securing the buy-in of our producer members and markets.

The efforts of the SELN to secure and provide a uniform reporting systems as an option for our markets and producers is important to insuring that the NAIS does not create yet another disadvantage for the producers in our state and region. The structure of the cattle industry and its economic impact on local communities must be considered in this development process.

The approach that USDA has taken on this very important issue is of great concern to us. The lack of information and honest communication to our State Animal Health Officials has slowed the development and eroded producer support for a National Animal Identification System. Assurances of open discussion and inclusion of input and involvement of producers and industry sounds promising but thus far we have yet to experience anything but roadblocks and dead-ends in our effort to cooperate in the planning and implantation of NAIS.

Thank you and the committee for allowing the very highly developed systems that already exist in the private sector to demonstrate their capabilities to interested members and staffers. As Congressman Scott's comments and questions reflect, this is a very critical issue to Georgia's cattle industry

Sincerely,

Jim S. Collins
Executive Vice President

Promoting Georgia's Cattle Industry

Cattle Identification and Traceability



An Allflex USA Cattle Industry White Paper

1-Introduction and objectives.

Industry and governmental officials throughout the U.S. are asking for more information about livestock identification and traceability. The following is a simple recap of Allflex's experience with livestock identification in various countries around the world. We welcome this opportunity to share our knowledge gained over five decades working with the cattle industry.

2- Cattle Identification and Traceability: Why?

Animal identification and traceability have become strong concerns for most large cattle breeding countries since the mid 90's. These concerns were triggered by several major crises in Europe, Japan and Latin America between 1996 and 2001. Of course, locally, interest is heightened by the discovery of BSE in the United States and Canada in 2003. Identification and traceability relate directly to the fast-growing consumer demand for food quality, safety and consistency over time.

Governments, along with livestock industry leaders around the world are under a growing pressure to implement identification and traceability systems because these are prerequisites to ensure:

- Consumer safety,
- The control of animal diseases,
- The protection of cattle producers' domestic and export markets.

Europe and Japan have swiftly reacted in the wake of their BSE crises by setting up comprehensive regulations for mandatory cattle identification, and by implementing the corresponding systems. In Japan, it is now being contemplated to augment this domestic traceability system by adding similar regulation for imported products.

Australia is in the process of moving its identification scheme from voluntary to mandatory.

In North America, Canada currently has the most advanced system with CCIA's Mandatory Identification program for all cattle, and with the



mandatory utilization of Electronic Identification eartags in Quebec. The United States and Mexico are now also beginning to realize the importance of such systems, and serious work is being led by the USDA and the Mexican Ministry of Agriculture. The ultimate result could be an integrated North American system of identification and traceability.

Some South American countries (Brazil, Argentina and Uruguay), who aim for a leading role on the world meat market, are entering into cattle identification and traceability – Uruguay is, for instance, envisioning a progressive, high technology system.

FMD crises in Europe have shown the limitations of traditional, paper-based identification, and its inability to support the recognized need for tracing back animals within 48 hours – a time window which can define the difference between controlling a disease outbreak (and the resulting consumer confidence issues) and simply providing traceability for research and analysis purposed once a potentially devastating health situation is uncovered.

3- Cattle Identification and Traceability: Basics.

Traceability can be analyzed as a two-level system:

*The foundation level – which is fairly straightforward and usually the fundamental responsibility of governments and/or professional organizations – and which are discussed further in this document. This is the “official” side of traceability.

*Value-added developments, of commercial nature, that are generally addressed by private companies, and which are intentionally left outside of this paper.

The basic foundations of official traceability are:

- A life-long individual identification on all animals and the identification of the ranch where the animal has first received its identifier (*the “beginning”*);
- The systematic capture of the identity of animals when transiting (*the “movements”*);
- The capture of the slaughtering (or export) of individual animals (*the “end”*).



The basic infrastructure needed to ensure these basic foundations should include:

- Efficient logistics for the controlled distribution of tags to producers;
- Automated, reliable infrastructure for reading and transmitting animal identities on high-volume locations (markets, packing plants etc.), including critical, user-friendly web-interfaces for all segments of the production chain;
- An efficient database structure.

The key factor for this basic foundation level is the reliability of each of its components:

- Reliable allocation of individual animal identities.
- Reliable delivery of tags to individual livestock premises/ranches.
- Reliable tagging of animals.
- Reliable and automated tag readability.
- Reliable transmissions to the central database.

Any weakness in reliability in any of these areas generates cumulative errors, which tend to increase over time.

Key to reliability is the requirement for:

- Immediate automation, using proven technologies at all critical concentration points for animal movement.

For the North American beef production complex, this requires proven throughput management under a vast range of volume conditions, up to hundreds and even thousands of animals on a daily basis.

- a. In auction facilities, systems are currently in place that demonstrate such high-volume throughput, including the following examples:
 - i. Quebec – in excess of 1,000 head per day;
 - ii. Australia (Victoria) – up to 4,000 head per day.
- b. At feedyards, processing of incoming and outgoing cattle in commercial systems such as is found throughout the U.S, handling well in excess of 1,000 head per day.



- c. In slaughter facilities, customized mid- and high-volume systems, ensuring precise data capture:
 - i. Mid-volume facilities processing hundreds per day used extensively in the USA National FAIR program, including the critical Michigan Tuberculosis Eradication System;
 - ii. High-volume facility processing in North America in facilities processing several thousand animals per day;
 - iii. Australia packing plant systems, also processing hundreds to thousands of head per day.

4- Cattle Identification and Traceability: How?

- a. A way to ensure that "right" tags reach "right" premises/ranch:

Considering volumes (of cattle and producers), reliability is not achievable without comprehensive automation coupled with process and quality control.

Automation, process and quality control covers namely:

- The selection of tag technology and tag types.

A discussion of relevant tag options must include two key elements:

- i. Multi-mode read capabilities, capable of accommodating capabilities of marketplace for harvesting data: A "three read" system of RFID, Bar-code and visual provides the broadest range of options and capability, and ensures the highest level of data capture and reporting from the smallest and most simple to the largest and most sophisticated operations.
 - ii. Retention/security of tag system. A minimum acceptable retention rate must be set, expected to approach 100% for the primary security tag. For greater security, an excellent option (utilized in many programs) would be a dual tagging system incorporating a matched pair button RFID security tag system and a panel (bar-code and visual number) tag system.
- The selection of tag supplier(s);
 - The management of orders received from individual producers;



- The allocation of individual tag numbers for each order;
- The production, assembly and shipment of individual orders to producers;
- The notification of shipments of individual orders to the database;
- The management of re-tagging processes.

Allflex has partnered with many countries around the world and has developed proven automated processes supplying well over 100 million tags a year.

b. A way to increase reliable capture of animal movements.

Considering volumes, reliability in the capture of movements is a serious concern.

European countries have been struggling for many years with this issue, which tends to turn into huge amounts of costly fax and paper processing and manual keyboard entries. These systems have shown their limits and cannot pursue their development because of the constraint – in a world where “real time” information has become usual in many other areas.

The EU-funded IDEA project has tested electronic identification successfully, and has shown that it was the next step for the development of traceability.

EID is a proven ISO-standardized technology that has been successfully implemented by several organizations around the world.

Overall reliable capture of animal movements is definitely favored by:

- Each animal carrying a double EID/visual identification tag set – the EID tag being compliant with ISO standards.
- EID reading infrastructure being deployed in “high volume locations” (markets, packing plants, feedlots... usually 20% of all locations accounts for 80% of all movements). EID readers should be compliant with ISO standards and meet further performance standards relevant to specific market conditions.
- The database being interfaced with this EID reading infrastructure in order to ensure a reliable automated transmission of the related movement data.

Why comply with ISO standards?

- To ensure the durability of investments in reading infrastructure



- To avoid the long-term extra cost of proprietary technologies
- To ensure credibility towards other countries (Canada, Asia, Europe)
- To ensure consistency and uniqueness of animal identities

Why are specific performance standards important?

- As ISO compliance does not specify specific performance (read-range, environmental and regulatory issues), separate performance standards must be established to ensure reliable data capture at each production point
 - Distance of reading must be considered based on normal processing of animals and provide for minimal intrusion of the system on typical animal handling processes;
 - Environmental concerns, including susceptibility to background noise and adherence to use of appropriate materials (e.g. food grade enclosures in packing plants) in product design;
 - Adherence to local and federal regulatory issues (such as FCC regulations).

5-Allflex experience

a. Europe and Japan

Although far away from each other, Europe and Japan have similarities in their approaches to cattle identification.

i. European Union (EU)

In the EU, cattle identification is defined by a EU regulation that was first drafted in 1992, was strengthened in 1997 in the wake of the BSE crisis (regulation "820/97") and was further refined in 2000 ("1760" & "1825-2000") to provide a frame for regulatory meat labeling in consumers outlets. In Japan, mandatory cattle identification was put in place in a very short time in 2001 after the first outbreak of BSE. . In those regions, it is so far visual identification.

The EU regulations set some strong "core" rules, but leave it up to individual countries to implement these rules in the most efficient way, taking local conditions (and pre-existing systems) into account.



The EU "core" rules are:

- Countries have the responsibility of nominating a "competent authority" and of setting up and running a database containing all live animals and dead animals for 3 years after their death, with their detailed identity and history of movements.
- Each animal has an identity that is unique in the EU and that stays the same during its whole life (even if the animal moves to another country). This identity is of the form "XX 123456789012", where XX is a country code (FR for France, DE for Germany etc.)
- Each animal gets a double set of tags carrying its identity. These tags must be applied by the farmer within 20 days after the animal is born (most countries have reduced this to 7 days, but accept exceptions), and the corresponding information must be notified to the database by the farmer (identity, sex, color or breed, date of birth, holding of birth and dam number).
- Animals imported from outside the EU receive an identity and must be tagged along the same lines, except if they are slaughtered within 20 days of their importation.
- Tag types and specifications are defined at EU level, and EID tags may be authorized. It is the individual country's responsibility to organize tag supply and distribution – including the accreditation of tag manufacturers.
- Each animal gets a passport with at least its identity, sex, color or breed, date of birth, holding of birth and dam number. The passport is issued within 14 days of the animal birth or import notification (many countries have reduced this delay significantly)
- Countries with a "fully operational database" may eliminate passports (this has not been done yet).
- When an animal moves from one premise to another one, this information must be notified to the database within 7 days.
- Farmers have the responsibility of keeping up-to-date registers of their animals with details of births, entries,



exits and deaths being a back-up to paper forms in the field.

- Beef meat must be labeled with precise mandatory indications with regard to the origin of animals (including retail and restaurants). Voluntary labeling may include more information, but must strictly follow a number of rules which are part of the regulation.
- The EU performs checks on the way countries apply the regulation, and can apply financial penalties for inconsistencies or allow exceptions.

ii. Japan

Japan had its first case of BSE in September 2001; they decided to implement a European-like system with a limited number of eartag suppliers that they had been working with for years. They re-identified all animals, although they already had a system in place, facing the lack of reliability of the current program. They chose a two visual tags system like most of European countries.

Allflex was chosen as the preferred supplier.

In March 2002, seven months later, all farmers had received tags in order to comply with their duty to identify all animals.

b. Australia (27 million cattle)

Australia started moving towards official cattle identification in 1999 on two different paths:

- Maintaining marketing options - Under threat from EU to stop import from Australia (where Australia exports a 7,000 tons of premium beef under their export quota) if no traceability system was in place.
- Animal disease threats - The State of Victoria was the most progressive in this approach, which was exclusively based on voluntary adoption by producers exporting to the EU. They had another motivation which was to put in place a fully automated reliable traceability system to be able to manage any disease outbreak in the State before it happens.

The scheme was, from its start, based upon EID, and has since been adopted by other States and Territories.



- Manufacturers are assigned device numbers from the NLIS database and then dispatch devices directly to farmers. Manufacturers notify the NLIS database daily about tags dispatched to farmers.
- Farmers have no obligation to share animal details (sex, breed, age etc.) to the NLIS database. They must, however, notify NLIS when animals leave their property of birth.
- Victoria has provided up to 100% public finance for the purchase of identifiers by farmers. Some other states are preparing similar measures.
- Sale yards and packing plants so far notify the NLIS database of processed animal identities ONLY for EU-exported animals. Victoria is in the process of implementing a general obligation for them to notify all animal identities. Victoria State is providing funds to support sale yards and packing plants to set up the corresponding infrastructure.
- Carcass feedback from packing plants to producers is promoted as a strong value-added service to drive NLIS uptake and the above mentioned obligation for packing plants to notify animals to the NLIS database.

The NLIS is undoubtedly a success for the Australian cattle industry in that:

- It has been implemented first as a voluntary scheme, accompanied by strong communication efforts by Meat and Livestock Australia to develop its voluntary uptake by producers. Its move towards a compulsory status is therefore well accepted – and now timelines for implementation of the system for each state are in place.
- It imposes very little constraints on producers – and has been strongly supported by public finance.
- It has successfully passed the EU accreditation
- It is now used by Australia to promote the quality and traceability of Australian cattle on other markets (Japan, Korea, USA)

c. Uruguay (11 Million cattle, 40,000 producers)

Uruguay exports 70% of its meat production, mainly to North America, Asia and the EU. Moreover, this represents a significant part of total exports, cattle and meat being the largest national industry in the country.

Uruguay cattle identification has been managed for decades through a "lot-identification", hot-branding-based scheme that has its roots in regulations originated in the 19th century. The EU has accepted this "system" as a "sufficient" basis for traceability requirements until 2000. In



2001, the EU changed its position and closed its border to Uruguayan meat for a few months, before re-opening it under diplomatic pressure. This event, plus a painful FMD episode in 2001/2002, have led Uruguay authorities to envisage the setup of a proper cattle identification system and to issue an international tender for it in September 2002 (results are expected to be published in the very short term).

The expected forthcoming cattle identification system will have the following characteristics:

- Individual identification will be voluntary and will co-exist with the present traditional "lot identification" system.
- Individual identification will be based on a single, ISO, Half Duplex EID ear tag, which will receive up to 100% public finance for voluntary farmers.
- 1,000,000 cattle will be identified in the first stage of the system.
- Infrastructure for reading tags in markets and packing plants will be put in place by government at the early stages of deployment.
- The national cattle database development and operation will be subcontracted by the government to a private company for the first 5 years (expected budget around 4 million US Dollars for the 5 years). This database will contain all relevant data, both for individually identified cattle and for traditional lot-identification in the view of traceability target.

Uruguay intends to further support the uptake of individual identification by farmers until it reaches 50% of stakeholders. At that level, the government will probably move to mandatory identification.

Uruguay is widely communicating internally and externally about this project, which is presented as a critical tool for the development of Uruguayan exports.

The project is widely supported by farmers and the industry.

d. Mexico (27 million cattle, 800,000 farmers)

Mexico is exporting a large part of its production to USA and Canada. Its export capacity is limited by the presence of TB and Brucellosis in many parts of the country. Only some states (or parts of states), like Sonora, have an exempt status – which is closely monitored by US importers.



The management of vaccination programs is handled at government level and is based on regional cattle identification schemes, with strong differences between them.

The Mexican Federal State is in the process of publishing a regulation for a voluntary cattle identification scheme that is mainly motivated by a "Progan" program providing public financial support to producers (30 US\$ per animal in 2003, evolving to 60\$ in 2006). The design of the upcoming system is done in cooperation between the Federal Ministry (Sagarpa), the national Cattlemen's organization (CNG) and the French Institut de l'Elevage.

Export considerations do not yet seem to be linked, in the mind of the Mexican cattlemen, to identification and traceability – probably because of the sanitary situation described above.

e. Canada (15 million cattle, 120,000 farmers)

- National ID system driven by industry/government alliance
- Relevant agency drives infrastructure (Canadian Cattle Identification Agency - CCIA)
- Currently a 'Herd of Origin' system
 - Now contemplating a comprehensive traceability system utilizing EID, scheduled for implementation on January 1, 2005

- Quebec (1.4 million cattle, 17,000 farmers)

- Approximately 10% of all Canadian Cattle herd
- Mainly intensive dairy – oriented
- Strong control of UPA/FPBQ (Producers Unions) on cattle trade
- Strong Provincial financial support
- Fast implementation of tagging and movement capture in markets

f. United States (National F.A.I.R., Michigan TB Program and Relevant Commercial Example)

Although there is not yet a comprehensive national traceability program in place in the USA (although such a structure is currently being contemplated by the USDA through a National ID Working Group), there have been relevant examples of such programs through a USDA Co-operator Agreement on a regional basis and well as through commercial operations throughout the country.



- National F.A.I.R. Program
 - Under a USDA co-operator agreement, the National F.A.I.R. program, developed and managed by Holstein Association USA, Inc., provides for an animal identification model that unifies animal identification programs and links animal record systems to provide accurate, complete and cost-effective information that meets the various needs of the industry.
 - Through the individual animal American Identification Numbering (AIN) system and State Premises Numbers, F.A.I.R. provides the infrastructure and information system that allows for premises of origin determination, and animal tracking. F.A.I.R. keeps track of the following key information components:
 - Premises (type of premises, GPS coordinates, etc.)
 - Animal ID (species, breed, sex, date of birth, etc.)
 - Animals at premises
 - Animal movement
 - health and performance data
- Michigan Tuberculosis Program
 - The electronic livestock ID pilot project was launched in Michigan in November of 2001 as part of the state's bovine Tuberculosis (TB) eradication plan. This project makes tags available to producers in the Northeast Lower Peninsula or those with accredited herds. To date, over 1,000 herds, representing over 40,000 individual animals, have been TB tested and tagged with Half Duplex Electronic ID. Hand-held computers read the electronic tags and accompanying information, and allow additional data to be entered electronically, including disease testing information. Additionally, electronic tag readers have been installed Michigan's major livestock markets and in ten Midwest livestock markets where Michigan producers send their cattle.
- Commercial Example – Power Genetics
 - Comprehensive farm to slaughter traceability system, focused on providing animal source and process verification as well as comprehensive genetics management through performance data analysis.
 - Currently using Half Duplex technology at the ranch, feedlot and packing plant level.



- Critical interfaces with all leading ranch and feedlot management systems allows for data capture and management to seamlessly interface with production facilities' legacy management systems.
- Over a half of a million head identified and tracked through the packing plant, with data maintained in a private database within Power Genetics' home office.

6- Allflex, a long-term partner for states and professional organizations.

Allflex has been, for several decades, a preferred partner of many countries around the world in the development and implementation of cattle identification and traceability systems.

Depending on the country's organization, this partnership involves either the States themselves (EU, Japan, Brazil, Uruguay...) or national professional organizations (Canada, Australia, New Zealand...) – and often a combination of both.

Careful attention to the increasingly complex demands of our customers has led us to develop a very comprehensive range of products, services and expertise to ensure the efficiency of our contribution to each country's system – within its specific context and constraints.

These products, services and expertise result from our complete and on-going specialization in livestock identification. This specialization has driven us far beyond the role of manufacturer of tags:

- Tag design: a combination of plastic material specification and mechanical design that ensure long-term reliability of tags on animals (i.e., low loss rate, tamperproof "Ultra" system, efficient tag application on animals through enhanced technology) in a wide variety of climatic conditions and of breeding practices. (Allflex holds a large number of international patents on these matters).
- Tag printing: a flexible combination of laser and ink jet technologies ensures the adequate compromise between visual quality, efficient readability, durability, flexibility.
- EID tags: our present products result from 10 years partnership with worldwide leaders in chip design and production, including Texas Instruments. We have developed a strong expertise of the numerous technical challenges involved in the cabling, over-molding, sealing, programming and quality control of EID tags in their various ISO technologies, for the dedicated usage in livestock identification.



- EID tag readers: the development of EID tags relies on the efficiency of reading infrastructure. We have heavily invested in the design, development and production of a variety of ISO readers from high-volume stationary equipment to sophisticated individual devices for progressive producers. We have also heavily invested in the actual implementation of this infrastructure in a wide variety of contexts (packing plants, auction marts, transporters) and of operating conditions (extreme temperatures, noisy electro-magnetic environments, complex physical layouts), in USA, Canada, Australia, Uruguay and Europe.
- Interfaces: in order to ensure the actual usability of automated readers in conjunction with official identification databases, we have developed internal expertise and a network of skilled partners who can facilitate the design and deployment of seamless EID capture systems.
- Document management: in many countries, Allflex directly produces the official, individual documents that are used by farmers to notify cattle identification to government agencies (passports, cattle inventories etc.), and dispatches them inside individual tag packages.
- Logistics: Allflex manages all the aspects of secured tag ordering and dispatching within the specific contexts of many countries around the world. This involves a wide variety of relations between government agencies, producers' organizations, individual producers, postal agencies, animal transporters, national or regional distributors, database operators, etc.
- Information technologies: our systems ensure that hundreds of millions of tags are securely ordered, produced, printed, controlled, packed and dispatched with the correct documents to producers around the world. We have, for instance, developed standards for the secured exchange of tag data files between government agencies, tag producers and producers that are widely used in many countries. Our Information Technology (IT) teams involve a significant number of highly skilled professionals in all our production sites.
- Automation: in order to ensure the efficiency and reliability of our production processes, we have made considerable efforts to automate them, through the wide usage of robots, from plastic molding to tag assembly, printing, optical control and packaging.
- Security: we have standardized our production processes and underlying IT tools throughout our various production facilities in France, USA, Australia, Canada, New Zealand, Brazil and China. This makes it possible to transfer production batches very easily between most of these sites, ensuring an extremely secure backup system.
- Quality control: Allflex has a heavy responsibility towards its governmental partners in ensuring the reliability of the billions of tags



produced over the years. This has led us to develop complex, comprehensive quality control procedures that are replicated in all our factories around the world. These processes cover all aspects of our production processes: mechanical resistance, durability, consistency of the various data printed on tags and documents. The efficiency at Allflex is guaranteed by the ISO 9000 qualification of our production sites.

- R & D: Allflex invests millions of dollars every year in the improvement of the design and production processes of visual tags, electronic tags and reading/data processing infrastructure. Our R&D teams are based in Dallas, Boulder (Colorado), and France.
 - i. Further investment and capability is brought to the marketplace through numerous Allflex partners throughout the world. True to the 'open architecture' spirit of the ISO standard, Allflex has welcomed and encouraged the interaction with and contributions from partners in production environments relevant to their core capabilities
 - Examples include production processing systems from numerous equipment and weighing companies on a global basis; information and hardware systems pioneered by companies such as eMerge, National FAIR, Deere Food Origins (AgInfoLink) and APEIS; auction systems from ALEIS in Australia and Infovisuel in Quebec; and private and commercial packing plant tracking systems.
- Market-relevant interfaces: although not part of a 'foundation level' traceability system, the ability to interface with value-added systems often provides to needed producer incentive to make a broader traceability system truly viable. As noted previously, these value-added commercial systems are at the core of electronic ID usage in the USA, and as such, Allflex can provide a vast bibliography of users which validate this value added model, including:
 - i. National F.A.I.R. (<http://www.nationalfair.com>)
 - ii. Power Genetics (<http://www.powergenetics.com>)
 - iii. Ranchers Renaissance (<http://www.ranchersrenaissance.com>)
 - iv. Montana Beef Supply network (<http://mbn.montana.edu>)
 - v. Iowa Quality Beef(<http://iowaqualitybeef.com>)
 - vi. MicroBeef Feedlot Management Systems (<http://www.microbeef.com>) and many more.



