



United States
Department of
Agriculture

Grain Inspection,
Packers and
Stockyards
Administration

2002 Annual Report of the Grain Inspection, Packers and Stockyards Administration

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

Organizational Structure and Functions



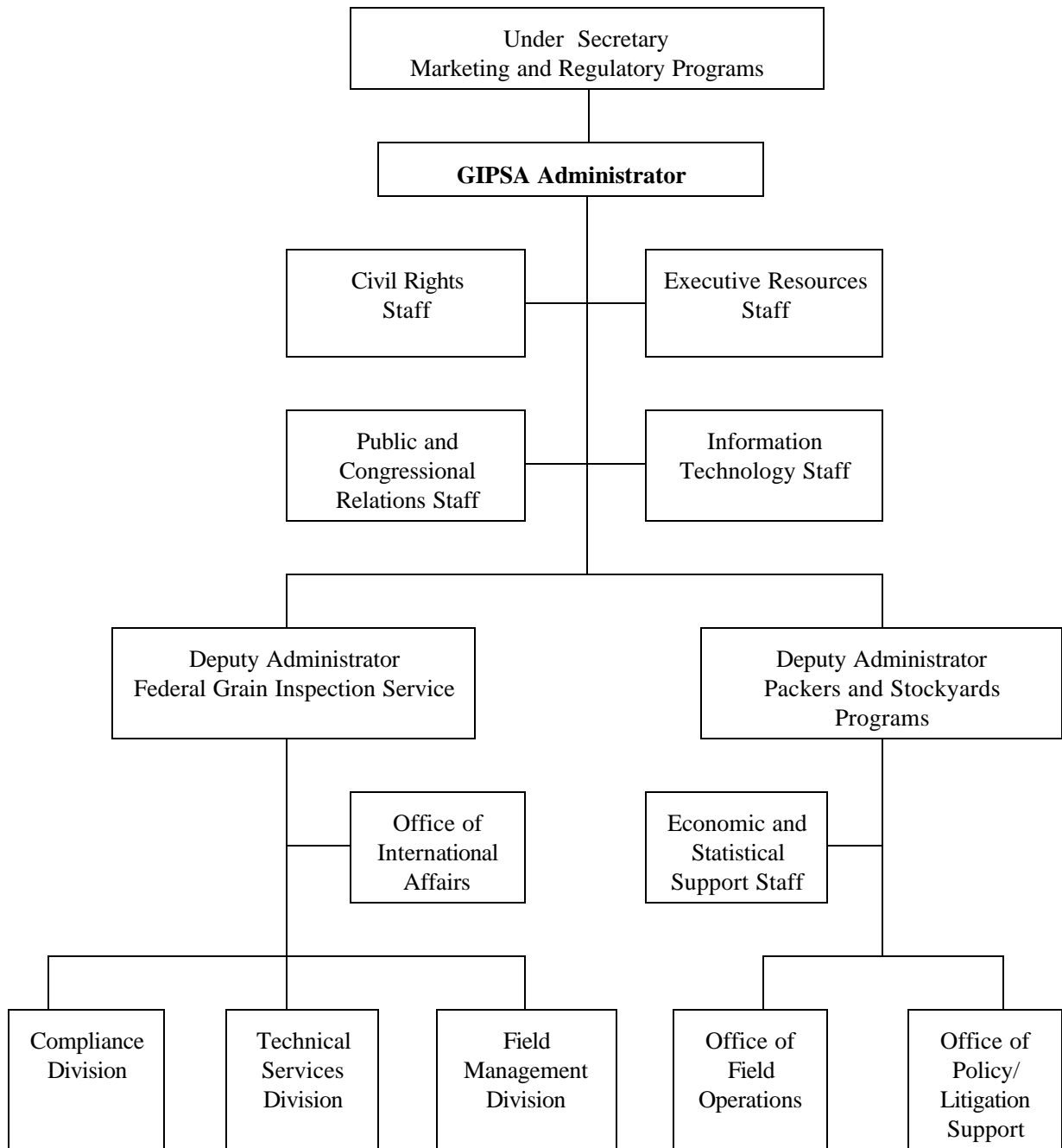
Organizational Structure and Functions

The Grain Inspection, Packers and Stockyards Administration (GIPSA) works to ensure a productive and competitive global marketplace for U.S. agricultural products.

One of GIPSA's programs, the Packers and Stockyards Programs (P&SP), promotes fair and competitive markets for livestock, meat, and poultry by enforcing the Packers and Stockyards Act of 1921. P&SP provides financial protection to producers and promotes fair and competitive markets within its regulatory framework. The other program, the Federal Grain Inspection Service (FGIS), provides the U.S. grain market with Federal quality standards and a uniform system for applying them. FGIS has both service and regulatory roles, and was founded to provide impartial, accurate quality and quantity measurements to create an environment that promotes fairness and efficiency.

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

GIPSA's Organizational Structure



Packers and Stockyards Programs

Authorities

GIPSA's Packers and Stockyards Programs (P&SP) administers the P&S Act of 1921, as amended and supplemented (P&S Act). P&SP also carries out the Secretary's responsibilities under Section 1324 of the Food Security Act of 1985. P&SP is responsible for the Truth-in-Lending Act, the Fair Credit Reporting Act, and the Agriculture Fair Practices Act, as each relates to persons and firms subject to the P&S Act. Additionally, P&SP responds to inquiries submitted under the Freedom of Information Act.