7- Conclusion.

Allflex has been for many years a major partner of countries and organizations for the implementation of identification devices and related systems. These partnerships have led us to participate in many aspects of these projects, among which the production, distribution and usage of EID tags and reading equipment, but also logistics, quality control, organization and security.

We have presented in this document some general reflections and principles resulting from our various experiences.

We would be happy to participate to the future development of Cattle Identification and Traceability alongside any relevant authorities, which have the knowledge of the specific context of their markets, and to provide expertise in various related matters.

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Statement of Micro Beef Technologies, Ltd.

Mark J. Shaw
Chief Executive Officer
Before the U.S. House of Representatives
Committee on Agriculture
Subcommittee on Livestock and Horticulture
The Honorable Robin Hayes, Chairman
July 22, 2004

Mr. Chairman and Distinguished Members of the Subcommittee, thank you for the opportunity to participate in this hearing on a national animal identification system, an issue of great interest within the animal industry. My name is Mark Shaw and I am the Chief Executive Officer of Micro Beef Technologies, Ltd. headquartered in Amarillo, Texas.

Throughout history, agricultural producers have made use of the latest technologies and techniques available to help them become more profitable and secure their operations future. Due to recent events, many animal industry stakeholders are concerned for and are working diligently to protect the interest of animal agriculture and desire to implement systems to safeguard those interests as quickly and efficiently as possible. Fundamental change is happening at an ever-increasing pace. Today's producer faces many great challenges including loss of market share and access, changing consumer demand, fluctuating markets and regulatory uncertainty.

In order to make an effective implementation of a National Animal Identification System (NAIS), MBT advocates a self-regulated industry that utilizes a private sector system with government and industry associations providing the necessary oversight of the regulated industry. A NAIS solution must provide producers multiple alternatives for submission of required data, operate at the speed of commerce, certify compliance requirements, protect producer confidentiality interests and rapidly supply regulatory and health officials the appropriate data when needed.

MBT is a cutting-edge, research and development based innovator of patented computerized management systems for comprehensive individual animal information collection and management decision-making. Because of our 34 years experience pioneering information, marketing, health, and nutrition systems we understand the needs associated with the development and implementation of a NAIS. MBT introduced the beef industry's first individual animal identification and food safety assurance traceback system in 1986 with the revolutionary DRUG-TRAC® Animal Health System which has individually tracked and managed millions of cattle. MBT's ACCU-TRAC® Electronic Cattle Management System has utilized RFID technology since the early 1990s for individual animal data collection and traceback along with advanced management and marketing practices. MBT's technology portfolio includes 50 U.S., U.K., Canadian, and Australian patented inventions. The majority of the US fed beef industry today uses MBT technologies.

MBT has not only invested in the development of proprietary systems that accomplish the objectives of a NAIS MBT has also helped to organize and is a Founding Member of the Beef Information Exchange. The Beef Information Exchange (BIE), who also testified here today, is a broad-based collaborative effort of leading beef industry data service providers with over 35 years of combined experience tracking individual animals. BIE was organized to meet the need for a low-cost, national traceback system while ensuring data privacy for producers. BIE creates data sharing standards and provides a secure technical platform to facilitate information exchange, building a bridge between the livestock industry and state and federal governments need to rapidly respond and control an animal disease outbreak while ensuring data confidentiality and protecting existing trading relationships. MBT along with BIE Members have demonstrated the capabilities of our systems to the industry, USDA and Congress and we are ready to implement the required systems immediately.

MBT is aware that there are many companies which offer similar information systems capabilities and expertise but do not have MBT's patented systems, specific industry experience or implementation expertise. (See Exhibit A - MBT Patents). These are important and distinguishing differences between MBT and other alternatives. In order to implement the NAIS, MBT has proposed to license its intellectual property to qualified data service providers and USDA for official data and would expect to be compensated with license fees if its patented systems were utilized in such a system. It is the opinion of MBT that with the licensed use of MBT's patented systems the NAIS objectives can be efficiently and successfully met.

Mr. Chairman and Members of the Subcommittee, in summary, we support the implementation of a private sector NAIS for the control, surveillance and eradication of animal disease. MBT, along with the proposed BIE infrastructure, has the necessary intellectual property and expertise to make the most successful and immediate NAIS implementation. We believe that by utilizing this collaborative effort between industry and government that we can execute a faster, more effective and lower cost implementation of the NAIS. We thank you for allowing us the opportunity to provide testimony on this important matter and look forward to answering any questions that you may have.

Exhibit A. – MBT Patents

MICRO BEEF TECHNOLOGIES believes in intellectual property respect and protection. Therefore, MBT has filed for patent protection on the valuable innovations developed through our continual research and development program. Micro Beef also owns numerous copyrights and trademarks whether associated with software, trade names, or other materials. The following patents are owned or licensed by MBT.

MICRO BEEF TECHNOLOGIES PATENTS:

U.S. Patent No. 4,589,372	U.S. Patent No. 5,369,032
U.S. Patent No. 4,733,971	U.S. Patent No. 5,401,501
U.S. Patent No. 4,785,817	U.S. Patent No. 5,483,441
U.S. Patent No. 4,815,042	U.S. Patent No. 5,573,002
U.S. Patent No. 4,889,433	U.S. Patent No. 5,576,949
U.S. Patent No. 4,910,024	U.S. Patent No. 5,617,864
U.S. Patent No. 5,008,821	U.S. Patent No. 5,644,643
U.S. Patent No. 5,140,988	U.S. Patent No. 5,673,647
U.S. Patent No. 5,219,224	U.S. Patent No. 5,803,906
U.S. Patent No. 5,303,708	U.S. Patent No. 5,836,880
U.S. Patent No. 5,315,505	U.S. Patent No. 6,000,361
U.S. Patent No. 5,316,003	U.S. Patent No. 6,009,473
U.S. Patent No. 5,339,815	U.S. Patent No. 6,131,744
U.S. Patent No. 5,340,211	U.S. Patent No. 6,135,055
U.S. Patent REISSUE Re. 34,776	U.S. Patent No. 6,200,210

U.S. Patent No. 6,318,289 B1
U.S. Patent No. 6,516,746 B2
U.S. Patent No. 6,547,726
U.S. Patent No. 6,579,236
U.S. Patent No. 6,592,517

CANADIAN PATENTS

Canadian Patent No.
1,295,045
Canadian Patent No.
1,301,889
Canadian Patent No.
1,311,057
Canadian Patent No.
1,336,200
Canadian Patent No.
2,111,937
Canadian Patent No.
2,115,999
Canadian Patent No.
2,181,479
Canadian Patent Application
No. 2,298,074

**UNITED KINGDOM
PATENTS**

United Kingdom Patent No.
2,273,774
United Kingdom Patent No.
2,303,211
United Kingdom Patent No.
2,304,191

AUSTRALIAN PATENTS

Australian Patent No. 690741
Australian Patent No. 727101

EUROPE PATENTS

EPO Patent Application No.
00300805.9

PATENTS PENDING

Micro Beef Technologies has an on-going intellectual property protection program in which patent filings are a regular course of business. Currently, patent applications associated with the ACCU-TRAC® Electronic Cattle Management System and related subject matter are in progress with numerous patents pending.

For more information please visit our website at www.microbeef.com

THE DEVELOPMENT OF USDA'S ANIMAL IDENTIFICATION PROGRAM

TUESDAY, AUGUST 17, 2004

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND HORTICULTURE,
COMMITTEE ON AGRICULTURE,
Fayetteville, NC.

The subcommittee met, pursuant to call, at 2:05 p.m., in the Crown Center, Fayetteville, NC, Hon. Robin Hayes, (chairman of the subcommittee) presiding.

Present: Representative Hayes.

Staff present: Pamilyn Miller, subcommittee staff director; and Lisa Kelley.

OPENING STATEMENT OF HON. ROBIN HAYES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. HAYES. I am Congressman Robin Hayes, and let me welcome you to Fayetteville and to our Animal Identification hearing. This is about you, this is not about me. It is not about Bill Hawks, it is not about us. But we appreciate you all coming from as far away as Missouri, South Dakota, other places to be a part of this process today.

Mr. Secretary, we appreciate you and the good doctor being with us today, because you have been very faithful from day one to make sure that this whole process is driven by the producers and the consumers and the industry, not by the Government.

So, if I can call this meeting to order I have a short opening statement. Just to sort of set the record straight and kind of get the ground rules laid out.

Animal identification has been given a considerable amount of attention over the last 8 months, and I am glad that we can review where USDA is in their process of establishing a national program for animal disease surveillance. We will also hear from other witnesses who represent producers here in North Carolina and across the country to learn their views on how we should proceed with the National Animal Identification System.

I will insert in the record at this point, we did invite our other committee members to be here. Mike Ross has been a very faithful ranking member. Unfortunately, due to the commitments at home, you are going to have to put up with me alone today. Rest assured all the folks on the committee are very actively involved and will review the testimony and are certainly available to you to move the process forward in the right fashion.

As you know, animal identification is an issue that this subcommittee and the entire House Agriculture Committee is taking very, very seriously. The full committee held a hearing in March in Houston to begin understanding USDA's vision for a national system as well as to hear from producer groups and what they want to gain from the program. Since that time, USDA has begun taking steps towards implementing animal identification, so this subcommittee held a hearing in Washington recently, July 22, to discuss the latest developments, especially in technology. Knowing there are various technology companies involved with animal identification, we also hosted a display for companies to demonstrate their technology to Members of Congress, USDA, and staff.

Last week Agriculture Committee Chairman Bob Goodlatte came to my district where we met with producers. Animal identification was the main issue we discussed. Clearly, overseeing the development of the National Animal Identification System is a priority for many other members of the Agriculture Committee.

With that said, some of the same concerns continue to arise as we move forward in implementing a system, such as cost, particularly confidentiality, whether it would be a voluntary or mandatory program. Which technology will be used—let me go back—technologies, if that is appropriate, and making sure that there is not a one size fits all program.

I am pleased by the direction USDA is going on some of these concerns. For example, throughout the process I have been technology neutral so that producers may determine what works best for them, and I appreciate USDA having that same position. I believe it is important to have a voluntary program unless there is a need for it to be mandatory and again I appreciate USDA having the same position. I also believe the program should take into account what works for one species may not necessarily work for another. I believe USDA is looking into flexible options for various species.

And finally, hearing and keeping producer records confidential is of the utmost concern to me. I have had numerous conversations with the Secretary. Mr. Hawks, who is with us today, will discuss the importance of confidentiality, and I can tell you Mr. Hawks knows very well the concerns of you and other producers having conducted a series of listening sessions around the country. USDA will be completing its round of listening sessions this month, in which they have been gathering input from everywhere. USDA also has released an advance notice of proposed rulemaking asking producers and industry for basic comments on implementing a program, like when and under what circumstances should the program transition from voluntary to mandatory, and what species should be covered. I hope the department will take a close look at the comments received both at listening sessions and the ANPR and use this information in deciding how to structure the system.

I firmly believe the best way for a National Animal Identification Program to work is for the producers in the industry to work with USDA to develop a system rather than having bureaucrats in Washington—and yes, there are still a few bureaucrats left in Washington—mandate a burdensome, costly program. I encourage USDA to work with producers and have a transparent process and

continue to move forward. The system can have great value for the livestock industry but we must not take that responsibility lightly. There are some very critical decisions that must be made to have a beneficial, cost-effective confidential system.

Before we get started with the testimony I would like to explain some of the procedures for the hearing. The hearing is structured like any of our subcommittee hearings in Washington, all witnesses will have 5 minutes to present their oral testimony, and then answer questions. We have lights and timers, when the lights turn red your time has expired. After both panels have testified, if time permits, we would like to have an open mic so those in the audience wishing to make comments may do so. I would ask that you keep your comments to 3 minutes in length and again we will be using lights and timers. For the sake of others that might like to have an opportunity to express their views, I ask speakers to respect the time limit. Keep in mind because of scheduling in the building, we must conclude by 5 o'clock.

As always I would note that anyone that wishes to submit a written statement as part of the record may do so up to 10 calendar days after the hearing, which would be Friday, August 27. Please see Pam or staff if you wish to submit a statement or make comments to any open mic. Additionally, all testimony and comments made today will be a part of the official record.

I look forward to today's testimony and the insight that Under Secretary Hawks and USDA and the doctor and producer groups will provide. Again, I appreciate all of you being here. If it were not for you, we could not come up with the right kind of solutions. And Bill Hawks who is a great friend of mine and the industry has agreed to answer some questions when he finishes with his testimony. So, if you have something on your mind, we just need him out of here by 3:00-3:15, something like that. Without further ado, again welcome to this hearing.

Mr. Hawks, you are the first panel and I appreciate you being here. You may proceed.

STATEMENT OF BILL HAWKS, UNDER SECRETARY, MARKETING AND REGULATORY PROGRAMS, U.S. DEPARTMENT OF AGRICULTURE

Mr. HAWKS. Thank you, Mr. Chairman, it is certainly a pleasure to be back here today where I was some couple, 3 or 4 weeks ago, I lose track of time, to address this committee on animal identification. I am also pleased to have with me today Dr. Valorie Ragan, who has been working on animal identification for the past couple of years. She had worked with the USAIP, we have built on the standards that they have put in place, the framework and the standards, realizing the importance that that group played in animal identification.

In April, Secretary Veneman announced the framework for the implementation of a National Animal Identification System. Incorporating what we learned through our involvement with the USAIP, USDA is designing the National Animal Identification System so that it will be capable of tracking an animal or groups of animals back to the herd or premise that is the most likely source of infection. Our goal is to have a system in place that will identify

all animals and premises that have had direct contact with a foreign animal disease or a disease of concern within 48 hours after discovery, helping to limit the scope and expense of the outbreak and allowing us to minimize the impact on the animal health and on domestic and foreign markets. Because of the complexity, we plan on phasing in the National Animal Identification System to provide a timely and cost-effective program while ensuring it is functional, practical and reliable.

Initially, the program will be implemented on a voluntary basis. By starting out with a voluntary program, it allows us to get buy-in from producers and see how the marketplace responds. We may eventually require premise and animal identification.

With this in mind, we published an advance notice of proposed rulemaking on July 14. Among other things, it solicits comments on when and under what circumstance the National Animal Identification System should move from voluntary to mandatory, and which species should be covered now and over the long term.

In addition to the comment period on the ANPR, I have been traveling the country discussing animal identification with interested parties at the USDA listening sessions. We have had 8 so far and have 7 more to go. As I mentioned earlier I was here in Fayetteville back in June. I am due to be in Columbus, Ohio tomorrow and next week I will be in Ames, Iowa and Joplin, Missouri. APHIS is posting comments from these sessions on their website so that interested parties are regularly updated.

As I travel the country, I've found that producers understand the importance of the system, but they wonder how our system would be funded. In April, Secretary Veneman announced a transfer of \$18.8 million from the USDA Commodity Credit Corporation to provide initial funding needs to begin premise identification. Of this, USDA is providing close to \$12 million to 29 States and tribes through cooperative agreements to help them implement premise identification as well as carry out field trials or research to test and fine tune identification technologies and collect animal movement data. A list of the States and tribes, tribal projects is provided with my written testimony.

To determine the allocation of this funding, a review panel rated each application based on specific criteria. USDA was most interested in projects that included broad participation of stakeholders; inclusion of multiple species; and involvement of multiple States or tribes. Among other things, applications that reflected significant cost sharing including third party in-kind contributions also receive priority. Including the cost sharing of States and tribal governments and industry, the total investment in these cooperative agreements is more than \$16 million.

In addition to that, the President's 2005 budget requests \$33 million in funding and I must say that your body of the Congress has approved that amount. And a portion of this money would go toward establishing additional cooperative agreements with the States and tribes that did not receive funding from this year's allocation.

I have frequently heard from producers concerns about the protection of their privacy. We recognize the confidentiality of this information collected in the National Animal Identification System is

an important issue. We are examining the issues very closely and exploring various options to protect the information in the National Animal Identification System from public disclosure.

We will continue to move ahead at an expedited pace. We are gearing up for a substantial education and outreach program toward producers. Many of you have heard me speak before. My personal saying is "working together works," and I will be the first to say that the only way to implement this is by working together. Working with the Nation's producers, industry, animal health officials, State government, Congress, we will successfully achieve a National Animal Identification System.

I apologize for going over shortly but I will be quite happy to answer any questions.

Mr. HAYES. We probably should have even turned off the lights with this first panel. Do you want to take a little bit more time to finish your testimony, or not?

Mr. HAWKS. That is fine.

[The prepared statement of Mr. Hawks appears at the conclusion of the hearing.]

Mr. HAYES. This is a formal hearing as we talked about earlier, but I think it would be appropriate, given the nature of what we are trying to do, to somewhat make it informal at this point, and entertain any questions that we might have from the audience and do you want to do that in written form, Pam? OK, yes, if anybody would like to ask the Dr. Ragan or Secretary Hawks a question about where we are going, they have been very open, very transparent. He and I talk on a regular basis from Colorado, Washington, or wherever he happens to be. Just let me encourage any of you to come to the mic and we have him here, let us avail ourselves of that opportunity.

Mr. HAWKS. You not only have me we have technical support.

Mr. HAYES. We have technical support all around us today. Chester, you want to ask him a question? Go ahead.

Identify yourself so these folks from South Dakota can invite you out to pheasant hunt or something.

Mr. LOWDER. All right, I am ready to go. I have got my shotgun cleaned up and ready to go.

Mr. HAYES. I will get you another roll of tape before we send you out there.

Mr. LOWDER. This is a running joke between the Congressman and myself.

Mr. HAYES. That is right.

Mr. LOWDER. I am Chester Lowder, I am director of livestock programs with North Carolina Farm Bureau.

You indicated that you had started a proposed rulemaking. Could you elaborate just a little more on the strategy and the time tables that would be involved with that?

Mr. HAWKS. Sure. We announced the advance notice—I feel a little awkward talking to them.

Mr. HAYES. We talked about that earlier.

Mr. HAWKS. We started an advance notice of proposed rulemaking and we announced that on, I think it was July 14, and the comment period closes September. Now you are getting me speak-

ing from memory, Martha. OK, we are finding the actual closing date.

Mr. HAYES. You probably could take that mic and hold it in your hand and turn around, Bill. I do not want you to get a crick in your neck.

Mr. HAWKS. Well, I think they said that they had trouble getting this all geared up. So, I will stay here. But that whole ANPR advance notice of proposed rulemaking included a lot of issues in there. But, with direct regard to animal identification, we are asking questions such as at what time, under what circumstances should this program become a mandatory program. What species should be included, what should be excluded. So, it is sort of open ended comments that we are looking for. We are truly looking there again, just like these listening sessions that we are doing around the country, we truly want to know what the producers, what the affected community, if you will, think about these issues. So, that is basically it when, under what circumstances, what species should be identified.

Mr. HAYES. Do you have a follow up on that, Chester? If you leave here with a question unasked, that is your fault, not ours. We will answer any question, I do not know if it is a satisfactory answer.

Mr. LOWDER. Again, Chester Lowder. With that indication you indicated the species would be handled separately so we might have a program in place for say beef before we would have a place in force for equine?

Mr. HAWKS. Yes, sir, and really that is what the proposed rulemaking is about. It is to seek responses to those questions so if you feel like that there should be some species that should be covered, some species that should not be covered, we want to get those comments. We want to know what your thinking is. And we are getting a lot of that through these listening sessions and we are taking those comments, analyzing those comments as well. But this is just a more formal rulemaking process, so we can get it definitely on the record. Even though these listening sessions are not made a part of the rulemaking process, that input is certainly sought after. So, if you have comments, we want them.

Mr. LOWDER. So, the means and the technologies for species could be different then. You would not necessarily have one blueprint.

Mr. HAWKS. Absolutely, and you have heard the chairman say today that one size does not fit all, that is one of my favorite sayings as well. I realize that a horse is not a cow, is not a pig, I realize the distinction in livestock production in North Carolina versus North Dakota and Florida, and California, Washington State and Maine. So we do understand that, but we need your comments.

Mr. HAYES. Another question, Russ, you did not come all the way from Missouri and Kenny, you did not come all the way from South Dakota without a question, did you? Let me remind you Mr. Hawks has got to leave here. When he leaves, do not let him get away without a question. Marcus, do you have any questions?

Mr. HARWARD. I have always got a question.

Mr. HAWKS. We do not always have answers.

Mr. HARWARD. I am Marcus Harward, from the North Carolina Cattlemen's Association. I run about 500 or 600 momma cows and we run two of the sale barns here in North Carolina. So, we have a little vested interest in what we are talking about today. For small producers, the biggest issue here in North Carolina from my producers and this is what—I had 12 of them this week ask me is the identification program—where will it start at. I mean is it going to start on the farm, is it going to start at first point of entry, first point of exchange or where are you looking for it to first start at?

Mr. HAWKS. Sure, well from our way of looking at this—and let me reiterate, this is for animal disease control and management proposes, period. I probably should put on the record too, the amount of information that we are looking for is relatively small. We want to know premises, we want to know the individual animal and we want to know where they have been. That is what we are looking for. Having said that, if you run a cow/calf operation and those animals are maintained on your farm—they are not ranchers here in North Carolina nor are they in Mississippi. Some folks, when I say a farm, a cow on the farm they do not think I am saying it right. But, as long as it is on your farm, it really does not matter to us. But when it leaves that farm that is the information we would need.

Mr. HARWARD. I do not know if you will be here I just want to make sure I get this in before you leave. The majority of our farmers are 30 head or less and they wanted me to make sure you knew that what will work here in the Southeast would be different than what the Southwest would be, or any other part of the country. They are going to need a very workable system, because they do not rely on that source of money for a main source. There is a sizable income supplement to their income, and just remember that they are I would not say hobby farmers, but we need to make something very reasonable for them to work with.

Mr. HAWKS. And we really do realize that. Growing up in Mississippi and having been involved in farming in cow production from time to time throughout my career, I certainly understand that. And we are committed as I said, we realize the diversity in production across the United States. So, we want to make—whatever we put out there, it has got to work. It has to work for those small farmers that have 30 cattle, it has to work for those who have 30,000 cattle. And so realizing that, it is not an easy task, that is the reason why we are holding this, that is the reason the Congressman is holding this hearing. That is the reason we are holding all those listening sessions around the country, to make sure that we get that input, and that is the reason why we are doing these cooperative agreements too, to test some of these things. To make sure that they work, that they do not add an additional burden on those people out there. We certainly understand their concerns. I personally understand from having been a farmer that we do not always know what is best. But what will work and we have to test them to make sure they will work before they are put on you, the producer.

Mr. HAYES. Marcus, runs two sale barns now, Marcus, and farms and everything else, Turnersburg, Norwood. Before you ask your

question, those of you that do not know Bill Hawks maybe you have been fooled in the past by somebody from Washington telling you that they had come to listen to you and you maybe found that was not exactly true. When Bill says he is listening to you, believe me, he is listening. So, if you do not have a question you have something you want him to hear directly from the horse or the cow mouth be sure and do that very thing.

Mr. FOX. My name is Kenny Fox, Secretary Hawks, I have a question. In our area we have many producers that are large operations and a lot of distance to cover, and we have concerns in how reliable the tags are. Are you confined to just tagging animals? Some of the studies that—not necessarily studies, but life experiences that I have had with tags, they are very unreliable. They do not stay in, what are we going to do with the cattle that do not have a tag?

Mr. HAWKS. I think the best way I could answer this is we are not necessarily saying that there will be tags. We are technology neutral. I think you and I both know that in cattle production there, that is probably one of the most workable ways to do this portion. You go out west you hear a lot about brands. We are having to look at ways to that, they will tell me when I am out west.

VOICE. We cannot hear you.

Mr. HAWKS. Sure, this cord is not quite longer enough. If I pull this just a little bit and I lose it, somebody will have to work on it.

Mr. HAYES. We will give you another one.

Mr. HAWKS. All right, thank you. So, they talk about their brand systems out there. So, these are questions that have to be answered, it may not be a tag. There is a guy right here in North Carolina, that when we were having a listening session was talking about room and boluses. There is retinal scans, there is all kinds of technology that can be used. There is also an adage that I have that, there is a way to resolve some of those difficult issues. But, with respect to those animals that lose their tag or lose their identification, there has to be a way, we will find a way to address that. Val, do you want to add any to that?

Ms. RAGAN. I think it is pretty obvious that anytime that you put any kind of a tag in the ear, you are right. The animals are going to lose tags, especially if they are out on range. But, the important thing I think here is to put it in perspective that if the tag is the technology that is selected by that producer—again as Mr. Hawks mentioned earlier we are not going to be tagging animals that are just out on range. That are just out there breeding animals that are staying out there. It is animals that are in movement. So, even if those are tagged, if that is what the producer selects to use, there are a couple of things—one there are a number of producers already who are using tags who use backup systems. Double tags, another technology in addition, or whatever. So, that is certainly an option.

The other thing is that if tags are indeed what is utilized, we have to be as practical and realistic as possible and realize that there are going to be some that are going to lose tags. And even if this evolves into a mandatory system, one of the questions has been what happens if they lose a tag and it is mandatory, am I

going to get in trouble, or fined or whatever. And one of the key things that we are trying to do with development of this system is to keep it as practical and realistic as possible. So, recognizing that if an animal loses his tag, we have got a mechanism for re-identifying that animal even if it is another tag.

But also, at the same time, I think if we have got animals that are 99 percent tagged and we have one that loses a tag occasionally that is not going to destroy our system. Whereas if we had animals out there and 99 percent of them are not identified, we have a significant problem in tracking animal diseases. So, if we have—ideally we would like to have every animal identified. Obviously, it makes the system work well, makes our jobs easier. But we also will have to have a built-in processes for backups for the times when those do fail.

And also, I think another important point is that I do not believe that there is any system that is going to be a hundred percent effective in every case. But I still think if we have a significant portion or as close to as many of the animals identified as we can possibly do in the real world, we will be able to accomplish what we are trying to do with disease tracking.

Mr. FOX. Another question to Dr. Ragan? I think that you are a bit optimistic when you think you are 99 percent. I think with the tag even if you use two tags, we are going to be looking at 20 to 25 percent of the cattle that are going to be unidentified.

Ms. RAGAN. I was not say that we were going to get 99 percent identified in every case, that was an example of how it would work. I think when you talk about tags and this is one thing that is important is that we are not advocating a tag or a specific type of tag and that is one reason why. One of the things that we have heard going to different listening sessions is the whole range even in the same room with the same group of producers from those who were adamant the tags worked perfectly for them and those in the same room who will say they just do not work, you are going to lose a significant portion of them. And that is one reason why we are maintaining the technology-neutral aspect of it. If there is a producer who has a type of tag that works very well in that particular operation, we want him to be able to use that. If it does not work, if you are out on range conditions where animals are constantly losing tags, and another type of identification system is better, then that is the one we want to have an option out there for.

Am I being optimistic? Sure, I am being optimistic, I think that we can make this system work. What percentage of animals are we going to ultimately have identified, I do not know yet until we see what kind of systems there are that are adopted and how well they are put in. Whether it be a tag or a plant, an implant, whatever, there is also the technical aspect of doing it right. And that is going to have to be a part of that. So, yes I have been out there enough I think to learn that there is no system that is going to be right, but it is certainly going to be better than what we have right now, I think.

Mr. FOX. Thank you.

Mr. HAYES. Kenny, were you in—did you come to Washington for the technology show, I should be able to remember?

Mr. FOX. No, sir, I did not.

Mr. HAYES. OK.

Mr. FOX. But I have been to other seminars that tagging companies have put on.

Mr. HAYES. I am sure that you are very familiar, but I was impressed with—I mean we can take you from boluses to DNA, and those of you that are not from North Carolina, we have a group of folks at Fort Bragg that they can identify you, and tell where you are, and what you are doing at any time of the night and day. So, we are not lacking technology.

Mr. FOX. Well, sir, I do not doubt that a bit, but the cost is another thing.

Mr. HAYES. Sure.

Mr. FOX. The chips that they implant under the skin, they travel, 50 percent of them are unreadable. I am not familiar with the boluses but I do not think that they are very reliable either.

Mr. HAYES. Do not tell my guy up the road, he thinks they are the greatest things since sliced bread. But anyway, you all keep raising the questions, that is what we are here for. Bill, I think now, that we are doing this, you would be able to count this as a listening session as well as a hearing. But, raising these questions, that is a way we make sure that we do not leave any stone, tag, bolus or whatever unturned.

Mr. FOX. As you know, our organization that I represent on a State level, Stockgrowers Association, we have a brand inspection program and it is run by our organization. We contract with the State and it works real effective and we trace animals, track animals all the time with it. And I advocate a permanent mark, it is on the hide until they take it off, the hide off of the animal, it is economical to do. A couple of hot irons for \$25 lasts you for 10 years. I mean let us keep it as simple as possible.

Mr. HAYES. Sure, and that is why the whole regional approach is so important. The size of the ranch in South Dakota is probably a little bit bigger than the one in North Carolina, and other places. Good point. Go ahead Bill.

Mr. HAWKS. Let me just follow up just a little bit. I think that this exchange that we are having right here points out the diversity in cattle production across this country. It is something that I said when I was wrapping up my statement that I always use that working together works. We recognize that we have got to work together with all of the industry to make sure whatever systems that we put in place, that it does not add an additional burden on the cattle producer, it is cost effective, it is simple and it allows the flexibility for those producers to use whatever works for them. So that is really our objective, and Dr. Ragan's comments about, yes, we would like to have a 100 percent identified, but we also realize that we have got to have something that meets that criteria that I just talked about—cost effective and diverse—to be able to do that. So, that is our objective and that is what we are here for. That is the reason the Congressman is doing that. As I said, we are committed to work on this with you.

Mr. FOX. Thank you very much.

Mr. HAWKS. Thank you.

Mr. HAYES. Thank you. Anyone else?

Mr. HAWKS. Can I have this transcript posted on the website?

Mr. HAYES. Absolutely. Yes, sir.

Mr. MARSHALL. Dave Marshall, State veterinarian in North Carolina. Thanks for coming down, Valorie and Mr. Hawks.

As you are probably aware, we in North Carolina have probably one of the more advanced developed premise identification programs in the Nation. And we literally have all of our swine farms, poultry farms, rendering plants, packing plants, livestock markets, and dairies already premise identified. That we were able to do that, built upon trust with the producers, the farmers, and that is a direct result of a confidentiality law that we have. I believe we may be unique in the Nation, in that we can protect that data. In working with the USDA on this animal identification program, Dr. Weimers, we have completed a form that essentially asks us to declare do we want to use the national database, national allocator system, national repository, lock, stock and barrel. Do we want a third party review by the USDA of our State system, or do we want to use a third party provider.

It is my understanding that there are three selections. We have indicated that we would like a review of our State premise program and use that in lieu of the national program. I guess my question is, is the USDA willing or will they be able to issue national premises identification numbers to North Carolina farms without us providing the information such as name, address that identifies the farm? Can we produce a North Carolina premise identification number and have a national number issued off of that with the trust and the certification that our system can handle the information you need in time of a disease incident?

Mr. HAWKS. We have gotten pretty good, because we do these listening sessions together, I answer the easy questions, she answers the hard one. With respect to the confidentiality of data, I cannot stress enough that we are just as concerned about that as you are. We are absolutely committed to protecting that confidentiality. We are looking at several avenues of doing that know. We feel that as long as we have a volunteer system, that is the case.

With regard to the ultimate data, we feel like that probably should reside with us at the national level. Having said that, there certainly is no reason that you—there is such a small amount of information that we are looking for, I do not think that we care about a lot of this other information. We just want to be able to rapidly track those animals to get to those premises that are of concern, to deal with the animal disease. So, I—Val, you want to take a shot?

Ms. RAGAN. I think, Dave, if I understand completely what your question is, the national premises allocator system, the lock, stock, and barrel that you are talking about, is provided as a mechanism for registering premises. It is a tool, if you will, to register premises, and that is already working in concert with the premises numbering allocator. And the idea is to have the premise numbers allocated at the local level, at the State level, and then, have whatever data you want and I know about your system.

Dave, we have known each other for 20 years, I know about what he does here. But with your system, you all have a whole lot more information here than we would need. So, what we would want is to allow you to maintain whatever you want here, but there are

certain key pieces of information that we would want at the national level so that we can quickly do a search if we need to. And the key thing here is I think is standardization of data across the country.

Your system is very far advanced, is an excellent system. I think everybody recognizes that, and you do have your data protected and I think one of the things that is important, as Mr. Hawks has alluded to, is the confidentiality of data and the protection level is something that is extremely high on our list right now, and if you wanted to—if you have some concerns about your ability versus our ability we certainly understand that.

One of the things we have said a number of times is we do not have one problem of protecting the data, we have 51. We have the data at the national level which is minimal, that would actually direct us to which State we need to go to if we needed to do further work, in which case it would be in your hands as the animal health authority here, to do whatever the follow up work would be, should there be something recognized that needed to be investigated. But in order to very quickly do that across States, we would need data standardization, and certain just minimal key pieces of data. So, I would say let us, you and John and myself, if you want, talk further about specifically what we need and you have comfort or discomfort with and see if we can come to a compromise on what will work for you and also would work for our needs at that level. Do not need much, we certainly want to build on what you all already have and not replace it, and you all do not need the general allocator system. That is not a premises system, the one that we are providing is just a mechanism to register premises which you already have.

I say let us talk off line a little bit more and see what we can do about marrying up what you all need to do with what we need.

Mr. HAYES. David, when you and I were together last week I left you at 3:30, I was on the phone with him from Greeley, Colorado at 5:00, remember 7 not 9. We have got covered.

Mr. HAWKS. Yes, and I think I would like to recognize for the record too that you have done a wonderful job here with animal identification in the State of North Carolina. Probably one of the most advanced States in the union, and we certainly want to work with you collectively, cooperatively to make sure we get what we need and you maintain what you need here as well.

Mr. MARSHALL. We did not come here to sing our praises, we came here to express some concerns. My personal concern is there is going to be very limited participation on a voluntary basis without solving this problem. And I think that we can, we are a step ahead here and we can get that trust between ourselves to where we can provide certain key individuals in your organization with possibly some secure access to our data. But if we do not have to provide—there is so many fields that you have to fill in to get that national identification number, and one of them is the name, and one of them is the address. I do not think they issue you a number unless those two particular fields are filled in, and it is just not going to happen. I mean if can solve this problem, we can—we have got 7,000 premise to download right now for national identification numbers, but it is not going to happen until we solve that.

Ms. RAGAN. I think what you are saying, Dave, is exactly why it is starting off voluntary, because that trust level and that concern about providing that information is not unique to North Carolina. It is something that we hear regularly all across the country, so that is one reason we kicked up with our attorneys the efforts to get those things resolved because we are not going to make anything mandatory as long as that level of discomfort with the Government having whatever is there. And it will be until we are able to resolve that and you all have resolved it here, and we recognize that, and I think until we can resolve it at some comfort level that you are satisfied with, it is going to remain on a voluntary basis, absolutely.

Mr. HAYES. Thank you, David. I think we have time for one more question. If we do not have one more question or comment—we have one more then we are going to let the doctor and Secretary move on down the road. Yes, sir.

Mr. KAZEE. I am John Kazee, with Livestock Marketing Association. Back to the tags or the reading of the tags in commerce, if we have an auction with 1,000 head a day, let us say they are identified with the tag or some type of readable system. The failure rate of 5 percent on a 1,000 head sale, that is 50 livestock that we do not have identified. I think that is why we are pushing that any program that we need to have the pilot systems out there, the trials to find out what do we do about those 50 head, do we have to scan everything again. Part of them were read part of them were not. Those are the difficulties that we see that I think you are to be applauded for making it voluntary to start with until we work out a lot of these problems.

Mr. HAWKS. Thank you, we certainly recognize the concerns of the livestock markets, and we—that is the reason that we are doing cooperative agreements. That is the reason we will be funding more in the next year when we get our appropriations for the next year. So, we realize that and we are certainly prepared to work with you.

Mr. HAYES. Bill, Valorie, thank you very much for being with us. As you and I discussed on the phone the other afternoon, there is a significant, I think \$33 million appropriation that will be coming through. Those folks that were not recognized on the first round are certainly in the running, again we are very serious about doing this right. And thank you all very much for being here and we will let you get back in time to back your bag packed for Joplin, Missouri, next.

Mr. HAWKS. Well, actually it is Ohio, go directly there tomorrow, and I think that one is tomorrow. Go there today, do it tomorrow morning.

Mr. HAYES. Well, thank you very much.

If it is agreeable to everyone, we will call the second panel at this point. And while you are coming up just for purposes of those that do not know, the second panel will be David Collier, chairman, Swine Advisory Committee, American Farm Bureau, in Fayetteville, accompanied by Mr. Chester Lowder, famous shotgun purveyor; Russ Kremer, president, Missouri Farmers Union, from Bonnots Mill, MO, on behalf of the National Farmers Union; Kenny Fox, region III vice president, South Dakota Stockgrowers,

Belvidere, SD, on behalf of R-CALF, United Stockgrowers of America; Marcus Harward, president, North Carolina Cattlemen's Association, from Richfield NC, sale barn operator; Rann Carpenter, chief executive officer, North Carolina Pork Council.

You all please be seated. Dr. Eric Gonder, veterinarian, Goldsboro Milling Company, Goldsboro, NC, on behalf of the National Turkey Federation, North Carolina Poultry Federation.

Gentlemen, let me welcome you to your hearing. We appreciate you being here and if you do not have any prearranged batting order, I have Mr. Collier scheduled to go first. Mr. Collier, if you are prepared, please proceed.

STATEMENT OF DAVID COLLIER, CHAIRMAN, SWINE ADVISORY COMMITTEE, AMERICAN FARM BUREAU FEDERATION, FAYETTEVILLE, NC

Mr. COLLIER. I am David Collier, chairman of American Farm Bureau Swine Advisory Committee. We appreciate your scheduling this field hearing on the important issue of livestock identification and for inviting AFBF to share our perspective on an issue that is critical to our members.

We very much appreciate USDA's announcement on December 30, 2003, that it would prioritize the development of an Animal Identification System for disease tracking purposes. We believe the development of the National Animal Identification System is proceeding very well.

Farm Bureau believes that there are four key issues that must be addressed in order to ensure producer acceptance of an animal identification system—the cost of the system, protecting producers from undue liability, ensuring the confidentiality of data submitted by producers and sufficient education and information.

First is the issue of cost. A cost-effective national system of livestock identification with equitable cost share among Government, industry and producers must be established. Considerable financial expense will be associated with the development and implementation of an identification system. Incorporating existing systems such as previously funded USDA pilot projects and privately funded identification methods already employed by producers will help reduce the cost. However, the price tag for establishing, operating and maintaining a system continues to be a huge issue for our members. Producers cannot and should not bear an unfair share of the cost of establishing or maintaining an animal identification system. Our ability to move forward with a voluntary system depends on adequate and equitable funding.

Second is the issue of confidentiality. The confidentiality of data and access to that data must be adequately addressed. The NAIS should ensure the security of producer information and respect the privacy of producers by only collecting data necessary to establish an identification system. Any data collected to comply with an animal identification program must be maintained and used solely for the purpose of animal disease prevention and control. Furthermore, our producers must be protected from public disclosure under the Freedom of Information Act. Otherwise, proprietary information on individual farms could be exploited by the farm's competitors or by activist groups.

USDA has indicated that it intends to administer the NAIS cooperatively with the appropriate State animal health officials. Because of the major role that State governments play in this system, we must ensure that data is protected at both the State and Federal levels.

Finally, it is imperative that the only agencies allowed access to the information are animal health and other agencies with a legitimate disease and emergency response purpose. There must be clarity on exactly which Federal and State agencies will have access to the data. Arguments can be made for and against providing other agencies access to some of the information. It is critical that a public discussion on how much information, what type of information, and availability to whom, be conducted immediately.

Liability is our third issue. Many producers worry that they might be forced to share liability for food safety problems that are now limited to meat merchandisers. An identification system must protect producers from liability for acts of others after the livestock leaves the producer's control. This includes concerns about nuisance suits that name everyone who handled particular livestock.

Fourth is the issue of education. It is critical that producers fully understand what an animal identification system will and will not do. We applaud the administration for setting aside \$3 million of the fiscal year 2004 emergency allocation for producer funding.

An advisory board should be established to help regulate an animal identification system. The board should be comprised of producers, processors, animal health authorities, and the USDA. The board should continuously evaluate the overall performance of the animal identification system and make recommendations for improvements.

As we move forward, we believe Congress must address the following three issues in order to ensure a workable identification system.

Confidentiality, USDA has repeatedly said that confidentiality can be maintained as long as the program is voluntary. However, they have also said that legislative authority will be needed to protect such information when the identification program becomes mandatory, and they have not yet identified the exact authority that allows them to adequately protect confidentiality even under a voluntary system.

Thank you.

[The prepared statement of Mr. Collier appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, and we do have a time clock for obvious reasons. As you finish your testimony, if you did not complete a thought or if there are other things that come up when you are listening to other witnesses we will handle them in the Q&A later. So, think about that as we go forward.

Mr. Lowder.

STATEMENT OF CHESTER LOWDER, DIRECTOR, LIVESTOCK PROGRAMS, NORTH CAROLINA FARM BUREAU FEDERATION, NORWOOD, NC

Mr. LOWDER. Thank you, sir. Chairman Hayes, my name is Chester Lowder, director of Livestock Programs for the North Caro-

lina Farm Bureau. On behalf of Larry Wooten, president of the North Carolina Farm Bureau, and our approximately 460,000 members, it is an honor to testify before the subcommittee.

Mr. Chairman, thank you for conducting today's hearing. As a constituent of North Carolina's Eighth Congressional District, I know that you have always been a strong advocate for North Carolina's agriculture industry.

As the State's largest general farm organization, the North Carolina Farm Bureau represents diversified farm families from all 100 counties in our State. And as you know, Mr. Chairman, many of our members depend on livestock for their livelihoods.

North Carolina's farmers realize the need for an effective voluntary animal identification program. However, producers who own livestock like myself are not without concerns relating to this important issue. Specifically, North Carolina Farm Bureau supports a voluntary animal identification initiative that is cost effective, confidential, able to accurately track animals, designed to adequately address the liability concerns of producers, and flexible. Additionally, such a system must be implemented incrementally to avoid disrupting livestock production.

First, an animal identification program must be cost effective. Producers are concerned about how much of the program costs they will be forced to bear. Individual producers have no way of passing on the costs to the consumers, who are most likely to benefit from the system. The establishment of a National Animal Identification Program may impact a farmer's ability to sustain their operation and make a profit. In particular, North Carolina's economy may see a negative impact from an animal identification initiative because of the size of the State's livestock industry.

Second, an animal identification program must be confidential. Mr. Chairman, North Carolina has every species of livestock that would be covered under such a program, from bison and beef cattle to turkeys and tilapia. In 1964, livestock and poultry accounted for 30 percent of the State's agricultural cash receipts, 30 years later, more than 60 percent of those cash receipts are the result of our multi-billion dollar livestock and poultry industry. Today, relatively new sectors of our livestock industry, such as dairy and meat goats and aquaculture, are providing our farmers with additional opportunities.

Mr. Chairman, the success of this program will depend on producers belief that the information collected will remain confidential. Farmers will be more likely to embrace a system that uses information for the purposes for which it was gathered, tracking diseases and residue problems. Maintaining the confidentiality of animal identification information is important for the protection of all involved in the production of livestock.

The Federal Government must safeguard, possibly through the Department of Homeland Security and the U.S. Department of Agriculture, exactly who has access to program files. Any information obtained under the initiative should be accessible to the animal industry and other appropriate public agencies for the sole purposes of planning effective responses to any disease outbreaks or acts of terrorism.

Third, North Carolina Farm Bureau supports a livestock identification system that will efficiently track animals. As you know, Mr. Chairman, tracking all animals represents a significant challenge for the industry. In the event of a disease outbreak, the ability to accurately trace an animal within a 48-hour period would allow USDA and State agencies to quickly isolate a problem and minimize damage.

As you know, it is common for livestock ownership to change hands several times during the life of an animal. In fact, some livestock even crosses international borders. With this system of multiple owners, any unauthorized residue found in an animal's tissues could be wrongly matched with an honest, hardworking producer. This reality demonstrates the importance of traceability in pinpointing the correct source of disease problems.