Responsibilities

P&SP is responsible for administering the P&S Act, which prohibits unfair, deceptive, and fraudulent practices by market agencies, dealers, stockyards, packers, swine contractors, and live poultry dealers in the livestock, poultry, and meatpacking industries. The P&S Act makes it unlawful for a regulated entity to engage in unfair, unjustly discriminatory, or deceptive practices. Packers, live poultry dealers, and swine contractors are also prohibited from engaging in specific anti-competitive practices.

Pursuant to the Act, the Secretary has authority over market agencies, dealers, stockyards, packers, swine contractors, and live poultry dealers in the livestock, poultry, and meatpacking industries. The Act imposes requirements on the regulated industries, such as registration of market agencies and dealers; bonding of market agencies, packers (except those whose average annual livestock purchases do not exceed \$500,000), and dealers; and prompt payment requirements. To protect the unpaid sellers of livestock, packers are subject to trust provisions which require that all livestock purchased in cash sales, and all inventories of, or receivables or proceeds from meat, meat food products, or livestock products derived therefrom, be held in trust for the unpaid sellers until payment is made in full. There is a similar provision for live poultry dealers. Swine contractors are not subject to the payment provisions.

P&SP uses its statutory authority to investigate alleged and potential violations of the P&S Act and regulations, and prosecutes violations detected through those investigations, either directly through administrative actions or through referral to the Department of Justice.

Under the Food Security Act of 1985, States may establish central filing systems to pre-notify buyers, commission merchants, and selling agents of security interests against farm products. GIPSA administers the section of the statute commonly referred to as the "Clear Title" provision, and certifies qualifying State systems.

Activities

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

- Registering individuals and firms who operate subject to the P&S Act,
- Ensuring that registrants obtain and maintain the proper level of bond coverage,
- Ensuring the integrity of packer and live poultry trusts,
- Analyzing trust and bond claims,
- Investigating the financial conditions and payment practices of registrants, packers, and live poultry dealers,
- Investigating the procurement practices of registrants, packers, live poultry dealers, and swine contractors,
- Investigating marketing practices at stockyards, auction markets, buying stations, Internet sales, video sales, and terminal markets,
- Testing scales at auction markets, stockyards, buying stations, poultry processing plants, packing plants, and at any location where scales are used to weigh feed, when feed is a factor affecting payment,
- Investigating the competitive practices of registrants, packers, live poultry dealers, and swine contractors, and
- Monitoring structural changes in the livestock, meat, and poultry industries.

**Farm Bill --
Additional Authority**

The Farm Security and Rural Investment Act of 2002 (known as the Farm Bill) contained a number of provisions that directly impact P&SP activities. These include provisions that deal with GIPSA's jurisdiction over swine contractors, the rights of contractual parties to discuss terms of the contracts with others, and protection for purchasers of farm products.

- The Farm Bill amended the P&S Act by adding definitions for "swine contractor," "swine production contract," and "swine production contract grower" to sections of the P&S Act, thus extending the jurisdiction of certain provisions of the P&S Act to include swine contractors.

- In general, the amendment prohibits certain activities of swine contractors, requires swine contractors to maintain certain records, and holds each swine contractor responsible for the acts of its employees, officers, and agents. It also creates a private right of action to sue swine contractors in Federal District Court under the P&S Act.
- Swine contractors are subject to all of the prohibitions contained in Section 202 of the P&S Act (the competition provisions), which makes it unlawful for any packer or swine contractor to:
 - Use any unfair, unjustly discriminatory, or deceptive practice,
 - Give any unreasonable preference or advantage to any person or locality,
 - Apportion supply if apportioning supply restrains commerce or creates a monopoly,
 - Manipulate or control prices.
- The amendment established no new bonding or registration requirements, no trust provision for swine production contract growers, nor any prompt payment requirements for swine contractors.
- The amendment helps growers in three ways:
 - First, swine contractors are subject to the P&S Act and P&SP will investigate all complaints. If P&SP finds evidence of a violation, it will take appropriate action. If an administrative action is initiated, the swine contractor could be ordered, by an administrative law judge, to stop violating the law and could be assessed up to \$11,000 in civil penalties per violation. By law, civil penalties are paid to the U.S. Government.
 - Second, if a grower believes that a swine contractor has violated the P&S Act relating to its swine production contract, the grower can sue the contractor by filing suit in Federal District Court alleging that the contractor has violated the P&S Act. If the grower wins the lawsuit, the contractor will have to pay the grower the full amount of damages caused by the contractor's violation of the P&S Act.
 - Third, P&SP will engage in oversight of swine contractors as part of its enforcement of the new amendment. P&SP regularly investigates packers and will include a review of swine contractors in investigations.

- The Farm Bill grants the parties to contracts for the production or sale of livestock or poultry the right to discuss terms or details of the contracts. Specifically, parties to these contracts have the right to discuss the terms of the contracts with Federal or State agencies, or with the parties' legal advisor, lender, accountant, landlord, executive or manager, or immediate family member. This right may provide the basis for making the determination of an "unfair practice" under the P&S Act. For example, a swine contractor, packer, or live poultry dealer, regulated under the P&S Act, may be determined to have committed an "unfair practice" if it fails to provide this right. The right is not retroactive; it applies only to contracts entered into, amended, renewed, or extended after enactment of the Farm Bill (May 13, 2002).
- The Farm Bill amended the section of the Food Security Act of 1985 that provides financial protection for purchasers of farm products covered by liens by relaxing some signature requirements, clarifying terms to make them consistent with terms in the Uniform Commercial Code, and facilitating electronic filing of lenders' security interests. These are technical modifications that will improve the operation of the program.