Fourth, North Carolina producers are deeply concerned about liability issues relating to a disease outbreak. Once an identification system is in place, it is very possible that a problem could be linked to an individual producer when in fact the animals could have contracted a disease after leaving the care of that producer. Unfairly implicating a producer without having all of the facts almost certainly will hurt that producer's bottom line. Therefore, the identification system should include safeguards that prevent the release of information until a thorough and complete investigation is conducted.

Finally, the national identification system must be flexible to allow for regional differences and enable producers to generate added information that will assist them in their operations. Such a system must also incorporate existing identification systems such as the national scraping program for sheep.

An effective animal identification system would almost certainly benefit producers. Large scale producers and integrators may develop new marketing strategies through such a system. While we have many large livestock and poultry operations in North Carolina, we also have many small farms that operate at significantly lower animal numbers. The regulations associated with an animal identification program must not be so onerous that these small owners are forced out of business.

I want to thank you, Mr. Chairman for having the hearing today.

[The prepared statement of Mr. Lowder appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, sir. Mr. Russ Kremer, National Farmers Union.

STATEMENT OF RUSS KREMER, PRESIDENT, MISSOURI FARMERS UNION, BONNOTS MILL, MO, ON BEHALF OF THE NATIONAL FARMERS UNION

Mr. KREMER. Thank you, Chairman Hayes, for holding this hearing and this opportunity to testify before your subcommittee concerning the development and implementation of the National Animal Identification System. My name is Russ Kremer, I am president of the Missouri Farmers Union and here today to testify on behalf of the National Farmers Union. I am a diversified family farmer in the State of Missouri, with an operation consisting of hogs, cattle, hay, and vegetables.

At our 102d annual convention in early March, members of the National Farmers Union debated and developed our 2004 policy, including a statement on the development of an NAIS. Animal identification along with an array of animal health, consumer health and beef and cattle trade issues have been pushed to the forefront of national discussion since the BSE-positive cow of Canadian origin was discovered in Washington State last year.

National Farmers Union members believe proactive steps should be taken to maintain and ensure consumer confidence in the safety of U.S. beef and beef products, stabilize our domestic and export markets, and minimize any economic damage resulting from this unfortunate situation. A vast array of issues have not yet been addressed, however, in the discussion of developing a verifiable animal identification system, which we believe need to be settled between the administration, Congress and industry before further promulgation or implementation moves forward. Today, I will outline the five major concerns our member have relative to an animal identification program.

First, cost burden on producers; second, adequate liability protection firewalls; third, complimentary data sharing with the country of origin labeling law; fourth, full participation and shared responsibility throughout the industry; and fifth educational component for producers.

First of all, the cost of implementing and maintaining a verifiable identification system is of great concern for livestock producers faced with front-line responsibility for any identification program. For instance, Missouri, we still have 65,000 cattle producers most of which are smaller herds. According to the U.S. Department of Agriculture, the development of an identification system will cost an estimated \$550 million over 5 years. Earlier this year, the administration included a request of \$33 million in its fiscal year 2005 budget for implementation of an NAIS. Under the estimations of cost provided by USDA, they plan to provide one third of the cost over 5 years, if \$33 million is the benchmark for what the administration will request annually. Recently, USDA announced it would award 29 State and tribal cooperative projects with \$11.64 million to begin premise identification. While USDA plans to partner with State government and industry in managing the total cost, we are concerned that a disproportionate amount of the costs associated with such a system will fall on producers, particularly smaller producers, in a way that makes them less positioned to remain competitive in the marketplace. To the extent that such a program is viewed in the national interest, NFU believes it may be appropriate for the public to bear a greater portion of both the development cost as well as those associated with the day-to-day management of the program.

Second, any effective trace back program runs the risk of compiling information that may be unfairly and improperly accessed and utilized by others. NFU believes it is necessary to include effective liability protection firewalls including, but not limited to, an exemption from the Freedom of Information Act. We are very concerned that a system which is maintained outside a public agency such as the USDA creates an inherent risk to participants that the private or proprietary information may be divulged in a way that

is detrimental to individual firms or to the operation of a local, regional, national or international market. We are concerned that unless adequate firewalls are put in place, most of the liability could be shifted to our Nation's livestock producers. We certainly were encouraged by the remarks of Under Secretary for Marketing and Regulatory Programs, Mr. Bill Hawks, when he stated USDA will pursue only a voluntary system until they can ensure the confidentiality issue is resolved. It is our hope that officials at USDA will work with members of this subcommittee and other leaders in Congress to establish legislation that would ensure producers confidentiality, as the program moves from voluntary to mandatory.

Third, we believe Secretary Veneman should immediately implement the mandatory country of origin labeling law. The Secretary has the congressional authority and discretion to implement this program in a common sense manner that bears minimum burden and cost on producers, processors and retailers. After the labeling program has been implemented and at a point an animal identification program is up and running, we believe it is necessary to coordinate the two programs, so that U.S. livestock producers will not find themselves paying the bill.

Lastly, education is definitely needed out among our producers.

And again I will like to thank you Mr. Chairman for this opportunity.

[The prepared statement of Mr. Kremer appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, sir. Mr. Kenny Fox, from South Dakota.

STATEMENT OF KENNY FOX, REGION III VICE PRESIDENT, SOUTH DAKOTA STOCKGROWERS, BELVIDERE, SD, ON BEHALF OF R-CALF, UNITED STOCKGROWERS OF AMERICA

Mr. FOX. Good afternoon Chairman Hayes. I am Kenny Fox, a cattle rancher from Belvidere, South Dakota, and I appreciate the opportunity to provide comments on the development of a U.S. Animal Identification Plan. I am here today representing R-CALF USA which is a non-profit trade organization that represents 11,000 members. I am also here representing the South Dakota Stockgrowers Association for which I am a regional vice president. The South Dakota Stockgrowers has about 1,500 cattle producing members. Both organizations are made up of producers like me who make our living in the cattle business. Ranching is not a hobby or a tax writeoff for me and my family, it is our livelihood.

R-CALF USA's objectives in establishing a National Animal identification program are as follows:

1. Clarify the intended purposes and need of a National Animal Identification Program and implement effective measures to prevent the misuse and abuse of proprietary information.
2. Evaluate both the cost and the benefits of a National Animal identification plan, by doing a cost/benefit analysis.
3. Evaluate the effectiveness of current State and regional animal identification methods.
4. Ensure that the U.S. cattle industry does not foot the bill for the cost of the animal identification plan.
5. Ensure that the current rush for animal identification program does not distract the U.S. from its important responsibility of pro-

tecting U.S. cattle herds from the introduction of foreign animal diseases that may enter the U.S. through inadequate border controls.

6. Maintain the highest standards of health and safety for our cattle industry by continuing to avoid and prevent the introduction of spread of animal diseases.

7. Maintain current regulations that prohibit the importation of cattle or beef from any country where BSE and FMD are known to exist.

I would like to note that before animal identification can proceed, a primary measure of identification is needed. The following measures provide our industry and our consumers with the first line of defense against both the introduction of foreign animal diseases and the potential spread of a foreign animal disease.

1. Mark all imported cattle with a permanent mark of origin.

2. Identify all imported cattle already in the United States with a permanent mark of origin.

3. Implement country of origin labeling so that in the event of a disease outbreak in a foreign herd, all foreign cattle and foreign meat can be immediately identified and quarantined.

R-CALF USA recently commissioned a scientific study known as the Value of Information study that shows that the value to the U.S. cattle industry of tracking foreign cattle that enter the U.S. is \$80 million per year. And the study shows that if a BSE case is detected in a foreign animal that has been tracked in the U.S., the value to our industry is over \$500 million.

In general there are three major components for which animal identification cost will be assigned—cost of premise identification, cost of access in transfer, and cost of building the all encompassing framework. Many cattle producers in many States through brand inspection, health certificates, sales receipts, and truckers log books can trace the movement of cattle very quickly.

In May 2003, when Canada discovered a case of BSE our brand office received a call from the Montana Department of Livestock asking for help in tracing several Canadian bulls that had traveled from Canada, through Montana, and into South Dakota, and were known to be siblings of a BSE infected cow from Canada. Through the use of our brand inspection records, our chief brand inspector was able to trace the movement of those bulls within the State of South Dakota in 3 hours.

A hot brand is the only true permanent mark of identification. A brand cannot be removed until an animal's hide is removed. Electronic tags and micro chips can either be removed or they can shift under the skin until they are no longer readable by a scanner. Electronic tags are impractical in ranching situation. Ranchers like me who operate on open range have found that ear tags are very difficult to keep in place. In addition, we do not have our cattle in a confined area where they can be easily accessed for tagging or scanning.

R-CALF USA jointly applied for a grant from USDA for the purpose of evaluating the use, integration and compatibility of existing systems, such as our branding system, into a national animal identification system. Unfortunately, the USDA did not approve funding for our joint pilot program. Obviously, if such existing premise

identifiers and cattle tracking methods could be integrated in a national animal identification system the cost to producer would remain relatively low. The most expensive and most complicated component of a National Animal Identification Program are the costs associated with building, connecting and maintaining a network infrastructure system that allows all existing and new networks to communicate with each other from all regions of the U.S.

Furthermore, maintaining the proper confidentiality of the animal identification information is a big concern. Cargill's recent announcement in Canada that it would refuse to knowingly purchase cattle owned by members of R-CALF USA has turned this speculation into a genuine threat with huge economic implications. Cargill has demonstrated that it is willing to use information related to cattle ownership for purposes of discrimination. Now, the possibility that Cargill and other packers may use information transmitted via a national animal identification to the detriment of producers is a stark reality. Congress must proceed cautiously and prudently to protect proprietary information.

Congress should ensure that information collected under a National Animal Identification Program should be available only to public health officials for the purposes of tracing an outbreak. Further, Congress should ensure that cattle producers should not be held liable for claims other than those made by agencies authorized to access data in cases of animal health emergencies through an animal identification system.

In general, the role of the State and the Federal Government in developing and administering a National Animal Identification Program will be dependent on the amount of funding these Government entities are willing to provide. The development of any program must be accomplished through a cooperative effort between Government and the U.S. live cattle industry, who would be most affected by such a program.

In closing, for me and the thousands of independent cattle producers that I represent here today, ranching is the livelihood that is very important and valuable to everyone in America. In regard to the national animal identification plan, it is our goal to work with Congress. However, we hope that Congress will not rush into an animal identification program that does not properly address the legitimate concerns raised by cattle producers.

We have stated our objections and welcome the opportunity to clarify any of the given points. Chairman Hayes, thank you for allowing me to present testimony on behalf of R-CALF.

[The prepared statement of Mr. Fox appears at the conclusion of the hearing.]

Mr. HAYES. Thank you. Mr. Marcus Harward.

STATEMENT OF MARCUS HARWARD, PRESIDENT, NORTH CAROLINA CATTLEMEN'S ASSOCIATION, RICHFIELD, NC

Mr. HARWARD. Mr. Hayes and other guests, I personally want to thank you for the opportunity to discuss with you USDA's proposed animal identification system. My name is Marcus Harward and I currently own and manage about 500 brood cows in the Piedmont of North Carolina. I also own and operate two sale barns in North Carolina and currently serve as president of the North Carolina

Cattlemen's Association. I was also recently elected vice-chair of the Southeast Livestock Network.

Five minutes is not a long time to really get into the many issues concerning a national identification system, so I will tell you the basic positions that my fellow producers, market operators, and myself are concerned about.

I understand the ramifications of the United States cattle industry not currently having a traceable animal identification system while we are presently trying to open up many markets across the world. I also understand that many market programs within the U.S. depend on a verifiable tracing program many think would help maintain consumer demand in this country. The need for a traceable identification system in this country is undeniable, and I support the philosophy that says some type of system is needed. However, the type of system put in place is a key issue and will determine how many producers in North Carolina continue to raise cattle in the upcoming years.

It is essential that the National Animal Identification System not be so burdensome to small producers that their cost of scale will not allow them to continue to produce cattle. When you consider the cost of scale, keep in mind that the vast majority of cattle produced in North Carolina come from small herds, smaller than 50 and a majority would come from herds smaller than 25. These small producers should not have to tag animals on their farms and should really only have to tag the animals that enter into the commerce, interstate commerce.

Markets and order buyers will need assistance from the Federal Government to finance the needed infrastructure to record data and make it available for recipients of shipped cattle. This should not be an annual line item paid by the taxpayers, but should be considered a start-up-program that can be continued to be funded by the producers themselves. The question that needs to be answered is whether or not the consumer public has a need to be able to know where its food is produced. Every day we read about terrorist threats and global animal diseases, so it would hard to conclude that consumers do not have a vested interest in tracking animals; therefore, consumers should have some role in funding the needed infrastructure.

Having made the case of Federal funding of this system, I do not believe the sole purpose of such an expensive system should have its only goal to be able to identify animals in the face of an epidemic disease outbreak. I believe that pertinent data can and should be extracted from the system to make animal agriculture more efficient for small producers.

If a cow/calf producer is going to take the initiative to start this whole process of tracking animals from farm to fork, he should have the opportunity to retrieve data to offset the costs of getting the system started. This means that the goal of the NAIS should not only be to track diseases, but also include making our overall production system better for both producers and consumers. Whatever the system used to track animals winds up being, it should be able to be integrated in a producer's recordkeeping system. This will aid the tracking ability of the overall system.

Now, the whole question of sharing and protecting data creates many more questions that need to be answered. Producers will need to trust both State and Federal authorities to protect sensitive information. I suggest that no Government agency be allowed to access all the information. Cattle producers would prefer that private entities, managed by producers such as Southeast Livestock Network be the sole keepers of all the pieces of the puzzle. Government agencies would have access to the information they need to manage threats. It is not merely the fact that producers do not entirely trust Government with the data, but producers do not want to deal with the size of bureaucracy that would have to be established to manage it.

In conclusion, the true test of the National Animal Identification System will be defined by the future hurdles that will attack our system. However, in the near future if we see this tracking system only means something to Federal regulators, we have both failed the small producers and our citizens miserably.

Again, I want to thank you for the opportunity to come here today.

[The prepared statement of Mr. Harward appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, Mr. Harward, you are the only one that finished ahead of time. Kenny, he has a hat just like yours but he left it home to get the oil changed today. [Laughter.]

Mr. Carpenter.

STATEMENT OF RANN CARPENTER, CHIEF EXECUTIVE OFFICER, NORTH CAROLINA PORK COUNCIL, RALEIGH, NC

Mr. CARPENTER. Thank you Mr. Chairman, it is awfully good to see you, particularly here in your district, sir.

My name is Rann Carpenter and I am the chief executive officer of the North Carolina Pork Council. The council represents over 46,000 North Carolinians involved full-time in the pork production business.

Producers believe that a successful animal identification program will contain several key components:

First, it will cover all livestock but contain programs that are species specific.

Second, it will be capable of accurately tracking back to a premises within 48 hours.

Third, it will protect the security of the farm and the Nation's food supply through confidentiality of certain information.

And fourth, it will be appropriately and fully funded.

For a national identification program to be effective, it must take into account the difference in the production, transportation and processing of each livestock species. What works as a means for identifying one species of animal does not necessarily work for another.

During her testimony before the U.S. Senate Committee on Agriculture, Nutrition and Forestry in March of this year, Ms. Joy Philippi, representing the National Pork Producers Council gave an important illustration on why it is so vital that a national identification program be species specific. Ms. Philippi noted that the cattle industry utilizes electronic identification ear tags as their

means of identification, which appears to be a wise and prudent choice. However, based on the economics alone this would not be a wise choice for the swine industry. A sow can have 22 to 24 offspring each year. The cost of each ear tag is \$2. Therefore, a pork producer would pay \$44-\$48 per year for a breeding female. A cow on the other hand, has one calf per year at an annual cost of \$2 to identify the offspring. One size does not fit all and our National Animal Identification Program should recognize that fact.

An animal identification system is part of guarding the Nation's food and agricultural infrastructure. In the case of an animal disease outbreak or intentional or unintentional introduction of a pathogen or toxin, a National Animal Identification Program must be capable of identifying all premises that had direct contact with a diseased animal within 48 hours after discovery. Timely and accurate identification will ensure better defense for the Nation's food supply by allowing for a timely and appropriate response to an animal health issue. Identification of all impacted animals within 48 hours will also provide the public with a greater surety that the food supply is being well protected.

Most Americans understand that to protect the food in this country, we must protect the farms where that food is being raised. The council believes that ensuring the security of a farm is an important component of the program. In that regard the national program must take into account the potential for harm should certain information be made unduly public. Real time data regarding animal movement, the number of animals and the time and date that animals are at a specific site could provide strategic information for those whose mission is to disrupt and threaten our national food production infrastructure. North Carolina pork producers have a successful collaborative history with our State veterinarian's office that has protected animal health and at the same time provided necessary confidentiality to ensure farm security. Mr. Chairman, I think that you can see that by the comments of Dr. Marshall Day. A National Animal Identification Program must do the same.

Finally, full and appropriate funding at the Federal level must be made available to the States for implementing a national program. USDA has requested \$33 million from Congress for fiscal year 2005 for the implementation of a program. However, recent estimates put the cost of full implementation perhaps as high \$121 million a year. And this gives us concern in North Carolina, and certainly in other States that we will not have the necessary resources to fully implement the national program.

Implementation of the program at the State level is important because it will provide opportunities for Federal funding to maximize its efficiency and effectiveness by downloading responsibilities to those agencies closest to producers and we think that is the right way to go, leverage local expertise. Each State must have the dollars needed to implement the animal identification program, keeping in mind the State's particular resources needs available in each State. Without the financial support of Congress, livestock producers could be forced out of business through well meaning yet economically impractical regulations.

The council believes that the USDA and Congress can meet the responsibilities to the food consuming and food producing public by

developing and implementing an economically feasible program that is premises-based. In addition, protection of specific farm information is crucial, and the council will continue to work with you, sir, and other authorities to try to carry out this program.

Thank you.

[The prepared statement of Mr. Carpenter appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, sir. Dr. Gonder.

STATEMENT OF ERIC GONDER, VETERINARIAN, GOLDSBORO MILLING COMPANY, GOLDSBORO, NC, ON BEHALF OF THE NATIONAL TURKEY FEDERATION AND THE NORTH CAROLINA POULTRY FEDERATION

Dr. GONDER. Good afternoon Mr. Chairman. I am Eric Gonder, with the National Turkey Federation. I appreciate the opportunity to testify. I am a practicing poultry veterinarian with 30 years experience. I am currently the senior staff veterinarian at Goldsboro Milling Company, in Goldsboro, North Carolina.

The poultry industry is a vital part of North Carolina's economy. Growers produced 45.9 million turkeys annually, for the last 15 years. North Carolina is consistently ranked as one of the Nation's two largest turkey producing States. North Carolina is No. 4 in chicken production, 700 million chickens annually. The National Turkey Federation represents all segments of the turkey industry, including processors, growers, breeders, hatchery owners and allied companies. It is the only national trade association representing the turkey industry exclusively.

Goldsboro Milling is the sixth largest privately held company in North Carolina, and we produce 9 million turkeys and 1.6 million hogs annually, and manage 1,200 brood cows. We provide hatching eggs and day old poult throughout the eastern United States, we are one of the primary owners of Carolina Turkeys, the Nation's fourth largest turkey processor, with 580 million pounds live weight produced in the last year.

USDA has been working for more than 2 years to develop a National Animal Identification Program. The turkey industry has been an active participant in that process. One reason is because export markets now consume about 8 percent of all turkey produced in the United States, substantial change from previous decades. Carolina Turkeys exports more than 20 percent of its production. Those markets are extremely sensitive to animal disease outbreaks. At one point in 2004, we saw 60 countries impose partial or total bans on the importation of U.S. poultry products costing more than \$20 million per week nationally, primarily, because of isolated avian influenza outbreaks.

The emerging threat of bioterrorism also must be factored into the planning for an animal identification system. We have to have the capability to respond quickly and contain an outbreak should an attack occur. Obviously, there was the discovery of a single case of BSE in a cow in Washington State that accelerated calls for a national identification program. Under Secretary Hawks and other USDA officials have briefed Congress, industry, and others regularly about the steps the department is taking to implement such a system. The NTF fully supports those efforts.

We must make an important distinction here between supporting the process and endorsing the specifics of the program. USDA's poultry industry task force on animal identification has not completed its work, we cannot endorse a specific animal identification program for poultry at this time. NTF believes that any animal identification program should be voluntary and should incorporate existing industry and State programs. Since turkeys and other commercial poultry are raised and transported as flocks, identification should be done by flock, rather than on an individual basis.

The program should also be extended to the live bird markets that operate in and around major urban areas. These markets serve an important purpose in our multi-cultural society, but some have been dangerous reservoirs of disease, particularly avian influenza. Our organization will continue working with USDA to determine whether the unique nature of the live bird markets would require birds in the markets to be identified individually.

We wholeheartedly agree with Under Secretary Hawks that the program should include the flexibility to use current identification systems. Goldsboro Milling and other turkey and poultry companies already have the ability to trace products back from the slaughter facility to the flock of origin within 48 hours, which is the stated goal of USDA's program. In fact, I believe our company could trace products back to the farm of origin in less than 6 hours. We welcome the opportunity to demonstrate the capability. Movement of flocks are tightly controlled and all records are kept in a centralized point for easy retrieval and reference. I have a number of them with me today.

It only makes sense that USDA should build on this existing business-based capability rather than try to layer an entirely new identification program on top of one that is already working. USDA then can use its resources to engage more fully those industry segments without existing animal identification and trace back capabilities. I also should add that North Carolina has a very good State program, demonstrated its efficiency several times. We feel USDA should incorporate such a program into its identification plans.

NTF agrees with USDA that any animal identification program should be voluntary at this time. We think that trade considerations alone will ensure strong participation. Making the program mandatory creates a new range of issues that actually would serve to slow implementation. For example, it will entail significant new costs for some industries, the question of who will pay those cost already is a sensitive one. If the program were mandatory, the question is likely to become even more volatile.

Another major issue to all poultry and livestock producers is confidentiality of the data. If the data cannot be kept confidential, my company and I suspect most NTF members would have serious reservations about participating. Among other things we would be very concerned about the information being available through FOIA requests to domestic or foreign terrorist organizations.

NTF believes that any animal identification program should be focused tightly on disease control, should not be utilized to further other policy goals. USDA and Congress could resist such temptation. The introduction of a major animal disease intentionally or by

accident is an immediate public health and economic threat to our Nation, and that is a threat that an animal identification program is best equipped to combat.

During the 108th Congress, there have been at least eight major bills introduced that would mandate some type of animal identification. Most reflect considerable thought on the part of their authors and have a desire to make our Nation's food supply safer. NTF cannot endorse any of those bills at this time. We firmly believe that USDA should be given the opportunity to implement its system before Congress contemplates any additional action. We believe USDA's program has a strong chance to succeed and achieve the policy goals the bills advocate.

To conclude, we would like to re-emphasize our support of USDA's animal identification program and for the process involved in implementing it. We believe that turkey companies already possess the ability to comply with USDA objectives. Accordingly, we believe the program should remain voluntary and incorporate existing industry and State program capabilities with a focus on animal health and confidentiality of data collection.

Thank you.

[The prepared statement of Dr. Gonder appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, gentlemen.

I have a number of questions that I am going to ask the panelists. If everybody wants to take a 7th inning stretch before get into that, we will take about a one minute break here.

[Recess.]

Mr. HAYES. So far we have only got one planned question or comment from the audience. So, let's stimulate any other thoughts while we are there.

Chester is in tight with the press here, we are going to have to keep an eye on you, Chester.

All right, for the entire panel, what producer outreach are your organizations doing or will you do to educate your producers about what is expected of them regarding animal identification? Marcus, you go first, since you were the shortest—Rann's got on the fanciest suit, let's let him talk first.

Mr. CARPENTER. I am not sure that is a qualification, Mr. Chairman, but thank you.

We are constantly engaged with our producer community with regard to this program. Our public policy committee has been studying this issue for some time. As you realize, a substantial number of our producers in North Carolina are contract growers, they work with their integrators as the programs are being developed. So, this is an issue that I think is very much on the minds of our producers through various publications, through contacts, through producer meetings which we will actually be having some next week. We try to communicate the pertinent issues that are affecting us at both local, State, and Federal levels. And clearly this is a very important part of that process.

Mr. HAYES. I enjoyed being in Greeneville with you, I should have been there a little earlier in the day, I could have gotten their attention better.

Mr. CARPENTER. Well, I was telling your staff director that you did an outstanding job under very difficult circumstances.

Mr. HAYES. Made it short. Thank you. Marcus, you got a—

Mr. HARWARD. Yes, we use the Extension Service extensively about getting the information out to our farmer producers. They have a roll call or a mailing address or whatever of every producer in each county. So, we use them extensively even in trying to get the information out. Also, we have—there is about 12 large barns in North Carolina, we have a very workable relationship with each barn owner. And we get out information to them, to get to their producers that Extension might not have with. Also, just this year we have started using our county directors for more use than what they have in the past, and this will be definitely one of their big issues is to take this identification system and run with it. In each county there will be a director or several directors from each county and this will be one of their main goals and objectives, is this identification system. We will let them utilize it and use their expertise in their county.

Mr. HAYES. Anybody else have a comment? Russ.

Mr. KREMER. Yes, we have a grassroots network of organizations on the county and the local level. We have meetings for empowerment and education. Been very actively involved with the Department of Agriculture and university extension. We have been involved in a pilot program on animal identification with the Missouri Department of Agriculture for about 4 years now.

I am also a director of two livestock cooperatives where we understand the value of animal identification as far as consumers' point of view. So, we will continue this education, and, yes, we have these great concerns. And so, education is vitally important.

Mr. HAYES. FFA, 4-H, and some of these younger organizations who are more technology oriented than those of us who are not so young any more, certainly ought to include them. Chester, do you have a comment?

Mr. LOWDER. Yes, Mr. Chairman, through Farm Bureau, we will be engaging with our leadership in the 100 counties, frank discussions on the implementation of this program, their concerns, asking for their input as to how we move forward. For the larger operations, I think it would be easier for them, sure it is going to be costly for them, but yet it will be easier for them in implementation. What I see as one of the big challenges is going to be that 30-cow beef cattle farmer out there that is 65 to 75 years old, and here he is faced with a new challenge in his operation that maybe he has not encountered before, because basically he was on automatic pilot. Now, he is going to have to incorporate another step or be prepared to pay for that service when he gets to the livestock market.

It cannot be so onerous that we deprive that small farmer, that small landowner, the ability to make some extra income to help pay those county taxes, State taxes, Federal taxes, that he has to pay by having something recreational, profitable and ongoing for his land, a useful productive land site.

Mr. HAYES. And that was a big concern David had when we talked last week in Norwood. Some folks, it would just put them out of business. Anybody else want to make a comment on that?

Dr. GONDER. Sir, if I may.

Mr. HAYES. Sure.

Dr. GONDER. The National Turkey Federation has discussed this both at its winter meeting last year with the live production meeting, a committee meeting, general membership. Same thing with the summer meeting, we provided regular updates on the quarterly conference calls for the live production committee, and the veterinary committee. Our major focus has been trying to accentuate the difference between poultry management and red meat management. We have hosted Dr. Weimers with USDA in North Carolina to give him some idea of how our industry was structured. I am sure we would be happy to extend that invitation to anyone else that wanted to take advantage of it. Again our major focus has been on trying to bring forward our current capabilities in this area.

Mr. HAYES. Before we move on to the next question, let me call attention to Pam Miller and on Pam's left is a very fine young lady representing Texas and other parts of the world, Lisa Kelley who works for Charlie Stenholm, the ranking member of the full committee. Pam is staff director for the Livestock Subcommittee. Charlie's ranking member of the full committee. These ladies and others are available to you all for additional questions that may come up and they are a very integral part of doing what you are asking us to do. Chester used the word onerous, that is synonymous with government. That is why we are so insistent on the industry, the producers where logic and common sense are synonymous rather than onerous. Hang in there with us.

All right, next question, and this is for the entire panel as well. Several of you mentioned that the public or consumers should help bear the cost of paying for the animal identification program. How do you recommend they pay, through the higher food price approach or some other means? Which end do you want to get them. You want to get them at the store or at the tax man? Just so that we are clear. All the above, Washington still does not have any money so the consumer is going to pay one way or the other.

[No response.]

Mr. HAYES. All right, next question, did not like that one. You think the Federal Government or private companies should hold the data? Anyone want the Federal Government to hold the data?

[No response.]

Mr. HAYES. OK, we got a unanimous on that one.

You believe that USDA is giving ample guidance and opportunity for producers to discuss animal identification, and what is expected of them?

Mr. CARPENTER. Mr. Chairman, based upon the experience that I have had with Under Secretary Hawks and others, I believe that USDA is making a very strong effort to try to put a program in place meeting their obligations and at the same time trying to fully realize the distinctions and differences in the animal industry throughout the Nation, and dealing everywhere from the operations that Chester just mentioned to some of the operations in our State. And I have a positive feeling about the effort that USDA is trying to make. We obviously will have to see the results, we will

have to go through the rulemaking process. But, I have to compliment them thus far on their efforts.

Mr. HAYES. OK, in those areas that you feel like they may be falling short or potentially that could be a problem, please let us or them know. There are a number of ways to access Pam, my office Tommy Sevier works in your personal office in Washington for me. He is in the back with the blue shirt on. So, all of us are anxious again to hear of your concerns. We have had a few answered directly, but as the process moves forward, we would like to make sure that we do that.

Do you believe USDA is giving ample guidance and opportunity—let's see, we got that one, sorry about that.

David Collier, American Farm Bureau. American Farm Bureau believes the funding levels need to be \$73 million versus \$33 million requested by the department. Do you know what this \$73 million would do and why Farm Bureau supports this amount?

Mr. COLLIER. No.

Mr. HAYES. OK. Peter, do you want to add on that one? Go ahead we are home folks here. David may be like me, he cannot hear, go ahead and take the mic.

Miss LUDLUM. Mr. Chairman, the \$73 million number comes from the USDA's budget or the budget estimate the USDA put forward, calling for an estimate of \$500 million for the first 5 years. Our numbers come from USDA's budget estimate that it would take about \$550 million.

Mr. HAYES. And backing out of that number?

Miss LUDLUM. And backing out of that number, we believe that the Federal share should around two-thirds the cost for the system. And that would include—we believe that would incorporate most of the cost of the infrastructure development, hardware, and software, and developing the premises identification system in the States, cooperative agreements.

Mr. HAYES. Now, of course that first number is based on a lot of unknowns. And what we want to do as we take the process forward is to make sure that the marketplace drives competition which will hold the cost down. As long as we have competing methods, technologies, procedures, the marketplace will do a good job, but at that point if the Government were to say OK, we are going to use this method, boom, captive audience, no competition and the price at that point really gets out of reach, so that is my concern.

We have talked about legislation to define standard of care required of a producer of livestock as ordinary care. What would be included in a concept that is not covered under current law? Would this be codifying the current industry best practices recommendation? Anybody want to touch on that one. Dr. Gonder.

Dr. GONDER. I am sorry, I did not fully understand the question.

Mr. HAYES. OK, in the Farm Bureau testimony, they mentioned that defining the standard of care required of a producer of livestock is ordinary care. Do you think we have sufficient definitions of standard care, or should there be additional definition improvements in any subsequent legislation?

Dr. GONDER. As the standard of care is applied to animal identification within the poultry industry and probably most animals produced under contract, we would be required usually under the

provisions of the Packers and Stockyards Act to maintain identification of those animals to processing and to premises. I believe it will be incorporated both within the best management practices of the National Turkey Federation and most of our existing contract structure.

Mr. HAYES. OK, any other livestock folks want to comment on that.

OK, Russ Kremer, in testimony, you say that groups or lots of animals should not be permitted to be identified collectively. Most producers that I talk to, especially hog and poultry, want to identify their animals in groups or lots. Does NFU have a different position because it is more focused on beef cattle or another reason?

Mr. KREMER. We just feel—of course we have adamantly supportive of country of origin labeling for instance, and want to trace those animals that come into this country and feel that there is some confusion or some problems when you bring these animals together in different lots that get commingled, say for instance, that there needs to be some sort of a practical attempt to identify each animal individually if it is going to be a true system with a lot of integrity to it.

Mr. HAYES. OK, anybody else want to comment on that? We do have somewhat differing opinions on some of those issues, that being one of them.

Kenny Fox, in your testimony, you state that a hot brand is the only truly permanent mark of identification. While South Dakota is a brand law State, there are many States that have no brand law. Have you estimated the disruption in the market if 100 percent of cattle would have to be branded?

Mr. FOX. No, we have not, sir. But I do not think it would be any more difficult—I think it would be less expensive to brand them than it would be to buy these tags and all this computer equipment. This could cost us upward to \$200 a cow when it is all said and done when you have got the direct and indirect cost related to the program.

Mr. HAYES. What does branding do to you, Marcus?

Mr. HARWARD. Well, branding is going to take about 30 to 40 percent of my business away, because these farmers are 65–75–80 years old. That will give them an excuse to get out. I mean they have just got lawnmowers in the back yard right now. And it does produce some income and it will—a lot of them have never branded and they are not going to brand, and they are not going to ear tag, I am going to tell you that up front. We are going to do it for them at the marketplace. I do not—Mr. Fox is in South Dakota, he has large herds, we have small herds. It is a different identity there than it is here. And I hope we can come up with systems that would commingle together that Mr. Fox's cattle can work with my cattle, but achieve the same goals. But one system will not fit all, and I will have to supply the knowledge, the technology, and the work, the labor and everything for my farmers to stay in business in North Carolina.

Mr. HAYES. Now, it is my opinion that we can certainly, if branding is the way to go in South Dakota, then we have to be able to come up with a system that allows for that and then by the same

token, the small individual animal owner, we have to have something to work for them.

Mr. FOX. Chairman Hayes.

Mr. HAYES. Yes, sir.

Mr. FOX. I would be respectful of using both programs, I just thought if you meant one or the other.

Mr. HAYES. Absolutely, the point is disruption, if you did Marcus's way or vice versa, your answer was very good. National Hide Council estimates that branding reduces the value of the hide, which means less money for producers. Is that an issue, and is that counted toward the goals of maintaining more value?

Mr. FOX. Well, in my instance, I feel that live cow is worth more to me if I can prove she is mine, than the hide. I think some estimates we get would get \$5 extra for the hide if it was unbranded. Well, the cow is worth around \$1,000 right now, I would sacrifice that \$5 to keep that cow.

Mr. HAYES. Well, you pointed out another important aspect of animal identification. That to me is a way to enhance the value of your animal in the marketplace, and produce more revenue for the farm. That is one of the main driving forces.

All right, Marcus, I have got your name on another one. You state that the animals should not have to be identified until they enter into interstate commerce. You are a market operator, so would this not place more of a burden on market operators like yourself and how would your sale barn adjust to tagging or identifying animals that come through your barn not previously identified?

Mr. HARWARD. I can answer that. In North Carolina, I would venture to say that all market operators, about 95 percent of our cattle are sold in singles. Just like you saw Wednesday when you and—

Mr. HAYES. One at a time.

Mr. HARWARD. One at a time. And I know the boys out west will not understand it, but that is how it is done in North Carolina. Well, what we have proposed and we are going to be I guess a force in front, we want to go ahead and do some of it now to see how the tracking system will start. We have a system that we can put the head gate right before they go on the scales. We are already running them singles, it is not going to disrupt anything to put the reader above them and put whatever identification system that we elect or whatever we achieve at the barn that we can use. It should not, we can run three cows a minute and it should not disrupt that one bit. We will have to do it going on the scale system. The farmers, by doing it on the farm, I venture to say that half my farmers do not own a head gate.

So, it is going to be—they are not going to do it. So, we are going to have to do it for them, I feel like. We feel like we can do it at the barns or if the buying stations have the premises to do, the facilities to do it. The only problem we see is that if these farmers sell to their neighbor there is going to have to be some kind of structure put up for the first point of exchange there.

Mr. HAYES. Rann Carpenter, does North Carolina Pork Council support voluntary or mandatory?

Mr. CARPENTER. We support a voluntary system.

Mr. HAYES. OK.

Mr. CARPENTER. And as a matter of fact at this point in time, a very large percent of the animals raised in North Carolina are currently operating under a voluntary system.

Mr. HAYES. For Chester, Marcus, Rann, and Eric, can you explain the relationship your organization has experienced in working with North Carolina State animal health programs and how that data has been kept confidential. David, we can include you in that group, if you would like. How are you all here in North Carolina keeping that data confidential based on what you are doing now?

Mr. HARWARD. Well, I know at our barns we already have a scraping sheep program that we are having to tag each sheep as it comes through, 18 months or older, and that information is going to the veterinarian's office and they are holding that information. So, we are already doing the system now with the sheep and all we are doing is going to elaborate it for the beef it looks like coming up. But we are already doing the system like this now with the sheep.

Mr. HAYES. Chester.

Mr. LOWDER. Yes, sir. We at Farm Bureau have been involved with the Department in a number of planning and table top exercises dealing with either a disease outbreak or terrorism event. And we have seen that they have the information there, we know that they keep it confidential. So, we do not have a problem with the Department of Agriculture at this point in time having that information and holding it for planning and working with our producers in developing plans for any type of event that might occur. And I think that this is something that is very important now and will be in the future as we address how we are going to respond if we do have an outbreak of a disease or we have a terrorism event.

Dr. GONDER. Mr. Chairman.

Mr. HAYES. Yes, sir, Dr. Gonder.

Dr. GONDER. We have used that information quite a number of times in the poultry industry for laryngotracheitis breaks and avian influenza breaks. We use a very similar system for turkey corona viral enteritis breaks, and we have been through a couple of exercises with them as well. We updated the database several times as necessary as farms change hands and new ones are constructed. We are satisfied that the information is available in a form that both they and we can use it.

Mr. HAYES. David, you have a comment on that one, or you OK?

Mr. MARSHALL. They stated it quite well. We use this information quite frequently in dealing with disease outbreaks. I would estimate that we get approximately anywhere from five to eight requests for information lists of farms, this is monthly from a variety of sources. We have been able to protect that information, we deny it and it is all under the authority of our confidentiality law, and I will be more than happy to leave you a copy of that if you would like.

Mr. HAYES. OK, great. I have several questions that I was going to ask Bill Hawks but I got so busy having you all ask him questions that—the questions basically dealt with the issue of animals in groups or lots and how soon will on-the-ground target education

outreach begin from USDA. I will get some—I will get these questions answered and get them to you. I think you covered them in some form or fashion, but I did overlook that.

Any other comments or questions from the panel before we go to questions from the audience.

[No response.]

Mr. HAYES. I will come back to you, I will give you plenty of warning before we gavel the meeting. Livestock Marketing Association, John Kazee? Did I say that correctly? From Woodstock, Georgia.

Mr. KAZEE. Thank you, sir. I am John Kazee, representing Livestock Marketing Association but I also represent the North Carolina Livestock Markets as their executive secretary. I also cover basically the east coast in dealing with livestock markets, order buyers, and dealers. We do have some talking points I would like to cover where livestock market stand on the issue of animal identification. LMA market operators and staff have been a part of the U.S. animal identification development team that has been developing the standards for the national identification system. There is a going recognition within our industry that we may need a better identification and trace back system than we have to date in the event of an animal disease outbreak or an act of terrorism. This does not mean, however, there is not a great concern about the cost, and who is going to pay for the equipment and the infrastructure to make it work and security of the information generated by the system.

In one single mid-size market in Michigan where the electronic identification system was put in to identify all livestock moving through the market, nearly \$60,000 was spent putting in the scanning equipment, refitting alley ways and upgrading the computer software, and this was just for the initial installment. It does not account for the additional personnel, the workmen's comp, the upkeep, et cetera, that would be needed as well to maintain that system.

The greatest challenge that the auction markets face in identifying every animal that moves through the market is doing it at the speed of commerce. If it is a national identification system in any way that slows down our normal speed of operation, we are guaranteed to have a much higher cost of operating and producers who will seek other ways of marketing their livestock. And therefore, it will impact the livestock industry far beyond the marketing sector.

Right now, given the likelihood that many animals will come to market untagged due to most small producers not having the equipment to do it themselves, and the limited availability of technology to scan animals quickly through the market, we anticipate that implementing a National Animal Identification Program that allows timely marketing of animals would be extremely difficult. We realize that many of the members of this committee are interested in moving ahead with the mandatory National Animal Identification Program immediately. However, if we do so without knowing the cost of building the system's infrastructure and who would bear those costs, we do so without first making sure the right technology and the equipment are available to the livestock markets, packers, veterinarians, animal health officials, and producers to

achieve that goal of identifying animals at the speed of commerce, we can expect that the identification system will fail and ultimately cost of that failure to be greater than any foreign animal disease outbreak that we may plan to contain.

That is why our LMA board of directors and membership recently agreed to a resolution that until such time that the NAIS pilot implementation projects are well established, evaluated, and an economic impact study completed that the NAIS should remain voluntary and that the LMA member markets and their consigners and buyers should take a cautious approach to adopting animal identification technology and information systems that are not fully evaluated and proven through sound empirical studies.

Lastly, LMA would welcome the opportunity to take a delegation from this committee to any of our fine marketing facilities to give you the upfront and personal look at the challenges that the markets do face with implementing this type of program.

Mr. HAYES. Thank you, sir. Be sure to check in with Pam so that she can track you. We have got one more gentleman; Bill Kluk. Come on over, Bill. Never been to Mudview, South Dakota, but I am looking forward to coming.

Mr. KLUK. Mr. Chairman, thank you for giving me the opportunity to ask a question or two here.

There is a couple of things that has not been brought up here that is kind of a big item in our area. And that is the transmission of wildlife diseases to our cattle and livestock. And recently in the last year or so, Wyoming had a brucellosis outbreak and it was caused by their elk, and I guess the question I have kind of got on that with the panel and anybody that is interested is how do we address the wildlife transmission of diseases with an animal identification program? It is a very costly deal when you start having to blood test entire herds of cattle to prove that they do not have brucellosis before you transport them across State lines and I think that it is a concern that should be addressed through the animal identification system.

There is one other comment that I would like to make. The word "voluntary" bothers me just a little bit. I do not know of too many people that do not volunteer to pay their taxes, and that is a voluntary program, that is why I am a little hesitant on voluntary in just what does it mean in this program. Can anybody address that?

Mr. HAYES. OK, I think voluntary and you all are certainly welcome to contradict me if I am off—voluntary means, let us make sure that the Government does not set up the one size fits all, going to do it this way system. We put the system, the producers in place that works and it is cost effective and makes us more and not less competitive with our foreign competitors, then that is the point in which we should say OK, this is worth doing, let's make it mandatory. That is my understanding.

Now on the brucellosis and chronic wasting and things like that, could Dr. Gonder or David, could you comment on that? We have not talked about that, that much.

Mr. MARSHALL. I will defer to Dr. Gonder.

Mr. HAYES. Another hat I wear—while David is coming up, I am one of the co-chairman of the Congressional Sportsman Caucus. So, I am seeing more on that side than I do actually on the livestock

side, but I try to blend those two together. I know exactly what you are talking about, we do not have that many elk, although we have got more than you would think in the eastern part of the country. Is that something that is pretty well confined to Montana, Wyoming, Idaho, North and South Dakota, or are you seeing that some other places as well?

Mr. KLUK. I am not aware of all the moving.

Mr. HAYES. Pardon.

[Inaudible comment.]

Mr. HAYES. Yes, we have them in North Carolina, a lot of them I believe were here originally. David, do you want to take a swipe at that?

Mr. MARSHALL. I understand the issue, I am not sure that I can make it too neat with regard to the wildlife disease threat in the U.S. animal identification program. Obviously, there is a very large captive exotic wildlife industry in this Nation. Farmed elk, farmed deer, exotic deer, those animals obviously need to be included in the U.S. animal identification program. I can only think that an animal identification program where these cattle are identified could only help in the investigation of potential diseases that are spread from wildlife to our domestic population. But, I really have not thought about it in that regard.

Mr. HAYES. Brucellosis is an issue with bison as well. So, I think it is a good point, we will plug that in. I think animal identification, if it were effective, would be some layer of insulation for you if you were properly identified.

Mr. FOX. Mr. Chairman.

Mr. HAYES. Yes, sir, Kenny.

Mr. FOX. On that same note, I have a concern with all the free ranging wildlife. If the Government says I have to identify my livestock, then they better identify the free ranging wildlife. That is where brucellosis is coming from I feel in the cattle industry.

Mr. HAYES. Wild horses have any disease issues? Anybody got a—Chester is shaking his head, yes. Does that produce an issue for us, too? Somebody sent me a clipping the other day that said the Government is spending a ton of money every year because of some animal activist issues with wild horse populations.

Mr. FOX. Well, there is several vaccinations that they have to keep up, and I am sure that they are vaccinating against West Niles, because that creates a human threat as well.

Mr. HAYES. Any other questions or comments from the audience. We are headed down the home stretch here. If you have got a lick and you want to get it in, we are getting close to the finish line. Any other questions, comments from the panel, or questions from the panel for the staff or the chairman. Questions for each other? I think Kenny and Marcus been caucusing over here, we are going to have to watch out for that.