Investigations

GIPSA's P&SP investigative and enforcement activities include Competition, Trade Practices, and Financial Program Protections. In FY 2002, these Programs undertook 1,435 investigations, and closed 1,238. Investigations are conducted as the result of complaints or information received alleging that violations of the P&S Act have occurred, and as follow-ups to previous investigations that disclosed violations of the P&S Act to assure that violations have been corrected. Other investigations are initiated by P&SP to assure subject firms are operating in compliance with the P&S Act. In FY 2002, 1,238 investigations were completed by P&SP. When an investigation discloses a subject firm has violated the P&S Act, either the firm is placed on notice of the violation by certified letter to correct the violation or an investigation report containing evidence of the violation is prepared for possible issuance of an administrative complaint. Follow-up investigations are scheduled for letters of notice to determine that compliance with the P&S Act has been achieved. In FY 2002, 193 letters of notice of violations were sent to subject firms, and 45 investigation reports were prepared by regional offices and submitted to Washington headquarters for potential formal complaints. Twenty-three formal administrative complaints were issued in FY 2002. The table following shows a breakdown of the investigations closed in FY 2002, and the number and percentage of closed investigations that were completed and closed within 1 year of the date the investigation began.

Investigations

Unit	Number Closed	Number Closed in a Year	Percent Closed in a Year
Competition	37	28	76
Financial	529	467	88
Trade Practice	672	626	93
Total	1,238	1,121	91

When P&SP determines that a potentially serious situation exists that may cause imminent harm to livestock producers, rapid response teams are immediately deployed to investigate the matter. In FY 2002, 40 rapid response investigations were initiated. These investigations resulted in \$4,285,168 recovered for the benefit of livestock producers at a cost of \$626,770 in salary and travel expenses. Total recovery to producers as the result of P&SP investigations in FY 2002 was \$37.2 million.

Toll-Free Hotline

GIPSA maintains a toll-free number (1-800-998-3447) to allow members of the livestock and poultry industries and the public to report complaints and share concerns. During FY 2002, GIPSA received 118 hotline complaints from livestock producers, poultry growers, and the public. Each call was referred to the appropriate regional office for review, followup, and appropriate action on complaints reporting substantiated violations of the P&S Act.

P&SP Structure

As of September 30, 2002, P&SP had 169 full-time employees. P&SP has a headquarters office in Washington, D.C. and three regional field offices in Atlanta, Georgia; Denver, Colorado; and Des Moines, Iowa.

The regional field offices conduct most day-to-day industry monitoring and surveillance, and investigations. Each regional office maintains a high level of expertise in one or more species of livestock. The Atlanta Regional Office has expertise in poultry and takes the lead on all national poultry investigations. The Des Moines office has expertise in hogs and takes the lead on all national hog investigations. The Denver office has expertise in cattle and lambs and takes the lead on all national cattle or lamb investigations.

Resident agents, reporting to regional field offices, are located throughout the country to provide additional coverage across the Nation, with each agent located to provide core services in his or her assigned area.

P&SP Regional Offices

Poultry:

Atlanta Regional Office
Richard Russell Building
75 Spring Street, Suite 230
Atlanta, GA 30303
Regional Supervisor: Elkin Parker
Phone: 404-562-5840
FAX: 404-562-5848
E-mail: Elkin.W.Parker@usda.gov

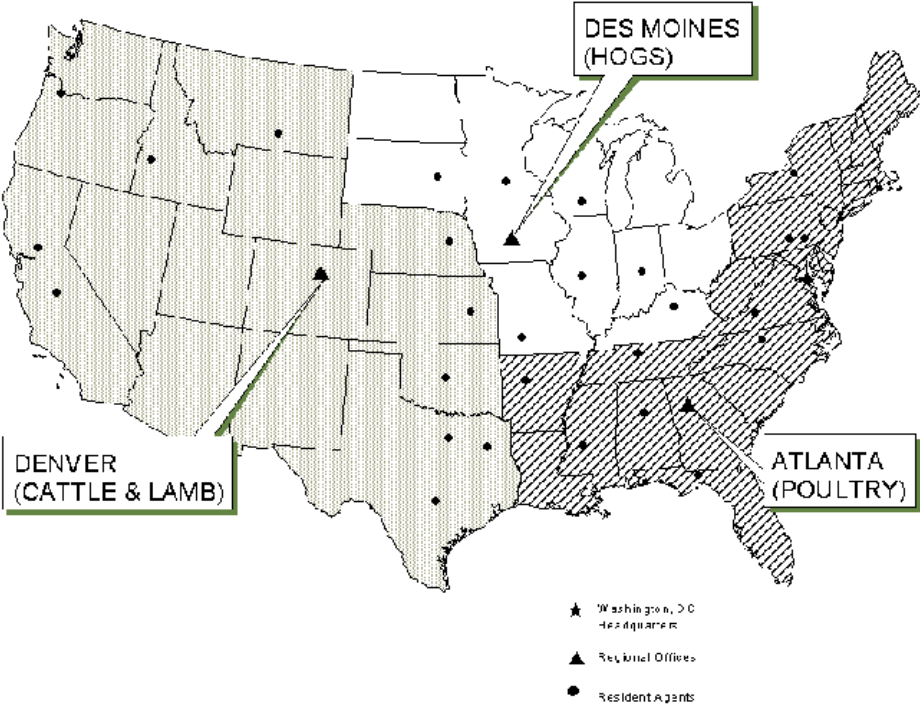
Cattle and Lamb

Denver Regional Office
1 Gateway Center
3950 Lewiston Street
Aurora, CO 80011
Regional Supervisor: John Barthel
Phone: 303-375-4240
FAX: 303-371-4609
E-mail: John.D.Barthel@usda.gov

Hogs

Des Moines Regional Office
Federal Building, Suite 317
210 Walnut Street
Des Moines, IA 50309
Regional Supervisor: Jay Johnson
Phone: 515-323-2579
FAX: 515-323-2590
E-mail: Jay.Johnson@usda.gov

Packers and Stockyards Programs Field Structure



Federal Grain Inspection Service

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

Activities Under the U.S. Grain Standards Act

GIPSA administers uniform, national grain inspection and weighing programs established by the U.S. Grain Standards Act, as amended (hereinafter, the Act). Services under the Act are performed on a fee basis for both export and domestic grain shipments. The Act requires generally that export grain be inspected and weighed; prohibits deceptive practices and criminal acts with respect to the inspection and weighing of grain; and provides penalties for violations.