As far as I am concerned I think we have covered all the bases and the reason being you all were kind enough and generous enough with your time and resources to come and be with us today. Do not lose sight of the fact that we certainly appreciate you taking the time and effort to be with us. We value the information, the ideas, and the concepts that you bring to the table. We will make sure that they are included as the process—and it has got to be

your process—moves forward. So, back on the book so that we do not miss anything. But I think from my perspective this has been a very productive part of the process and we will continue down this road.

And again, let me encourage you if you see something happening on the part of USDA that says not transparent, not producer-driven, not operator-friendly then let them or us or both know. And it is our intention very much so to keep them on track. Pam, Lisa, anybody. Kind of like that auctioneer going once, going twice.

Without objection—this is your last shot—the record of today’s field hearing will remain open for 10 days to receive additional material, and supplementary written responses from witnesses to any question posed by a member of the panel.

This hearing of the Subcommittee on Livestock and Horticulture is adjourned. Thank you, very much.

[Whereupon, at 4:10 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

**Testimony of Mr. Bill Hawks
Under Secretary for
Marketing and Regulatory Programs**

United States Department of Agriculture

**Before the United States House of Representatives
Committee on Agriculture
Subcommittee on Horticulture and Livestock**

**Fayetteville, North Carolina
August 17, 2004**

Mr. Chairman and Members of the Committee, thank you for the opportunity to participate in this field hearing on animal identification. I was in Fayetteville back in June to talk about this program during one of our listening sessions. I'm pleased to be here again today to discuss it with the Committee.

For the past several years, USDA officials have been working with representatives of industry and producer groups on the creation of a national animal identification system. This group drafted the U.S. Animal Identification Plan (USAIP), which began the intricate work of setting data standards and a framework for a nationwide system. The increasing number of animal disease outbreaks that have been reported around the globe over the past decade, and the BSE-positive cow found in Washington State last December, have greatly intensified public interest in developing a national animal identification program for the purpose of protecting animal health. Not long after the discovery of BSE, Secretary Veneman announced we would be expediting the process of implementing a voluntary animal ID system. While the process has definitely been expedited, we all realize that this is just the beginning of a long road.

In April, Secretary Veneman announced the framework for implementation of a National Animal Identification System (NAIS). Incorporating what we learned through our involvement with the USAIP, USDA is designing the NAIS so that it will be capable of tracing a sick animal or group of animals back to the herd or premises that is the most likely source of infection. The system will also be able to trace potentially exposed animals that were moved out from that herd or premises. The sooner animal health officials can identify infected and exposed animals and premises, the sooner they can contain the disease and stop its spread. Our goal is to have a system in place that will identify all animals and premises that have had direct contact with a foreign animal disease or disease of concern within 48 hours after discovery, helping to limit the scope and expense of the outbreak and allowing us to minimize impact on animal health and on domestic and foreign markets. The implementation of animal identification on a national basis will also provide a vital capability for the USDA livestock disease surveillance effort, as well as the interagency National Bio-Surveillance Integration System (NBIS) now in development. The NBIS will facilitate the integrated monitoring of human, animal, and plant health providing sufficient warning of developing biological events.

Collecting and reporting animal movement information to establish a “travel record” of each animal’s life is an enormous undertaking, requiring significant development and testing and substantial infrastructure. Because of its complexity, we plan on phasing in the NAIS to provide a timely and cost-effective program while ensuring it is functional, practical, and reliable.

Initially, the program will be implemented on a voluntary basis. By starting out with a voluntary program, it allows us to get buy-in from producers and see how the

marketplace responds. We may eventually require premises and animal identification. With this in mind, we published an advance notice of proposed rulemaking (ANPR) on July 14th that, among other things, solicits comments on when and under what circumstances the NAIS should move from being voluntary to mandatory, and which species should be covered now and over the long term.

Livestock producers and cooperators recognize that finding potentially sick or exposed animals early in a disease outbreak is essential to containing the disease quickly. Clearly the development of a system with this kind of scope and complexity, requiring a substantial investment on the part of both the public and private sectors, needs to be developed with ample opportunity for input by those affected. In addition to the comment period for the ANPR, I've been traveling the country, discussing animal ID with interested parties at USDA listening sessions. We have held 9 so far; there are 6 more on the schedule. As I mentioned earlier, I was in Fayetteville back in June. I'm due in Columbus, OH, tomorrow and am headed to Ames, IA, and Joplin, MO, next week. APHIS is posting comments from these sessions on their website so that interested parties are updated regularly.

As I've traveled the country, I've found that producers understand the importance of the system, but they wonder how a system would be funded. We're working on funding certain aspects of the program. In April, Secretary Veneman announced the transfer of \$18.8 million from USDA's Commodity Credit Corporation (CCC) to provide initial funding needed to begin premise ID. Of this, USDA is providing close to \$12 million to 29 States and Tribes through cooperative agreements to help them implement premises identification as well as to carry out field trials or research to test and fine-tune

ID technologies and collect animal movement data. A list of the State and Tribal projects is provided with my written testimony.

To determine the allocation of this funding, a review panel rated each application based on specific criteria. The panel looked for projects that could help enhance the national implementation of the NAIS. USDA was most interested in projects that included broad participation of stakeholders; inclusion of multiple species; and involvement of multiple States and/or Tribes, among other things.

The size and scope of this undertaking requires that it be a cooperative effort, and state governments and industry will need to contribute as well. Applications that reflected significant cost-sharing, including third-party in-kind contributions, also received priority. Including the cost-sharing of state and tribal governments and industry, the total investment in these NAIS cooperative agreements is more than \$16 million.

In addition to the CCC funds, the President's fiscal year 2005 budget calls for another \$33 million in funding for animal identification. A portion of this money would go toward establishing additional cooperative agreements to assist States and Tribes that didn't receive funding for this year.

At this point, we do not envision any significant Federal funding being used for individual animal tags or other such devices. However, funding of select electronic readers could be accommodated under agreements with some cooperators. We should point out that a variety of identification systems are currently used in the United States to identify various livestock species. The Department's technology-neutral position will allow industry to determine which animal identification method or methods are the most practical and effective for each species.

I've heard frequently from producers concerned about the protection of their privacy. We recognize the confidentiality of the information collected in the NAIS is an important issue. Let me say that the national repository will only include information for animal and disease tracking purposes. Proprietary production data will remain in private databases. However, because of the concerns of producers, we are examining the issue of confidentiality very closely and exploring various options for protecting the information in the NAIS from public disclosure.

USDA will continue to move ahead at an expedited pace. We are gearing up for a substantial education and outreach campaign aimed toward producers. We have retained the services of an outside contractor who will be carrying out benchmark survey research to determine how much producers know about animal identification. We are currently developing a targeted communication plan based on the outcome of this research, focusing on the need for animal identification and explaining how interested producers can register their premises.

In 2005, USDA plans on further developing the animal identification system so that it provides for efficient collection of premises and animal identification data. Additionally, we will also continue communication and education efforts, address regulatory needs, and work with Congress on any legislative requirements.

We envision that the NAIS will continue to expand in 2006. As States and Tribes gain experience, USDA will integrate those approaches that are most successful into the broader system. We will also allow service providers and other participants to gear up their products, programs and services to meet the demands of a national program.

Many of you have heard me speak before. My personal saying is “working together works.” And I will be the first to say that only by working together with the Nation’s producers, industry, animal health officials, State governments, and Congress can we successfully achieve a national animal identification system.

I want to thank you, Chairman Hayes, and all the Members of the Committee, for holding this hearing and for all of your efforts to advance this vital initiative for agriculture. I would be pleased to respond to any questions you may have at this time.

AWARDEE	AWARD AMOUNT*	PROJECT TITLE and STATE and TRIBAL PARTICIPANTS
California Department of Food and Agriculture	\$752,000	Southwest Premises Registration and Animal Tracking Project. Participants also include Arizona, Oregon, and Texas.
Florida Department of Agriculture and Consumer Services	\$531,840	National Animal Identification System. Participants also include Texas and the Seminole Tribe.
Fort Belknap Indian Community	\$200,000	Native American Animal Identification and Tracking System and Pilot Project. Participants also include Blackfeet Nation, Crow Tribe, Eastern Shoshone Tribe, Fort Peck Assiniboine and Sioux Tribes, Intertribal Bison Cooperative, Northern Arapahoe Tribe, Northern Cheyenne Tribe, Rosebud Sioux Tribe, San Carlos Apache Tribe, Ute Tribe Ag Products, and Yomba Shoshone Tribe.
Idaho Department of Agriculture	\$1,164,000	Idaho Coalition NAIS Project. Participants also include Shoshone-Paiute Tribes of Duck Valley, Utah, and members of the Northwest Individual Identification Pilot Program: California, Idaho, Nevada, Oregon, Utah, and Washington.
Illinois Department of Agriculture	\$130,000	Great Lakes Proposal: National Animal Identification System (NAIS) Assessment and Initial Implementation Project Proposal.
Indiana Board of Animal Health	\$130,000	Great Lakes Proposal: National Animal Identification System (NAIS) Assessment and Initial Implementation Project Proposal.
Kansas Animal Health Department	\$805,000	Animal Transport: Use of mobile technologies to link premise identification, animal location and individual animal identification.
Kentucky Department of Agriculture	\$269,093	Kentucky Premises Identification/Southeastern Livestock Network Tracking Project. The Southeastern Livestock Network includes Kentucky (administrator), Alabama, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.
Louisiana Department of Agriculture and Forestry	\$100,000	Louisiana Premise Identification System.
Maine Department of Agriculture, Food and Rural Resources	\$78,343	Maine Animal Identification System.
Minnesota Board of Animal Health	\$434,578	Minnesota NAIS Implementation Project.

Mississippi Board of Animal Health	\$153,327	Mississippi Animal Identification and Implementation Project.
Missouri Department of Agriculture	\$433,064	Missouri Premise Identification System.
Montana Department of Livestock	\$580,042	Montana Project to Demonstrate Premise Identification and 48 Hour Traceback.
Nebraska Department of Agriculture	\$130,000	Nebraska Livestock Identification Project.
New Jersey Department of Agriculture	\$100,000	Developing a Premises Identification Infrastructure System that Sustains Future Individual Animal Identification and Traceability.
North Dakota Department of Agriculture	\$515,000	North Dakota Calf AID.
Ohio Department of Agriculture	\$130,000	Great Lakes Proposal: National Animal Identification System (NAIS) Assessment and Initial Implementation Project Proposal.
Oklahoma Department of Agriculture, Food and Forestry	\$675,000	Texas-Oklahoma-Osage Nation National Animal Identification System (NAIS) Assessment and Initial Implementation Project.
Osage Nation Environmental and Natural Resources Department	\$50,000	Texas-Oklahoma-Osage Nation National Animal Identification System (NAIS) Assessment and Initial Implementation Project.
Pennsylvania Department of Agriculture	\$615,000	Pennsylvania Premises Identification and Animal Tracking Initiative.
South Carolina	\$199,865	South Carolina NAIS Phase I - Premises ID and Education.
South Dakota Animal Industry Board	\$505,240	South Dakota Project for Phased Implementation of Premises and Animal Identification.
Texas Animal Health Commission	\$1,000,000	Texas-Oklahoma-Osage Nation National Animal Identification System (NAIS) Assessment and Initial Implementation Project.
Tri-National Proposal	\$1,214,579	Tri-National Livestock Health and Identification Consortium. The Consortium includes the Navajo Nation and Hopi Tribe; Sonora and Chihuahua, Mexico; and Arizona, Colorado, and New Mexico.
Utah Department of Agriculture	\$182,100	Idaho Coalition NAIS Project - Utah.
Vermont Department of Agriculture	\$100,000	Vermont's Animal Identification System - Phase I.

West Virginia Department of Agriculture	\$100,000	West Virginia Animal Identification System Assessment and Initial Implementation Project.
Wyoming Livestock Board	\$361,929	The Wyoming Animal Identification Project.
GRAND TOTAL	\$11,640,000	

* Funding for all projects listed has been reserved. The actual award of funds will be contingent upon the cooperators completing final application requirements and, if notified by APHIS, adjusting their work plans and/or originally proposed budgets. As the agreements are finalized, brief synopses of the projects will be posted to the APHIS Web site at <http://www.aphis.usda.gov/lpa/issues/nais/nais.html>

**STATEMENT OF THE
AMERICAN FARM BUREAU FEDERATION
TO THE
HOUSE AGRICULTURE SUBCOMMITTEE
ON LIVESTOCK & HORTICULTURE
REGARDING A
NATIONAL ANIMAL IDENTIFICATION SYSTEM**

**Presented by
David Collier
Chairman, AFBF Swine Advisory Committee
Fayetteville, North Carolina**

August 17, 2004

Good morning, Chairman Hayes and members of the Subcommittee. I am David Collier chairman of AFBF's Swine Advisory Committee. We appreciate your scheduling this field hearing on the important issue of livestock identification and for inviting AFBF to share our perspective on an issue that is critical to our members.

Various forms of livestock identification have long been utilized by many of our members for production purposes, whether that be branding of cattle, ear-notching of swine, or tagging of a wide variety of species. The concept of a uniform national system of animal identification has received increasing attention within our organization in recent years.

Our livestock producers acknowledge and appreciate the vital importance of animal disease control. The importance of maintaining consumer confidence in the safety of the U.S. food supply was underscored after the discovery of a single case of Bovine Spongiform Encephalopathy in Canada last May. The consequences of this event demonstrated the need for an individual animal identification (animal ID) system that is capable of transferring information quickly and accurately throughout the livestock industry. A well-designed system will help contain new or deliberately introduced diseases and minimize harmful effects on the industry and national security. While an animal ID system will not prevent a disease occurrence, it will significantly reduce the time required to identify the operations with which the infected animal was associated.

The dairy cow in the December BSE case in Washington state came from Canada and an identification system was partially in place. The value of animal ID in that case was one of thoroughness – of being able to find as many of the cattle that may have been exposed to the same feed as the BSE-diagnosed animal and making sure no others reached the food supply. Timing would be critical if the animal had been diagnosed with foot-and-mouth disease. Foot-and-mouth disease bacteria spread like wildfire, and the only viable tool to stop the spread of the disease is quarantining all exposed animals. With foot-and-mouth disease, the government will not only need to identify the other animals in the herd, but every animal that may have been exposed. It is likely they will even need to know which highways the exposed cattle traveled. It is the classic example of the need to trace-back animals within 48 hours.

SUPPORT FOR AN ANIMAL ID SYSTEM

AFBF strongly supports the establishment and implementation of a national animal identification system capable of providing support for animal disease control and eradication, as well as enhancing food safety. Why?

--Our members have been directly and adversely affected by outbreaks of Exotic Newcastle Disease, BSE, Low-Pathogenic Avian Influenza, Scrapie, and Pseudorabies. We must improve surveillance, control and eradication of these diseases. The ability to identify and trace-back livestock and appropriately control outbreaks is critical to the future viability of the livestock sector. The financial and social impacts of a disease outbreak must be minimized.

--We must enhance disease preparedness by allowing the U.S. to identify any animals exposed to disease and facilitate stopping the spread of that disease.

--Our reputation for having a safe food supply must be maintained. We must insure continued confidence in livestock products.

--Animals entering the country will be subject to the same ID requirements as animals in the U.S. that move interstate or through commerce. Ensuring our borders are safe for imports is very important.

--There is a clear need to safeguard the U.S. against potential bioterrorist attacks, whether aimed at harming our citizens through the introduction of pathogens, or disrupting our economy through precipitating an outbreak of a highly contagious animal disease.

PRIVATE-PUBLIC PARTNERSHIP

Since 2002, AFBF has been an active participant in the development of the U.S. Animal Identification Plan. Along with more than 100 individuals representing over 70 industry groups and state and federal government representatives, we have compiled a working document that outlines information and concepts that could be used to implement a uniform national livestock identification system. We will continue to work with USDA, relevant state agencies, and other industry organizations representing various segments of animal agriculture on this system.

We very much appreciate USDA's announcement on December 30, 2003, that it would prioritize the development of an animal identification system for disease-tracking purposes. We believe the development of the system is proceeding very well. The complexity of developing such a system when we have 95 million cattle and calves, 60 million hogs, six million sheep and lambs, and over 700 million chickens and turkeys is an enormous task.

I would be remiss if I did not thank that department for their cooperative effort in this regard. They are to be commended for their work with the livestock industry and state governments in the development of the USAIP. The framework for a National Animal Identification System announced by the Department last month follows the principles outlined in the USAIP. We encourage USDA to continue working closely with the livestock industry to ensure that grassroots solutions guide the implementation of the NAIS. USDA recognized very early that it was extremely important to develop this program via a public-private partnership. We strongly believe this is the best approach.

FOUR KEY ISSUES TO BE RESOLVED:

Farm Bureau believes there are four key issues that must be addressed in order to ensure producer acceptance of an animal ID system – the cost of the system, protecting producers from undue liability, ensuring the confidentiality of data submitted by producers, and sufficient education/information.

COST

A cost-effective national system of livestock identification, with equitable cost share among government, industry, and producers must be established. Considerable financial expense will be associated with the development and implementation of an ID system. Incorporating existing systems, such as previously-funded USDA pilot projects and privately-funded identification methods already employed by producers will help reduce the cost. However, the price tag for establishing, operating, and maintaining the system, continues to be a huge issue for our members. Equitable apportionment of those costs among affected parties is also important.

Producers cannot and should not bare an unfair share of the costs of establishing or maintaining an animal ID system. Our ability to move forward with a voluntary system depends on adequate and equitable funding. USDA estimates the price tag for a national identification system to be \$550 million over the first five years. A successful animal ID system must be a partnership of producers, appropriate state authorities, and USDA. However, we have serious concerns about the financial burden that such a partnership could create for producers.

While we can accept reasonable producer costs to support an effective program, we believe costs should be balanced and shared among all others who ultimately benefit. The public good, which will certainly be enhanced by this program, should be considered when determining who pays the bill.

The Office of Management and Budget in April approved USDA's request for \$18.8 million in emergency funding from the Commodity Credit Corporation to be used for the NAIS this fiscal year. In addition, USDA requested \$33 million for animal ID in the President's FY05 budget request, and the House of Representatives included that amount in the FY05 Agriculture Appropriations bill (HR 4766). While \$18.8 million may be sufficient to fund this fiscal year's needs, \$33 million for the next fiscal year is woefully inadequate. Farm Bureau believes the funding level needs to be \$73 million if we are to start an ID system with meaningful producer and industry participation.

Producers will play a large role in a successful an animal health tracking program by contributing significant labor and capital. About one-third of the systems costs appear to be falling to producers. This level of contribution would be burdensome and fail to account for producers' increased labor requirement and the realistic financial condition of limited cash resources that characterizes many livestock operations today. This system cannot be so expensive for producers that it will put them out of business. If it is, producers will not participate in a voluntary system and a mandatory system will change the nature of American livestock production by forcing already limited-resource producers out of operation.

An animal ID system must be efficient. One component of efficiency is the avoidance of duplication. Sheep producers already must identify their animals for scrapie, pork producers for pseudorabies and most commercial egg producers are required to register their facilities with the

Food and Drug Administration. There is obviously a high potential for duplication in regulation and a redundancy in information collection. We believe USDA is doing everything possible to address efficiency, but it is a critical issue that must be carefully monitored.

CONFIDENTIALITY

The confidentiality of data and access to that data must be adequately addressed. When the government requires extensive information from its citizens, the government has a responsibility to use that information responsibly. Privacy is a fundamental right of all Americans.

The National Animal Identification System should ensure the security of producer information and respect the privacy of producers by only collecting data necessary to establish an identification system. Any data collected to comply with an animal ID program must be maintained and used solely for the purpose of animal disease prevention and control. Furthermore, our producers must be protected from public disclosure under the Freedom of Information Act (FOIA). Otherwise, proprietary information on individual farms could be exploited by the farm's competitors or by activist groups.

USDA has indicated that it intends to administer the NAIS cooperatively with the appropriate state animal health officials. Because of the major role that state governments play in this system, we must ensure that data is protected at both the state and federal levels.

Finally, it is imperative that the only agencies allowed access to the information are animal health and other agencies with a legitimate disease and emergency response purpose. There must be clarity on exactly which federal and state agencies will have access to the data. Arguments can be made for and against providing other agencies (beyond the Animal and Plant Health Inspection Service) access to some of the information. It is critical that a public discussion on how much information, what type of information, and availability to whom be conducted immediately.

LIABILITY

Many producers worry that they might be forced to share liability for food safety problems that are now limited to meat merchandisers. An ID system must protect producers from liability for acts of others after the livestock leaves the producers' control. This includes concerns about nuisance suits that name everyone who handled particular livestock.

Congress must pass legislation to define the standard of care required of a producer of livestock as "ordinary care." If livestock is inspected, there should be a rebuttable presumption – not immunity – that the producer met the standard of "ordinary care" for injuries, illness or any type of damage or economic loss suffered from the consumption of a meat food product. In no event should the producer be held to a standard higher than that of "ordinary care". The presumption will serve as evidence that the producer, whose animal has passed inspection, has met the duty of care owed to the public – ordinary care.

PRODUCER UNDERSTANDING AND INVOLVEMENT

It is critical that producers fully understand what an animal ID system will and won't do. We applaud the administration for setting aside \$3 million of the FY04 emergency allocation for producer funding.

An advisory board should be established to help regulate an animal ID system. The board should be comprised of producers, processors, animal health authorities, and USDA. The board should continuously evaluate the overall performance of the animal ID system and make recommendations for improvements.

The current animal ID system does not provide for data feedback or marketing programs to producers. The administration is attempting to develop a program that may be used as the basis for marketing programs should producers or packers choose to voluntarily implement programs with an ID component. The system should be flexible enough that producers could access and communicate data about their animals up the value chain. It should also enable producers to pursue value-added marketing opportunities that might arise. Producers would undoubtedly benefit if they could incorporate the ID system into their own production record systems.

NEED FOR LEGISLATION

At least eleven bills have been introduced in Congress related to different aspects of livestock ID and/or disease traceability. We do not support any of these pieces of legislation. Many suggest a mandatory system be implemented within a very short time period. It is important that a voluntary system be implemented first. The animal ID system needs to be completed and the system needs to be tested to be sure it is effective and workable. Incremental implementation of the plan as development continues will allow for potential problems within the system to be identified and the plan modified to address those problems. We do, however, believe Congress must address the following three issues in order to ensure a workable animal ID system.

Confidentiality: USDA has repeatedly said that confidentiality can be maintained as long as the program is voluntary. However, they have also said that legislative authority will be needed to protect such information when the ID program becomes mandatory, and they have not yet identified the exact authority that allows them to adequately protect confidentiality even under a voluntary system.

With the tenfold increase in testing for BSE from 20,000 to 200,000 animals in the next 12 to 18 months, if BSE is present in the U.S. herd it is quite likely an addition case will be discovered. While an ID system and traceability will not prevent future cases, we fear that might well be overlooked in a rush by Congress to respond to potential public concern or lack of consumer confidentiality should another case arise. We recognize that it is very possible that Congress will feel a need to "respond" to a second case of BSE or the outbreak of another disease by passing legislation. If this is the case, producer information will almost certainly not be protected from Freedom of Information Act requests.

It is imperative that USDA forward to Congress and that Congress consider and pass legislation to secure producer confidentiality if/when an animal ID system is required. USDA must also work with groups such as the National Council of State Legislatures to provide a legislative model for information protection to be considered by state governments. We simply cannot afford to wait; too many questions remain unanswered even under the voluntary system.

We understand development of such a proposal is extremely complex due to the various state laws protecting information. While we sincerely appreciate USDA's efforts to date to develop such a proposal, we cannot overemphasize the need to propose such legislation immediately. It is indeed the complexity of the development that makes producers very nervous that Congress will mandate an ID program and the development of confidentiality legislation will be far too onerous to develop in a timely manner. Mr. Chairman, I believe that this issue of confidentiality is the most important to our producers of all of our concerns.

Adequate and Equitable Funding: We understand that the appropriations process is difficult this year and that reductions from the current fiscal year's appropriations levels are likely. However, adequate producer funding should be a very high priority for FY05 appropriations. USDA Chief Economist Keith Collins has said of the animal ID system, "We want to limit the role of the federal government and the cost to the government." While we appreciate that viewpoint, we cannot let the costs of the program fall largely on the shoulders of producers. The U.S. Animal Identification Plan estimates costs of the program at \$545 million over the next six years. If the government were to fund \$33 million each year (the same as their FY05 request), two-thirds of the cost of a program would be funded by producers and affected industries. This program undoubtedly benefits consumers as much or more than it does producers and the industry and a larger portion of the cost must be borne by the government. We appreciate the inclusion of \$33 million in the House-passed agriculture appropriations bill, and encourage members to continue working to increase that amount to a more adequate funding level in the final version of the bill.

Liability: It is also imperative that USDA forward and Congress consider and pass legislation excluding producers from unnecessary liability.

We are pleased to have the opportunity to share our views with you today. If properly funded and implemented, an animal ID system will enhance our ability to identify and isolate disease-affected animals quickly. That should in turn increase domestic and foreign consumer confidence, and reduce the adverse effects of animal disease outbreaks on our producers. We look forward to working with you as an animal identification system progresses.

**Statement of
North Carolina Farm Bureau Federation
to the
U.S. House Agriculture Subcommittee on Livestock
and Horticulture
Regarding Animal Identification
Tuesday, August 17, 2004**

Chairman Hayes, my name is Chester Lowder, Director of Livestock Programs for the North Carolina Farm Bureau. On behalf of Larry Wooten, President of the North Carolina Farm Bureau, and our approximately 460,000 members, it is an honor to testify before this Subcommittee.

Mr. Chairman thank you for conducting today's hearing. As a constituent of North Carolina's 8th Congressional District, I know that you have always been a strong advocate for North Carolina's agriculture industry.

As the state's largest general farm organization, the North Carolina Farm Bureau represents diversified farm families from all 100 counties in our state. And as you know Mr. Chairman, many of our members depend on livestock for their livelihoods.

North Carolina's farmers realize the need for an effective voluntary animal identification program. However, producers who own livestock like myself are not without concerns relating to this important issue. Specifically, North Carolina Farm Bureau supports a voluntary animal identification initiative that is cost-effective, confidential, able to accurately track animals, designed to adequately address the liability concerns of producers, and flexible. Additionally, such a system must be implemented incrementally to avoid disrupting livestock production.

First, an animal identification program must be cost-effective. Producers are concerned about how much of the program costs they will be forced to bear. Individual producers have no way of passing on the costs to the consumer, who are most likely to benefit from the system. The establishment of a national animal identification program may impact a farmers' ability to sustain their operation and make a profit. In particular, North Carolina's economy may see a negative impact from an animal identification initiative because of the size of the state's livestock industry.

Second, an animal identification program must be confidential. Mr. Chairman, North Carolina has every species of livestock that would be covered under such a program -- from bison and beef cattle to turkeys and tilapia. In 1964, Livestock and Poultry accounted for 30 percent of the state's agricultural cash receipts. Thirty years later, more than 60 percent of those cash receipts are the result of our multi-billion dollar

livestock and poultry industry. Today, relatively new sectors of our livestock industry, such as dairy and meat goats and aquaculture, are providing our farmers with additional opportunities.

Mr. Chairman, the success of this program will depend on producers' belief that the information collected will remain confidential. Farmers will be more likely to embrace a system that uses information for the purpose for which it was gathered -- tracking diseases and residue problems. Maintaining the confidentiality of animal identification information is important for the protection of all involved in the production of livestock.

The federal government must safeguard -- possibly through the Department of Homeland Security and the U.S. Department of Agriculture -- exactly who has access to program files. Any information obtained under the initiative should be accessible to the animal industry and other appropriate public agencies for the sole purpose of planning effective responses to any disease outbreaks or acts of terrorism.

Third, North Carolina Farm Bureau supports a livestock identification system that will efficiently track animals. As you know, Mr. Chairman, tracking all animals represents a significant challenge for the industry. In the event of a disease outbreak, the ability to accurately trace an animal within a 48-hour period would allow USDA and state agencies to quickly isolate a problem and minimize damage.

As you know, it is common for livestock ownership to change hands several times during the life of the animal. In fact, some livestock even cross international borders. With this system of multiple owners, any unauthorized residue found in an animal's tissue could be wrongly matched with an honest, hardworking producer. This reality demonstrates the importance of traceability in pinpointing the correct source of disease problems.

Fourth, North Carolina producers are deeply concerned about liability issues relating to a disease outbreak. Once an identification system is in place, it is very possible that a problem could be linked to an individual producer when in fact the animals could have contracted a disease after leaving the care of that producer. Unfairly implicating a producer without having all of the facts almost certainly will hurt that producer's bottom-line. Therefore, the identification system should include safeguards that prevent the release of information until a thorough and complete investigation is conducted.

Finally, the national identification system must be flexible to allow for regional differences and enable producers to generate added information that will assist them in their operations. Such a system must also incorporate existing identification systems such as the national scrapes program for sheep.

An effective animal identification system would almost certainly benefit producers. Large-scale producers and integrators may develop new marketing strategies through such a system. While we have many large livestock and poultry operations in North Carolina, we also have many small farms that operate at significantly lower animal

numbers. The regulations associated with an animal identification program must not be so onerous that these small owners are forced out of business. There must be a way to capture this cost from the market without hurting these farmers. One way to reduce the impact would be a stipulation that animals do not have to be tagged until they reach the point of sale.

Mr. Chairman, and members of the subcommittee, let me conclude by summarizing my testimony.

The North Carolina Farm Bureau supports a voluntary plan that is cost-effective, confidential, able to accurately track animals, designed to adequately address liability concerns, and flexible.

Again, Chairman Hayes, I want to thank you and the members of your subcommittee for allowing me to represent Mr. Wooten and North Carolina Farm Bureau's members regarding this important issue for North Carolina and the nation.

As you continue to work on an animal identification system in the U.S. House, Mr. Wooten and I certainly welcome any future opportunity to provide you with any further comments regarding this matter.

Thank you.

STATEMENT OF MR. RUSS KREMER
PRESIDENT, MISSOURI FARMERS UNION ON BEHALF OF NATIONAL FARMERS UNION
HEARING BEFORE THE U.S. HOUSE AGRICULTURE SUBCOMMITTEE ON LIVESTOCK
AND HORTICULTURE
ANIMAL IDENTIFICATION PROGRAMS
AUGUST 17, 2004

Thank you Chairman Hayes and Ranking Member Ross for holding this hearing and providing me the opportunity to testify before your subcommittee concerning the development and implementation of a National Animal Identification System (NAIS). My name is Russ Kremer; I am president of the Missouri Farmers Union and here today to testify on behalf of the National Farmers Union. I am a diversified family farmer in the state of Missouri, with an operation consisting of naturally grown hogs, cattle, hay and vegetables.

At our 102nd annual convention in early March, members of National Farmers Union (NFU) debated and developed our 2004 policy, including a statement on the development of a NAIS. Animal identification along with an array of other animal health, consumer health and beef and cattle trade issues have been pushed to the forefront of national discussion since a bovine spongiform encephalopathy positive cow of Canadian origin was discovered in Washington State late last year.

National Farmers Union members believe proactive steps should be taken to maintain and ensure consumer confidence in the safety of U.S. beef and beef products; stabilize our domestic and export markets; and minimize any economic damage resulting from this unfortunate situation. A vast array of issues have not yet been addressed in the discussion of developing a verifiable animal identification system, which we believe needs to be settled between the Administration, Congress and industry before further promulgation or implementation moves forward. Today, I will outline the five major concerns our members have relative to an animal identification program.

1. Cost burden on producers;
2. Adequate liability protection firewalls;
3. Complimentary data sharing with the country-of-origin labeling law;
4. Full participation and shared responsibility throughout the industry;
5. Educational component for producers.

First, the cost of implementing and maintaining a verifiable identification system is of great concern to livestock producers faced with front-line responsibility for any identification program. According to the U.S. Department of Agriculture (USDA), the development of an identification system will cost an estimated \$550 million over five-years. Earlier this year, the Administration included a request of \$33 million in its fiscal year 2005 budget for implementation of a NAIS. Under the estimations of cost provided by USDA, they plan to provide one-third of the cost over five years if \$33 million is the benchmark for what the Administration will request annually. Recently, USDA announced it would award 29 state and tribal cooperative projects with \$11.64 million to begin premise identification. While USDA plans to partner with state government and industry in managing the total cost, we are concerned that a disproportionate amount of the costs associated with such system will fall on producers, particularly smaller producers in a way that makes them less positioned to remain competitive in the marketplace. To

the extent such a program is viewed in the national interest, NFU believes it may be appropriate for the public to bear a greater portion of both the development costs as well as those associated with the day-to-day management of the program.

Second, any effective trace-back program runs the risk of compiling information that may be unfairly and improperly accessed and utilized by others. NFU believes it is necessary to include effective liability protection firewalls including, but not limited to, an exemption from the Freedom of Information Act. We are very concerned that a system which is maintained outside of a public agency such as the USDA, creates an inherent risk to participants that private or proprietary information could be divulged in a way that is detrimental to individual firms or to the operation of a local, regional, national or international market. We certainly were encouraged by the remarks of Under Secretary for Marketing and Regulatory Programs, Mr. Bill Hawks, when he stated USDA will pursue only a voluntary system until they can ensure the confidentiality issue is resolved. It is our hope that officials at USDA will work with members of this subcommittee and other leaders in Congress to establish legislation that would assure producer confidentiality, as the program moves from voluntary to mandatory.

Third, we believe Secretary Veneman should immediately implement the mandatory country-of-origin labeling law. The Secretary has the congressional authority and discretion to implement this program in a common-sense manner that bears minimum burden and cost on producers, processors and retailers. After the labeling program has been implemented and at the point an animal identification program is up and running, we believe it is necessary to coordinate the two programs, so that U.S. livestock producers will not again find themselves "paying the bill" for the benefit of processors and retailers without achieving any market benefits.

We would like to see the information gathered through a national animal identification program maintained and utilized to augment mandatory country-of-origin labeling at the retail level. American agriculture producers want a labeling program, the American consumer wants a labeling program and our trading partners want a labeling program. When the two programs are coupled, consumers will be better able to select food products with the knowledge that new steps have been taken to strengthen our capacity to identify and contain food pathogens or other food safety factors prior to products reaching the retail market.

In order to ensure a successful NAIS, it is vital that there is full participation and shared responsibility throughout the industry. USDA officials have indicated the initial period of the system will begin with premise identification of cattle, hogs, sheep and poultry. In order to have an effective and credible trace-back system, each individual animal must receive an identification number; groups or lots of animals should not be permitted to be identified collectively. Before the initial period proceeds, USDA needs to make clear to producers what their responsibilities and roles will entail. Due to the overwhelming number of questions in the countryside, a comprehensive educational component to educate producers on their function and responsibilities is vital. Under Secretary Hawks stated the department plans to spend \$3 million for producer education and outreach. We were pleased to see the department make the educational component a priority and look forward to working with them to ensure producer questions are answered and producers are familiar and comfortable with their responsibilities.

Thank you for the opportunity to testify before you today. National Farmers Union and I look forward to working with the members of this subcommittee and other members of Congress as development of an identification system moves forward.

**Ranchers-Cattlemen Action Legal Fund –
United Stockgrowers of America
(R-CALF USA)
Kenny Fox, Rancher and Member
Belvidere, South Dakota
Before the
U.S. House of Representatives Committee on Agriculture
On the Development of a U.S. Animal Identification Plan
August 17, 2004**

Good Afternoon Chairman Hayes, Ranking Minority Member Ross, and Members of the Committee, I am Kenny Fox, a cattle rancher from Belvidere, South Dakota, and I appreciate the opportunity to provide comments on the development of a U.S. Animal Identification Plan. I am here today representing the Ranchers-Cattlemen Action Legal Fund, United Stockgrowers of America (R-CALF USA). R-CALF USA is a non-profit trade association representing more than 53,000 independent cattle producers, about 11,000 of whom are individual members of R-CALF USA in 46 states, and over 42,000 are members of R-CALF USA's 60 affiliated organizations. R-CALF USA is dedicated to ensuring the continued profitability and viability of the U.S. cattle industry.

I am also here representing the South Dakota Stockgrowers Association, for which I am a Regional Vice President. The South Dakota Stockgrowers has about 1500 cattle producer members.

Both organizations are made up of producers like me who make our living in the cattle business. Ranching is not a hobby or a tax write-off for me and my family, it is our livelihood.

I. R-CALF USA's Objectives in Establishing a National Animal Identification Program

I understand the Committee wants to know our organization's objectives in establishing a national animal identification program. Our objectives are straightforward:

1. To clarify the intended purpose and need of a national animal identification (ID) program and to implement effective measures to prevent the misuse and abuse of proprietary information.
2. To evaluate both the costs and the benefits of implementing a national animal ID plan, which can only be done following the completion of a comprehensive, science-based cost/benefit analysis.
3. To evaluate the effectiveness of current state and regional animal identification methods that may already meet the intended purpose of a national animal ID program, or that may be easily assimilated into a nationwide plan at little to no cost.

4. To ensure that if the overall cost of implementing a national animal ID plan is considerable, which according to the United States Animal Identification Plan (USAIP) plan is the case, then a means other than allocating those costs to the U.S. live cattle industry must be found.
5. To ensure that if a network infrastructure is needed to enable a national animal ID program, then that infrastructure is designed to accommodate many other needed services in Rural America, rather than simply maintaining information about livestock. Such a system may allow for the sharing of infrastructure-related costs among many industries and service providers, such as rural health care providers;
6. To ensure that the current rush to implement a national animal ID program does not distract the United States from its far more immediate and important responsibility, which is to protect the United States cattle herd from the introduction of Foreign Animal Diseases that may enter the U.S. through inadequate border controls.
7. To maintain, as this nation's highest priority, the highest standards of health and safety for our cattle industry and to not compromise our resolve to continue avoiding and preventing the introduction or spread of animal diseases by substituting our strategy of "disease prevention" with a new strategy of "disease management."
8. To ensure that the United States implements and enforces the measures already in place and readily available with which to meet the objective of preventing the introduction of Foreign Animal Diseases, differentiating cattle as to origin, and tracing beef and cattle as to their origins. It is disconcerting to the U.S. cattle industry that while mandatory country-of-origin labeling has been passed by Congress and is now available to both immediately determine the country-of-origin of cattle and to trace the origins of beef, at least with respect to foreign cattle and foreign meat, Congress itself has postponed its implementation. It is equally disconcerting that while our current regulations provide the U.S. cattle industry with the most complete protection against the introduction of Foreign Animal Diseases from countries where such diseases are known to exist, the USDA is working aggressively to relax and weaken these regulations.

Based on the national animal ID goal stated in the USAIP plan dated December 23, 2003, we presume the reason the Committee is holding this hearing is to evaluate issues related to this proposal. The stated goal of this proposal is "[to] achieve a traceback system that can identify all animals and premises potentially exposed to an animal with a Foreign Animal Disease (FAD) within 48 hours of discovery." While a system designed to achieve this goal will likely have capabilities far beyond the stated scope, for purposes of our comments we will presume the Committee is primarily interested in comments related to this specific objective. It must be noted that this means a national animal ID system is limited to identifying and tracing the movement of live animals. It does not provide the ability to trace a meat product downstream through the fabrication, manufacturing and slaughter of cattle, or to associate a specific meat product with a live animal. Thus the program, as envisioned within the USAIP plan begins at the point of birth of a calf and abruptly ends at the point of the animal's slaughter.

II. R-CALF USA's Opinion on How an Animal ID Program Would be Funded

The Committee has also asked our opinion on how the program would be paid for. In general, there are three major components for which animal ID costs will be assigned. They include costs

associated with premise identification; costs associated with collecting, transferring, and accessing traceability information; and costs associated with building, connecting, and maintaining a ubiquitous network infrastructure system that allows all existing and new networks to communicate with each other from all regions of the U.S., however remote those regions may be.

In essence, the Committee is asking how much independent cattle producers are willing to pay to implement a program which is expressly designed to control and eradicate Foreign Animal Diseases like Foot and Mouth Disease (FMD) that has not been diagnosed in the U.S. for decades, or BSE that has never been diagnosed in the U.S. But, which diseases may be introduced into the U.S. because longstanding disease prevention policies, that is, our import and border control policies, are either scheduled to be relaxed or their current effectiveness is being questioned.

Independent cattle producers strongly support the current high standards of healthy production practices and disease prevention practices. However, we are confounded by the government's resistance to both implement and enforce our primary line of defense for both preventing the introduction of diseases into the United States and for quickly identifying foreign meat and foreign cattle that are, by definition, the primary means of transmitting Foreign Animal Diseases. R-CALF USA has called on Congress and the USDA to implement and enforce the following measures that provide our industry and our consumers with the first line of defense against both the introduction of foreign animal diseases and the potential spread of a Foreign Animal Disease:

1. Mark all imported cattle with a permanent mark of origin.
2. Identify all imported cattle already in the United States with a permanent mark of origin.
3. Implement country-of-origin labeling so that in the event of a disease outbreak in a foreign herd, all foreign cattle and foreign meat can be immediately identified and quarantined.
4. Maintain current regulations that prohibit the importation of cattle or beef from any country where BSE and FMD are known to exist.

R-CALF USA recently commissioned a scientific Value of Information (VOI) study that shows that the value to the U.S. cattle industry of tracking foreign cattle that enter the U.S. is, conservatively, \$80 million per year. And, the study shows that if a BSE case is detected in a foreign animal that has been tracked in the U.S., the value to our industry is over \$500 million.

If Congress and government agencies were to meaningfully implement and enforce these primary lines of defense against the introduction and spread of Foreign Animal Diseases, U.S. cattle producers would then be receptive to considering additional costs associated with the implementation of a secondary line of defense – a national animal ID program, which is designed to manage, control, and eradicate Foreign Animal Diseases should they penetrate our nation's first line of defense. It is both counterintuitive and irrational, from the perspective of U.S. independent cattle producers, for Congress to focus on the secondary line of defense before the first line is solidly in place.

A. Costs Associated with Premise Identification

After the first and primary line of defense against Foreign Animal Diseases is permanently in place, it remains important to note that many cattle producers and many states already have the ability to identify cattle premises as well as to trace the origins of cattle. Through brand inspection, health certificates, sales receipts, and truckers' log books, the cattle industry can trace the movement of cattle very quickly. Our brand inspection system in South Dakota tracks cattle and horses every time they are sold or are transported out of the brand inspection area. In May of 2003, when Canada discovered a case of BSE in an indigenous cow, our brand office received a call from the Montana Department of Livestock asking for help in tracing several Canadian bulls that had traveled from Canada, through Montana, and into South Dakota, and were known to be siblings of the BSE-infected cow from Canada. Through the use of our brand inspection records, our chief brand inspector was able to trace and report the movement of those bulls within the state of South Dakota within three hours.

A hot brand is the only truly permanent mark of identification. A brand cannot be removed until an animal's hide is removed. Electronic tags and micro-chips can either be removed or they can shift under the skin until they are no longer readable by a scanner. While electronic tags may sound like a great use of new technology, they are actually very impractical in a ranching situation. Ranchers like me who operate on open range have found that ear tags are very difficult to keep in place. In addition, we do not have our cattle in a confined area where we they can be easily accessed for tagging or scanning.

R-CALF USA along with a number of other state cattle organizations and the Intertribal Agricultural Council jointly applied for a grant from USDA through the Chippewa Cree Tribe for the purpose of evaluating the use, integration, and compatibility of existing systems, such as our branding system, into a national animal ID system, including assessing the costs of such use and integration. However, USDA did not approve funding for our joint pilot program. Obviously, if such existing premise identifiers and cattle tracking methods could be integrated in a national animal ID system, the cost to producers would remain relatively low. It is our hope that one of the pilot programs USDA did fund will evaluate the feasibility associated with integrating these existing programs.

B. Costs Associated with Recording, Transferring, and Accessing Traceability Information

As mentioned above, costs associated with recording, transferring and accessing traceability information could be very low if existing methods are integrated in an overall plan. On the other hand, these costs could be excessive depending on how the network is constructed and at what point the process is automated. R-CALF USA does not know these costs and cannot know these costs until a comprehensive cost/benefit analysis is completed.

What we do know regarding the ability of U.S. independent cattle producers to pay for such costs through a fee structure or other scheme is that the U.S. cattle industry has suffered staggering losses since the early 1990s measuring in the billions of dollars, with more than 100,000 cattle ranches and farms ceasing operation or ceasing the handling of cattle in that time. USDA data

shows that during the 1992-2001 decade, the average return to United States cow/calf producers was a *negative* \$30.40 per bred cow per year, losses aggregating to the billions of dollars.¹ Congress must seek a different means of funding a national animal ID program other than from the men and women who raise our nation's cattle.

C. Costs Associated with Building, Connecting, and Maintaining a Ubiquitous Network Infrastructure System that Allows all Existing and New Networks to Communicate with Each Other from all Regions of the U.S., However Remote Those Regions May Be.