In administering and enforcing the Act, GIPSA:

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

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

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

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

Mandatory Services

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

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

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

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

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

Permissive Services

Official inspection and weighing of U.S. grain in domestic commerce are performed upon request and require payment of a fee by the applicant for services. Domestic inspection and weighing services are provided by 58 designated agencies that employ personnel licensed by GIPSA to provide such services in accordance with regulations and instructions.

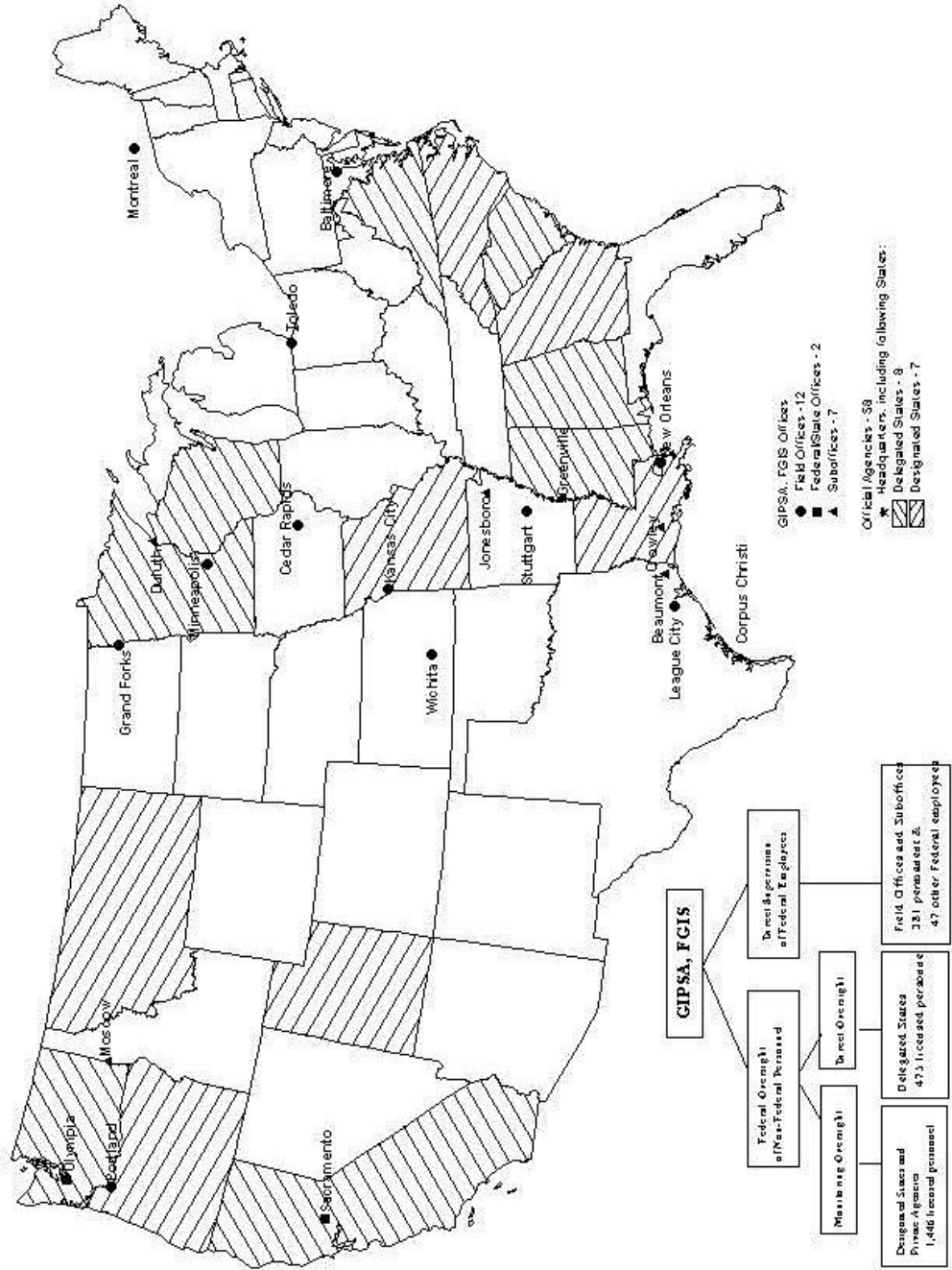
Activities under the Agricultural Marketing Act

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

FGIS Structure

FGIS is comprised of 542 full-time, permanent employees and 45 part-time, intermittent, or other employees located at 2 headquarters units, 12 field offices, 2 Federal/State offices, and 7 suboffices. FGIS has headquarters units in both Washington, DC, and Kansas City, MO. Field offices are located in Stuttgart, AR; Sacramento, CA; Cedar Rapids, IA; Wichita, KS; New Orleans, LA; Baltimore, MD; Minneapolis, MN; Kansas City, MO; Grand Forks, ND; Portland, OR; League City, TX; Toledo, OH; and Olympia, WA; thus ensuring the availability of official inspection and weighing services anywhere in the United States. FGIS personnel also are located in eastern Canada to provide inspection of U.S. grain at Canadian ports.

Official Inspection and Weighing Service Providers



Provision of Inspection and Weighing Services by State

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

* Federal/State office.

Outlook 2003



Outlook 2003

Standards Development

The U.S. grain marketing system is undergoing rapid and profound change. Developments in plant breeding, the use of new marketing strategies such as identity preservation, increasingly complex processing, food manufacturing, and feed formulation, and other factors will continuously challenge GIPSA to develop and modify the official U.S. grain standards to ensure they accurately reflect and support market practices. To ensure that the grain standards remain relevant to the grain industry, from producer to end user, GIPSA plans to: (1) analyze comments received in response to the Agency's FY 2002 proposal to establish subclasses in Hard White wheat based on seed coat color, and to publish a final rule in spring 2003; (2) analyze the role of corn and soybeans in the changing U.S. feed sector and identify any needed changes to the grading standards; and (3) prepare a proposal to solicit comments on amending the oat standards to include new species of oats.

Review of P&S Act

The P&S Act has not undergone significant review in many years. GIPSA has determined that a comprehensive review of the P&S Act and regulations is warranted to ensure that the Act remains viable in the 21st century. GIPSA will reach out to various industry groups to incorporate them into this process. When the review is complete, GIPSA will provide a report to Congress.

Proposed Study

A wide range of procurement and pricing practices are used in the procurement of slaughter livestock and has been a source of some concern in the livestock industry. These procurement practices are part of a complex system of forward supply arrangements linking many producers, processors, and marketing firms. GIPSA believes more information about the number, prices, and quality characteristics of livestock sold through these various methods, and other information could help the Agency better understand changes in marketing practices, motivations for the changes, potential costs and benefits, and the relationship of these changes to the P&S Act. Contingent on Congressional funding, GIPSA plans to conduct a major study of the use and economic effects of all types of supply arrangements used throughout the livestock and meat marketing system, including captive supplies and packer ownership of livestock.

Swine Contract Library

The Livestock Mandatory Reporting Act of 1999 amended the P&S Act to require the Secretary of Agriculture to establish a swine contract library and to publish regulations implementing the swine contract library. In early 2003, GIPSA will implement a swine contract library to provide more transparency in the pricing of hogs purchased by packers for slaughter. The library will use a Web-based system to facilitate real-time data input from swine packers and data access by the public. The regulation will require certain packers to file swine marketing or purchase contracts with GIPSA and monthly reports about the number of swine expected to be delivered, under contract, to the packers. The swine contract library will include information from swine packing plants with a slaughter capacity of 100,000 swine or more per year (30 firms that operate 50 plants operated by 30 firms accounting for approximately 96 percent of industry slaughter in 2001).

The goal of the swine contract library is to provide useful information to producers and other interested parties. P&SP will receive contracts from packers, and extract the payment provisions unique to each contract. P&SP will list the different payment provisions from each unique contract, by region, on the GIPSA website. P&SP will extract and provide information about other contract provisions to provide as much information about contracts as possible under confidentiality requirements. Producers will then have the ability to see contract terms, including, but not limited to, base price determination formula and the schedules of premiums or discounts and packers' expected annual contract purchases. P&SP will also provide estimates of future hog purchases based on reports packers will file.

Improve Annual Assessment of the Cattle and Hog Industries

GIPSA plans to expand the scope of its Congressionally mandated annual assessment of the cattle and hog industries by including the poultry industry, and the sheep and lamb industry.

Increase Market Intelligence

P&SP is revising the report forms that packers file annually with GIPSA. The revised forms will allow GIPSA to collect more timely information on procurement and pricing methods, purchase volumes, packer processing costs, and plant- and firm-level productivity. This information will enable the Agency to more effectively monitor the industry, identify new business methods, and track trends, including efficiency and productivity trends. The Agency will also use this information to produce and publish more timely, accurate, and detailed statistics on captive supply use, packer financial performance, and industry costs than have previously been available.

Streamlining Processes
Captive

Among the actions that GIPSA plans to take as a result of the

Supply study GIPSA released in January 2002, is to consolidate the collection and processing of packer annual report forms in a single office (Economic and Statistical Support Staff) in Washington, D.C., rather than in each of its regional offices, as it is now being done. This will improve the standardization of definitions and procedures; give all firms a single point of contact regarding packer annual report questions; and improve the coordination, effectiveness, and efficiency of collecting, tabulating, and analyzing the data.

Packers and Stockyards Programs



*Promoting a fair and competitive
marketing environment for
livestock, meat, and poultry through
enforcement of the Packers and Stockyards Act.*

- *Competition*
- *Trade Practices*
- *Financial Protection*
- *Reports and Research*
- *Other Initiatives and Activities*

Competition

Overview

GIPSA's P&SP Competition Program focuses on enforcing provisions of the P&S Act that prohibit anticompetitive behavior. The provisions of the Act that address anticompetitive behavior are contained primarily in Section 202 of the P&S Act.