This is perhaps the most expensive and most complicated component of a national animal ID program. While it may be true that the present communications infrastructure exists in populated areas that will reliably transfer electronic data, there are vast areas of the United States where such infrastructure is lacking, and much of this area is cattle country. We have heard very little about how the various animal identification projects already established or about to be tested throughout the U.S. can or will be interconnected so that they can effectively talk to one another. It is our understanding that the network system envisioned in the USAIP plan is 1960s technology and that new network technologies can and should be considered before a final decision is reached.

It appears that if a new network infrastructure must be overlaid with existing networks in order to reach the vast, remote areas where cattle are raised and marketed, then Congress should be looking at the additional needs of these areas where other critical services can be delivered through a shared network. Congress would be remiss to approve the development of a new network that is only designed for animal ID when it is obvious that many remote regions are needful of additional communications-related services.

III. How the Data Collected Would be Kept Confidential

Until very recently, concerns regarding how market participants could potentially misuse and abuse information that a national animal ID system would be capable of transmitting were largely speculative. However, Cargill's recent announcement in Canada that it would refuse to knowingly purchase cattle owed by a members of R-CALF USA has turned this speculation into a genuine threat with huge economic implications. Cargill has demonstrated that it is willing to use information related to cattle ownership for purposes of discrimination. Now, the possibility that Cargill and other packers may use information transmitted via a national animal ID to the detriment of producers is a stark reality. Congress must proceed cautiously and prudently to protect proprietary information.

Though R-CALF USA does not have the technical expertise to suggest a method of securing proprietary information that is transmitted via a data network system, we do know the

¹ U.S. Cow-Calf Production Cash Costs and Returns, 1990-95; 1996-99; 2000-2001, Economic Research Service/USDA, available at <http://www.ers.usda.gov/data/farmincome/CAR/DATA/Appendix/Cowcalf/US9095.xls>; <http://www.ers.usda.gov/data/farmincome/CAR/DATA/History/CowCalf/US9699.xls>; and <http://www.ers.usda.gov/data/CostsAndReturns/data/current/C-Cowc.xls>, retrieved from the internet on October 18, 2002.

government has access to such expertise as it routinely transmits classified data within secure and vast network systems. Experts in codes and encryptions should be consulted before Congress gives its approval to open the floodgates of information that may be misused by dominant market participants to disadvantage individual producers or groups of producers. Using the Cargill example, it is not inconceivable that Cargill could manipulate the prices of all cattle by arbitrarily refusing to competitively bid for cattle owned, controlled, or managed by various groups or individuals.

While government agencies must have access to producer-related data regarding livestock, meatpackers and commodity groups need to be screened from access to proprietary information which could be used discriminatorily and would increase corporate control over producers.

IV. What Role Would R-CALF USA Like the State and/or Federal Government to Play

In general, the role of the state and/or federal government in developing and administering a national animal ID program will be dependent on the amount of funding these government entities are willing to provide. The development of any program must be accomplished through a cooperative effort between government and the U.S. live cattle industry, comprised of the grassroots, independent cattle producers who will be most affected by such a program. In addition to this needed level of cooperation, a national animal ID system must be carefully managed by federal agencies in full partnership with state animal health agencies and tribal governments, and should not be an opportunity for profiteering by special interests.

Congress should ensure that information collected under a national animal identification program should be available only to public health officials for the purposes of tracing an outbreak. Access to this data must be limited to those with a legitimate, food-safety use for the information; and the system must be designed to prevent potential abuse. Privacy firewalls are an essential animal identification program component and Congress must establish specific guidelines to effectively control access to information. A solution must be found to the perceived problems associated with protecting proprietary information that may be subject to disclosure through the Freedom of Information Act.

Further, Congress should ensure that cattle producers should not be held liable for claims other than those made by agencies authorized to access data in cases of animal health emergencies through an animal identification system.

V. Conclusion

In closing, for me and the thousands of independent cattle producers that I represent here today, ranching is a livelihood that is very important and valuable to everyone in America. In regards to the national animal I.D. plan it is our goal to work with Congress. However, we hope that Congress will not rush into an animal ID program that does not properly address the legitimate concerns raised by cattle producers. We have stated our objectives and welcome the opportunity to clarify any of the given points. Chairman Hayes, Ranking Minority Member Ross, and Members of the Committee, thank you for allowing me to present testimony on behalf of R-CALF USA.

U. S. House of Representatives
Agriculture Subcommittee on Livestock and Horticulture
Testimony presented by: Marcus Harward
August 17, 2004

Mr. Hayes and other guests, I personally want to thank you for the opportunity to discuss with you USDA's proposed animal ID system. My name is Marcus Harward and I currently own and manage 500 momma cows in the piedmont of North Carolina. I also own and operate two sale barns in North Carolina and currently serve as President of the North Carolina Cattlemen's Association. I was also recently elected vice-chair of the South East Livestock Network.

Five minutes is not a long time to really get into the many issues concerning a national ID system, so I will tell you the basic positions that my fellow producers, market operators, and myself are concerned about.

I understand the ramifications of the United States cattle industry's not currently having a traceable animal identification system while we are presently trying to open many markets across the world. I also understand that many marketing programs within the U.S. depend on a verifiable tracing program many think would help maintain consumer demand in this country. The need for a traceable identification system in this country is undeniable, and I support the philosophy that says some type of system is needed, however, the type of system put in place is a key issue and will determine how many producers in North Carolina continue to raise cattle in the upcoming years.

It is essential the NAIS not be so burdensome to small producers that their cost of scale will not allow them to continue to produce. When you consider the cost of scale, keep in mind that the vast majority of cattle produced in North Carolina come from herds smaller than 50 head and a majority would come from herds under 25. These small producers should not have to tag animals on their farms and should really only have to tag animals that are entered into interstate commerce.

Markets and order buyers will need assistance from the federal government to finance the needed infrastructure to record data and make it available for recipients of shipped cattle. This should not be an annual line item paid for by taxpayers, but should be considered a start-up program that can be continued to be funded by the producers themselves. The question that needs to be answered is whether or not the consuming public has a need to be able to know where its food is produced. Everyday we read about terrorist threats and global animal diseases, so it would be hard to conclude that consumers do not have a vestige interest in tracking animals, therefore, consumers should have a role in funding the needed infrastructure.

Having made the case for federal funding of this system, I do not believe the sole purpose of such an expensive system should have its only goal to be able to identify animals in the face of an epidemic disease outbreak. I believe that pertinent data can and should be extracted from the system to make animal agriculture more efficient for small producers.

If a cow/calf producer is going to take the initiative to start this whole process of tracking animals from farm-to-fork, he should have the opportunity to retrieve data to offset the costs of getting the system started. This means that the goal of the NAIS should not only be to track diseases, but should also include making our overall production system better for both producers and consumers. Whatever the system used to track animals winds up being, it should be able to be integrated in a producer's record keeping system. This will also enhance the tracking ability of the overall system.

Now, the whole question of sharing and protecting data creates many more questions that need to be answered. Producers will need to trust both state and federal authorities to protect sensitive information. I suggest that no government agency be allowed to access all of the information. Cattle producers would prefer that private entities, managed by producers such as SELN, be the sole keepers of all of the pieces of the puzzle. Government agencies would have access to the information they need to manage threats. It is not merely the fact that producers don't entirely trust government with the data, but producers don't want to deal with the size of the bureaucracy that would have to be established to manage it.

In conclusion, the true test of NAIS will be defined by the future hurdles that will attack our industry. However, if in the near future we see this tracking system only means something to federal regulators, we will have failed both the small producers and our citizens miserably.

Again, I thank you for the opportunity to express the views of the North Carolina cattle producers at this hearing.

Mr. Chairman, Mr. Ranking Member and Members of the Committee:

My name is Rann Carpenter and I am the Chief Executive Officer (CEO) of the North Carolina Pork Council (NCPC). The NCPC represents over 46,000 North Carolinians involved full-time in pork production, including more than 2,400 independent producers, contract growers and several of the nation's largest pork producing companies. I appreciate the opportunity to discuss the objectives of the NCPC in establishing a national animal identification (ID) program.

The NCPC believes that a successful animal ID program will contain several key components. 1) It will cover all livestock but contain programs that are species-specific. 2) It will be capable of accurately tracking-back to a premises within 48 hours. 3) It will protect the security of the farm and the nation's food supply through confidentiality of certain information. And 4) it will be appropriately and fully funded.

For a national animal ID program to be effective, it must take in to account the differences in the production, transport and processing of each livestock species. What works as a means of identifying one species of animal does not necessarily work for another. During her testimony before the U.S. Senate Committee on Agriculture, Nutrition and Forestry in March 2004, Ms. Joy Philippi, representing the National Pork Producers Council (NPPC) gave an important illustration on why it is so vital that a national ID program be species-specific. Ms. Philippi noted that the cattle industry utilizes electronic ID ear tags as their means of identification, which appears to be a wise choice both economically and logistically. However, based on economics alone, this would not be wise choice for the swine industry. A sow can have 22-24 offspring each year. The cost of the ear tag is \$2.

Therefore, a pork producer would pay \$44-\$48 per year for a breeding female. A cow, on the other hand, has one calf per year at an annual cost of \$2 to identify the offspring. One size does not fit all and the national animal ID program should recognize that.

An animal ID system is part of guarding the nation's food and agriculture infrastructure. In the case of an animal disease outbreak or intentional or unintentional introduction of a pathogen or toxin, a national animal ID program must be capable of identifying all premises that had direct contact with a diseased animal within 48 hours after discovery. Timely and accurate identification will ensure better defense for the nation's food supply by allowing for a timely and appropriate response to an animal health issue. Identification of all impacted animals within 48 hours will also provide the public with a greater surety that the food supply is being well-protected.

Most Americans understand that to protect the food in this county, we must protect the farms where that food is being raised. The NCPC believes that ensuring the security of the farm is an important component of the national animal ID program. In that regard, the national ID program must take into account the potential for harm should certain information be made publicly available. Real-time data regarding animal movement, the number of animals and the time and date that animals are at a specific site could provide strategic information to those whose mission is to disrupt and threaten our nation's food production infrastructure. North Carolina pork producers have a successful collaborative history with our state veterinarian's office that has protected animal health and at the same time provided the necessary confidentiality to ensure farm security. A national animal ID program must do the same.

Finally, full and appropriate funding at the federal level must be made available to the states for implementation of the national animal ID program. The U.S. Department of Agriculture has requested \$33 million from Congress for FY 2005 for implementation of the U.S. Animal ID program. However, recent estimates put the cost of full-implementation at \$121 million per year. This makes us very concerned that North Carolina and other states will not have the necessary resources to fully implement the national animal ID program.

Implementation of the ID program at the state level is important because it will provide an opportunity for federal funding to maximize its efficiency and effectiveness by downloading responsibilities to those agencies closest to producers and leveraging local expertise. Each state must have the dollars needed to implement the animal ID programs, keeping in mind the particular resources and needs available in individual states. Without the financial support of Congress, livestock producers could be forced out of business through well-meaning yet economically impractical regulations.

The NCPC believes that the U.S. Department of Agriculture and Congress can meet its responsibilities to the food consuming and food producing public by developing and implementing an economically feasible national premises-identification program that is species-specific. In addition, protection of specific farm information is crucial. The NCPC will continue to work with both state and federal officials to develop a successful animal ID program. Thank you for the time here today and for your interest in this important public issue.

Good morning Chairman Hayes, members of the Subcommittee. My name is Eric Gonder, and I am appearing today on behalf of the National Turkey Federation. We appreciate the opportunity to testify. I am a practicing poultry veterinarian with 30 years of experience who currently serves as senior staff veterinarian at Goldsboro Milling Co. of Goldsboro, North Carolina.

The poultry industry is a vital part of North Carolina's economy. North Carolina growers produce 45.9 million turkeys annually; for the last 15 years, North Carolina has consistently ranked as one of the nation's two largest turkey producing states. North Carolina also is number four in chicken production, raising more than 700 million chickens annually. The National Turkey Federation represents all segments of the turkey industry, including processors, growers, breeders, hatchery owners and allied companies. NTF's members produce virtually 100 percent of all turkey in the United States, and NTF is the only national trade association representing the turkey industry exclusively.

Goldsboro Milling plays a significant role in the state's livestock and poultry industry. We are the sixth-largest privately held company in North Carolina, and we produce nine million turkeys and 1.6 million hogs annually, as well as manage 1,200 brood cows. We also provide hatching eggs and day-old poults throughout the eastern United States. Goldsboro Milling is one of the primary owners of Carolina Turkeys, the nation's fourth-largest turkey processor, with 580 million pounds liveweight processed in 2003.

At Goldsboro Milling, I am responsible for hatchery and breeder quality assurance, the *Salmonella* reduction program, poult and egg customer technical support, field investigations and technical support to the hog and cattle divisions. I also supply technical assistance to Carolina Turkeys.

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The Turkey Industry and Animal ID

USDA has been working for more than two years to develop a national animal identification program, and the turkey industry has been an active participant in that process. International trade has become increasingly important to our industry, as export markets now consume about 8 percent of all turkey produced in the United States. Carolina Turkeys, for instance, exports more than 20 percent of its production. Those markets are extremely sensitive to animal disease outbreaks, and it is imperative that our nation has systems in place to assure our trading partners we can identify and control outbreaks quickly. In 2004 alone, we have seen almost 60 countries impose partial or total bans on the importation of U.S. poultry products, primarily because of isolated avian influenza outbreaks in this country. At one point earlier this year, the U.S. turkey, chicken and egg industries were losing a combined \$20 million per week to those embargoes.

The emerging threat of bio-terrorism also must be factored into planning for an animal identification system. Though the United States has not yet been subjected to such an attack, the current world situation forces us to assume that someone, somewhere may be trying to engineer a bio-terrorist incident in this country. While preventing an attack must be the primary focus of our efforts, we as a nation also must have the capability to respond quickly and contain an outbreak should an attack occur. The foot-and-mouth disease outbreak four years ago in the United Kingdom – while not a result of bio-terrorism – shows all too clearly what can happen when a nation does not have the infrastructure to respond to a major animal disease incident.

Obviously, though, it was the discovery of a single case of bovine spongiform

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encephalopathy (BSE) in a cow in Washington state that accelerated calls for a national identification program. Under Secretary Bill Hawks and other USDA officials have briefed Congress, industry and others regularly about steps the department is taking to implement such a system, and the National Turkey Federation fully supports those efforts.

We must make an important distinction here between supporting the process and endorsing the specifics of the program. USDA's poultry industry task force on animal identification has not completed its work, so USDA is not proposing – nor could we endorse at this time – a specific animal identification program for poultry. NTF would not presume, of course, to comment on the specifics of a program for any other species group.

NTF believes any animal identification program should be voluntary and should incorporate existing industry and state programs. Since turkeys and other commercial poultry are raised and transported as flocks, identification should be done by flock, rather than on an individual basis.

The program also should be extended to the Live Bird Markets that operate in and around major urban areas. These markets serve an important purpose in our multi-cultural society, but some have been dangerous reservoirs of disease, particularly avian influenza. Live Bird Markets were implicated in the terrible outbreak of Low Pathogenic Avian Influenza (LPAI) in Virginia in 2002. They also have been tied to LPAI outbreaks in the Northeast this year and to the single case of Highly Pathogenic Avian Influenza in Texas earlier this past February. Our organizations will continue working with USDA to determine whether the unique nature of the Live Bird Markets would require birds in the markets to be identified individually.

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Under Secretary Hawks also has said on several occasions that the program should include the flexibility to use current ID systems. We wholeheartedly agree. It is important to understand the vertically integrated nature of poultry production and its implications for animal identification. Goldsboro Milling and other turkey companies already have the ability to trace products back from the slaughter facility to the flock of origin within 48 hours, which is the stated goal of USDA's program. In fact, I believe our company could trace products back to the farm of origin in less than six hours. Movement of flocks is tightly controlled, and all records are kept in a centralized point for easy retrieval and reference. It only makes sense that USDA should build on this existing business-based capability rather than try to layer an entirely new identification program on top of one that already is working. USDA then can use its resources to engage more fully those industry segments without existing animal identification capabilities. I also should add that North Carolina has a very good state program, and USDA also should incorporate such programs into its animal identification plans.

Program Should Be Voluntary, Confidential and Focused on Animal Disease

NTF agrees with USDA that any animal identification program should be voluntary at this time. We think that trade considerations alone will ensure strong participation in the program. Making the program mandatory would create a new range of issues that actually would serve to slow implementation. For example, this program will entail significant new costs for some industries, and the question of who will pay those costs already is a sensitive one. If the program

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were mandatory, the question is likely to become even more volatile. This is all the more reason to incorporate existing programs, both private and state, to the largest extent possible and focus efforts on industry segments without existing tracking abilities.

Another major issue to all poultry and livestock producers is confidentiality of the data the program collects. USDA officials have said legal counsel assures them that data collected in a voluntary program can be kept confidential but that data gathered in a mandatory program might be subject to Freedom of Information Act (FOIA) requests. If the data could not be kept confidential, my company, and I suspect most members of NTF would have serious reservations about participating in any animal identification plan. Among other things, we would be very concerned about the information being available through FOIA to domestic or foreign terrorist organizations.

NTF also believes any animal identification program should be focused tightly on disease control. There are some who undoubtedly will try to utilize the system to further other policy goals, but USDA and Congress must resist such temptation. The introduction of a major animal disease – intentionally or by accident – is an immediate public health and economic threat to our nation, and that is the threat an animal identification system is best equipped to combat. If we try to use the program as a tool to address other public policy concerns, no matter how legitimate, we will slow its implementation and dilute its effectiveness.

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Need for Legislation

During the 108th Congress, there have been at least eight major bills introduced that would mandate some type of animal identification system. Most were introduced in the wake of the BSE case, though it is clear that many of the bills' authors had been studying this issue for several years. Most of the bills reflect considerable thought on the part of their authors and a sincere desire to make our nation's food supply safer. However, NTF cannot endorse any of these bills at this time.

We firmly believe that USDA should be given the opportunity to implement its system before Congress contemplates any additional action. This position in part reflects our industry's longstanding philosophy that mandatory government intervention and programs should occur only when it becomes clear that alternative approaches have failed. On a more practical level, any legislation mandating animal identification after USDA already has spent considerable effort developing its program actually could hinder the near-term effectiveness of the program. NTF believes USDA's program has a strong chance to succeed and to achieve the policy goals the bills advocate – particularly if current poultry programs are utilized to the fullest. If the program does not achieve the desired results, nothing precludes Congress from taking action in the future.

There is one potential exception. If it becomes clear that USDA does not have the authority to keep data collected in a voluntary program confidential, Congress may need to exempt such data from an FOIA request. If it were made public, businesses suddenly would have a wealth of data available about their competitors' production activities. Additionally, public release of facility locations, production schedules and similar information conceivably

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could aid those who might be planning a bio-terrorism attack in the United States.

In the meantime, we believe Congress has a vigorous oversight role to play. Hearings like this one provide an invaluable opportunity to assess USDA's progress and identify potential problems that should be addressed as an animal identification program is implemented.

Summary

To conclude, NTF would like to re-emphasize its support for the goal of USDA's animal identification program and for the general process by which USDA is implementing it. While USDA has not progressed to the point where we can comment on a poultry specific program, we do believe turkey companies already possess the ability to comply with the objectives USDA is seeking to achieve. Accordingly, we believe the program should remain voluntary and incorporate existing industry and state program capabilities. It should remain focused on animal health, and all data collected in the program should be confidential. Beyond considering a bill to ensure confidentiality, we respectfully recommend Congress for the time being focus on oversight and refrain from passing legislation mandating animal identification.

Thank you again for the opportunity to testify. I look forward to answering any questions the Subcommittee members may have.

Tuesday, August 17, 2004
2:00-5:00 p.m., EDT
Crown Center
1960 Coliseum Dr., Hospitality Suite A
Fayetteville, North Carolina

Subcommittee on Livestock and Horticulture - Field Hearing
RE: Review of USDA's National Animal Identification System (NAIS)

Talking Points for John Kisse, Livestock Marketing Assn.:

- Thank you Chairman Hayes for giving the hearing audience a chance to speak on this issue.
- I am John Kisse, regional representative for the Livestock Marketing Assn. and I also serve as the executive director for the North Carolina Market Assn. Our organizations represent livestock auction markets, dealers and order buyers throughout the U.S. and North Carolina.
- LMA market operators and staff have been part of the U.S. Animal ID development team that has been developing the standards for a national animal ID system.
- There is growing recognition within our industry that we may need a better animal identification and traceback system than we have today in the event of a foreign animal disease outbreak or an act of terrorism.
- This does not mean however that there is not great concern about its cost, who's going to pay for equipment and infrastructure to make it work and the security of the information generated by the system.
- In one single mid-sized market in Michigan, where an electronic ID system was put in to identify all the cattle moving through the market, nearly \$60,000 was spent putting in the scanning equipment, refitting alleyways and upgrading the computer software. And, this was just for the initial installment. It doesn't account for the additional personnel, workmen's compensation, upkeep, etc. that will be needed as well to maintain the system.
- The greatest challenge auction markets face in identifying every animal that moves through the markets, is doing it at the speed of commerce. If this national ID system in any way slows down our normal speed of operation, we are guaranteed to have much higher operating cost, producers who will seek other ways of marketing their livestock and an impact on the livestock industry that will be seen far beyond the marketing sector.
- Right now, given the likelihood that many animals will come to the markets untagged, due to most small producers not having the equipment to do it themselves, and the limited availability of technology to scan animals quickly through the markets, we anticipate that implementing a national ID system that allows timely marketing of animals will be extremely difficult.
- We realize that many of the members of this committee are interested in moving ahead with a mandatory national ID system immediately. However, if we do so without knowing the cost for building the system's infrastructure and who will bear those cost; or

we do so without first making sure the right technology and equipment are available to livestock markets, packers, veterinarians, animal health official and producers to achieve that goal of identifying animals at the speed of commerce, we can expect the ID system to fail and the ultimate cost for that failure to be greater than any foreign animal disease outbreak we seek with this plan to contain.

- That is why the LMA Board of Directors and membership recently agreed to a resolution that until such time as the NAIS pilot/implementation projects are well-established, evaluated and economic impact studies completed, the NAIS should remain voluntary and that LMA member markets, their consignors and buyers should take a cautious approach in adopting animal ID technology and information systems that are not fully evaluated and proven through sound empirical studies.
- Lastly, LMA would welcome the opportunity to take a delegation from this committee to one of our fine marketing facilities to give you an upfront and personal look at the challenges the markets face in implementing a national animal ID system in their operations and to help you in your efforts to look at all aspects of this issue.
- Thank you again for letting me speak for the livestock markets on this important issue.