Enforcement Activities

In addition to initiating independent reviews and market analysis, P&SP's Competition Program investigates all complaints alleging anticompetitive behavior as defined by its authorities under the P&S Act. Currently P&SP is engaged in reviews and investigations of conduct that falls into two broad categories: Pricing and Procurement Practices, and Market Participation and Behavior. GIPSA receives many complaints about issues such as concentration and mergers that may relate to competition but do not involve potential violations of the P&S Act and do not result in formal investigations. During fiscal year 2002, P&SP evaluated the merits of 58 complaints regarding potential anticompetitive practices in violation of the P&S Act. Competition investigations tend to be complex and often require sophisticated economic modeling and analyses. In FY 2002 P&SP's Competition Program evaluated complaints regarding: attempted restriction of competition, failure to compete, buyers acting in concert to purchase livestock, apportionment of territory, price discrimination, price manipulation, and predatory pricing. P&SP is conducting investigations and market surveillance to identify possible violations of the P&S Act and to keep abreast of constantly evolving pricing and procurement practices. In FY 2002 P&SP's Competition Program completed evaluations of 33 of 58 competition complaints. One resulted in a letter of notice that brought the party into compliance, and the other 32 did not reveal violations of the Act.

Pricing and procurement practices are becoming increasingly complicated and increase the possibility of unlawfully exercising market power through those practices. The Competition Program has a number of enforcement initiatives underway as a result of complaints, or of its on-going surveillance of the industries' use of pricing and procurement practices. Examples include the following: an assessment of the ability to use marketing and production contracts to exercise market power in a manner prohibited by the P&S Act, an evaluation of possible reciprocal dealing and tying arrangements, an identification of pork procurement and pork pricing arrangements, and inquiries into alleged buyer collusion and alleged attempts to exclude competitors from markets.

Competition Program Initiatives

In addition to its evaluation of complaints, the Competition Program participates in a number of initiatives to remain proactive and aware of changing conditions in the markets it regulates, by providing its staff with the necessary knowledge and expertise to function effectively, coordinating its efforts with other governmental units, and effectively communicating with its various stakeholders.

Competition Program units at headquarters and regional offices are compiling, reviewing, and analyzing contracts between packers or poultry integrators and producers and growers. They are looking at the contractual relationships of producers who supply fed cattle or hogs for slaughter, or who supply poultry grow-out services in: fed cattle marketing agreements, hog marketing contracts, and broiler grow-out contracts.

The Competition Program also provides economic investigative expertise in support of investigations conducted by other government agencies, and assists in report preparation and responses to Congressional directives. Following the events of September 11, 2001, there was a sharp decline in livestock prices. P&SP and the Commodity Futures Trading Commission (CFTC) jointly conducted an investigation to determine if packers were taking advantage of the situation in violation of the P&S Act. The investigation found that price declines were due to other factors. P&SP and CFTC also conducted a joint market review of insider trading in the cattle cash and futures market based on rumors of foot and mouth disease. P&SP also attends CFTC Commissioner briefings for cattle, hog, and meat futures.

Trade Practices

Overview

One of GIPSA's responsibilities under the P&S Act is to promote fair business practices in the marketing and procurement of livestock, meat, and poultry, and determine if unfair or deceptive practices are occurring. P&SP's Trade Practices Program conducts trade practice investigations of auction markets, livestock dealers and order buyers, slaughtering packers, live poultry dealers, meat dealers and brokers, processors, and distributors.

Registration and Bonding

The P&S Act requires registration of any person engaged in the business of a market agency, dealer, or buyer of livestock for slaughter as an employee of a packer. As part of the registration, market agencies and dealers are required to be bonded. Packers are not required to register but packers purchasing more than \$500,000 per year are required to be bonded. Firms furnishing stockyard services are required to be posted and file a schedule of charges.

The following table shows the number of packers, packer buyers, registrants, and posted stockyards and the value of bonds for the past 3 years.

	FY 2000	FY 2001	FY 2002
Posted Stockyards	1,519	1,525	1,510
Market Agencies/Dealers	6,380	6,250	6,024
Packer Buyers	2,039	2,051	2,064
Bonded Packers	366	339	339
Value of Bonds (millions)	\$537	\$560	\$573

Weight and Price Manipulation

Any arbitrary change in the purchase weight, whether by adding to the actual weight of the livestock or failing to pass on a shrink allowance, is an unfair and deceptive practice. Any arbitrary increase in the purchase price, either in purchases on order or sales based on cost plus an agreed margin, is an unfair and deceptive practice. In FY 2002, the Trade Practices Program conducted 63 investigations of livestock dealers and order buyers. Corrective action was taken where discrepancies were found.

Accurate Weights

The Trade Practices Program enforcement efforts in this area are directed at accurate scales, and detection of improper and fraudulent use of scales. In most cases, the scales are tested by State and private testing agencies following testing procedures developed in cooperation with the National Conference on Weights and Measures (NCWM), and with test weights whose accuracy is traceable to the U.S. Department of Commerce, National Institute of Standards and Technology (NIST). The scales must meet performance requirements developed in cooperation with NCWM and NIST. The Trade Practices Program conducts training schools for test agencies with NCWM National Training Program-certified instructors. Test reports are analyzed and tests are periodically supervised to ensure that they accurately reflect the performance of the scale under normal use conditions.

Since 1988, 31 training schools provided technical training to 526 officials from 50 States and the Navajo Nation. Informal instruction is routinely provided upon request to State and private test agencies. In FY 2002, the Trade Practices Program conducted one training school for State and local weights and measures officials from two States. A total of 30 individuals attended the training school. In FY 2002, Trade Practices Program employees received and responded to 20 requests for technical assistance.

Accurate Scales

Market agencies, dealers, packers, and live poultry dealers are required to maintain their scales in an accurate condition. The P&S Act and regulations require scales to be tested at least semi-annually at intervals of approximately 6 months, by competent persons, with test results filed with P&SP. A total of 3550 livestock, monorail, vehicle, and feed hopper scales were in use by the close of 2002. Last year, 3,457 subject scales were tested two or more times. Of the scales tested during FY 2002, 97 percent complied with performance requirements. Scales not found in compliance were adjusted, repaired, or replaced by private scale companies. In FY 2002, P&SP employees supervised the testing of 29 scales to determine that proper test procedures were followed and that the scales were in compliance with applicable performance requirements. Of the scale tests supervised, seven or 24 percent were found not to be in compliance. P&SP required the inaccurate scales be promptly adjusted, repaired, or replaced as necessary to bring them into compliance. The Trade Practices Program analyzed 7,463 test reports of subject scales for compliance with testing procedures and accuracy requirements. Reports of tests revealed that 93 were questionable and 9 were unacceptable. Appropriate action was taken to bring them into compliance.

Weighing Investigations

A major emphasis of the Trade Practices Program is the detection of improper or fraudulent use of scales. In FY 2002, 130 livestock checkweighing investigations were conducted at livestock auction markets, and dealer and packer buying stations; 9 carcass checkweigh investigations were conducted at the operation of slaughtering packers; and 74 poultry checkweighing investigations were conducted at live poultry dealers. Approximately 9 percent of the investigations disclosed false or incorrect weighing, with appropriate corrective action being taken.

New Market Orientations

P&SP attempts to meet with new auction market owners and managers as soon as possible after operations begin. These visits ensure that market operators understand their fiduciary responsibilities under the P&S Act, and that they are operating in compliance with the P&S Act and regulations. These visits in the early stages of a market's operations also provide important protection to livestock producers who rely on the market to be a competitive marketplace. In FY 2002, GIPSA conducted 32 new market orientations.

Feed Mill Orientations

Feed mill orientations help ensure that feed mill operators are aware of the regulatory requirements regarding feed weights used in the calculation of producer/grower payments, and thus help ensure that the feed weights are accurate. During FY 2002, P&SP visited the operations of 12 feed mills, representing 12 different poultry complexes. Information gathered during these orientations is used to plan future feed weighing violations and is also valuable in evaluating and investigating complaints received involving feed delivery to, or feed pickup from producers/growers.

Contract Poultry Arrangements

During FY 2002, the Trade Practices Program investigated the operations of 53 live poultry dealers. Nearly 60 percent of these investigations were the result of complaints received from contract growers. GIPSA is currently investigating the various payment terms incorporated into poultry growing arrangements. These investigations are designed to determine whether the contract settlement terms of live poultry dealers are deceptive or unfair to the growers who grow poultry under these agreements.

Reparations

Anyone believing an action of a stockyard, market agency or dealer has caused personal loss or damage in violation of the P&S Act may file a complaint seeking reparation (damages) with P&SP within 90 days of when the complainant learned of the action that caused damages. Reparation complaints may not be filed against packers, live poultry dealers, or swine contractors. At the beginning of FY 2002, there were 17 docketed reparation complaints pending in which the complainants were seeking reparations in the amount of \$236,628.40. During FY 2002, six additional actions were docketed or reopened in which the complainants are seeking reparation in the amount of \$293,802.80. During FY 2002, two dockets were closed. At the end of FY 2002, 21 dockets, in which complainants are seeking \$447,771.45 in reparations, are pending.

**Trade Practices
Program Initiatives**

American Society for Testing Materials International (ASTM).

Carcass evaluation devices are used to estimate percent lean in livestock carcasses for over 84 percent of the hogs purchased in the United States. The estimated percent lean is used to determine premiums/discounts in formulas to price livestock purchased on a grade and yield basis. Some slaughtering packers also use the information developed by evaluating devices to establish their live weight price. Currently there are no established, verifiable and traceable standards in use to determine the accuracy of carcass evaluating devices. GIPSA, with assistance from the ASTM, is working with stakeholders to develop such standards. ASTM, a not-for-profit organization that was established in 1898, provides support services and facilitates stakeholders' development and publication of voluntary consensus standards for materials, products, systems, and services. ASTM Committee F10 on Livestock, Meat, and Poultry Evaluation Systems was formed to develop the standards and met three times in FY 2002.

FSIS/FDA Teaming on Drug Residues in Calves and Cows. It is a violation of the P&S Act for a livestock dealer or market agency to knowingly sell livestock for slaughter for human consumption with an illegal drug residue or an illegal amount of a drug approved by the Food and Drug Administration without disclosing this to the buyer. P&SP has entered into an agreement with Food Safety and Inspection Service (FSIS) for FSIS to provide upon request the names of firms where illegal drug residues are found in calves and/or cull dairy cows. FSIS is the agency in the U.S. Department of Agriculture responsible for ensuring that the Nation's commercial supply of meat, poultry, and egg products is safe, wholesome, and correctly labeled.

Joint P&SP and FBI Investigation. P&SP and the Federal Bureau of Investigation (FBI) jointly investigated the case of George Young and Kathleen McConnell. Young and McConnell allegedly engaged in a scheme to defraud cattle feeders and bankers. On November 7, 2002, the Office of the U.S. Attorney in Kansas City, Missouri, announced a five-count indictment of Young and McConnell related to a phantom cattle scheme.

Financial Protection

Overview

The Financial Program supports the financial integrity and stability of the livestock, poultry, and meatpacking industries through enforcement of the P&S Act and regulations. Financial investigations address issues of payment to sellers of livestock and poultry, maintenance of custodial accounts, solvency, trusts, and issues related to the maintenance of a bond or bond equivalent.

Financial Integrity

Under the P&S Act, a regulated entity must be solvent (current assets must exceed current liabilities). Live poultry dealers are specifically excluded from the solvency requirements. Solvency requirements of the P&S Act are enforced through the review of annual reports filed by subject entities and by on-site financial investigations. During FY 2002, regional offices conducted 6 on-site investigations of financial records and reviewed the financial statements (and other information) in over 6,000 annual reports. The investigations and annual report reviews indicated 247 firms were insolvent in the amount of \$381,392,250 (this is the net excess of total current liabilities over total current assets for the 247 firms). Through the work of the P&SP Financial Program, 74 of the insolvencies, in the amount of \$23,549,556, were corrected. An additional 7 insolvencies were reduced by an amount of \$3,014,576. The remaining 166 firms may be grouped in the following categories:

- Working with the firms to correct the insolvencies. Formal action is initiated when appropriate.
- Discontinued operations due to financial failure.

Payment Practices

The P&S Act requires that every dealer, market agency, and packer make payment for livestock before the close of the next business day following purchase. Additionally, the P&S Act establishes specific payment delivery requirements for livestock purchased for slaughter. Buyers cannot use threats or intimidation to influence the terms of payment.

Drafts issued in payment for livestock do not meet the prompt payment requirements. Before packers, market agencies, or dealers can issue a draft in payment for livestock, they must enter into a written credit agreement with the seller. If the livestock is purchased for slaughter, the buyer must also obtain a written acknowledgment from the seller waiving trust rights.

During FY 2002, P&SP investigated 60 firms or individuals owing 541 sellers \$22,592,977 for unpaid livestock purchases. (P&SP is continuing to investigate the validity of some alleged unpaid amounts owed for livestock). Payments from bonds and other sources reduced the unpaid amount to \$21,714,776. Additional payments may be made in the future from bonds, packer/poultry trust payouts, and other sources. Due to the uncertainty and unpredictability of future events, which may include further investigation and/or formal action by P&SP, the amount of future recoveries cannot be

determined.

Custodial Accounts

A bank account entitled “custodial account for shippers proceeds,” commonly referred to as a custodial account, must be established and maintained by market agencies selling livestock on commission (auction markets) as a depository for proceeds from the sale of consigned livestock.

It is a trust account and the auction market has a fiduciary responsibility to safeguard the account and make timely distribution from it to livestock sellers. Auction markets are required to maintain this account in balance at all times. The Financial Program monitors custodial accounts through annual reports, special custodial analysis reports, and on-site audits of the custodial accounts.

During FY 2002 P&SP conducted reviews of 1,696 reports and conducted 206 on-site investigations of custodial accounts. The reviews disclosed a total shortage of custodial funds in the amount of \$8,999,870.

Through the Financial Program compliance efforts, the auction market operators restored \$4,320,562 to the custodial accounts to reduce the custodial shortages. The remaining custodial shortage amount is continuing at the end of the fiscal year, and subject to continuing P&SP monitoring, with formal action when appropriate. In some cases, the firms failed financially, and discontinued operations owing livestock consignors.

During FY 2002, P&SP investigated complaints against 60 firms or individuals owing 541 sellers \$22,592,977 for unpaid livestock purchases. Included in this amount is an ongoing packer trust investigation with claims of \$16,149,527 for unpaid livestock purchases. Sellers recovered \$878,201 from bond and other payments, leaving a loss during FY 2002 of \$5,565,249. This includes 17 financial failures in which entities ceased operations while owing \$4,353,996 to unpaid sellers of livestock.

Packer and Poultry Trusts

The P&S Act establishes a statutory (floating) trust on certain assets of a packer or poultry processor for the benefit of unpaid cash sellers of livestock and poultry. The packer or poultry processor is the trustee of the statutory trust. The trust includes all livestock or poultry, inventories of, or receivables or proceeds from, meat, meat food products, and livestock or poultry products.

In FY 2002, P&SP analyzed eight packer trusts and one poultry trust. Trust claims were received from 63 livestock sellers and one poultry seller totaling \$15,670,943. The status of the nine packer/poultry trust claims follows:

Trust Claims

Total Amount of Trust Claims Filed		\$15,670,943
Amount Paid by Bond	\$50,000	
Amount Paid by Other Sources*	\$102,273	
Amount of Trust Claims Withdrawn	\$83,026	
Claims Pending**		\$15,435,644

* Other sources generally consist of payments by the packer/poultry processor.

** Pending claims are awaiting completion of trust analyses and determination of the validity of the trust claim. Claims are continuing to be filed against one trust. Due to the uncertainty and unpredictability of future events, which may include further investigation and/or formal action by P&SP, the amount of future recoveries cannot be determined.

Packer and Registrant Bond Claims

All registrants (market agencies and dealers) and slaughtering packers purchasing over \$500,000 in livestock yearly maintain bonds on file with P&SP for the protection of livestock sellers. During FY 2002, 811 claimants filed claims totaling \$30,898,356. The status of the bond claims filed follows:

Total Amount of Bond Claims Filed		\$30,898,356
Bond Payout	\$613,385	
Claims Denied or Withdrawn	\$1,073,426	
Claims Pending*		\$29,211,545

* Pending claims are awaiting completion of bond analyses and determination of the validity of the bond claim. Claims are continuing to be filed against one bond. Due to the uncertainty and unpredictability of future events, which may include further investigation and/or formal action by P&SP, the amount of future recoveries cannot be determined.

Corrective Actions

Most violations of the P&S Act are found in investigations initiated by P&SP and are corrected voluntarily by the individuals or firms when the violations are brought to their attention. In FY 2002 P&SP conducted 601 financial investigations. As a result of the financial investigations, livestock and poultry sellers recovered \$4,039,338.

Reports and Research

Assessment Report to Congress

GIPSA prepared and provided Congress with a report titled “Assessment of the Cattle and Hog Industries, Calendar Year 2001.” The report delivered in 2002 was the second annual report of its kind prepared for Congress. The report describes the general economic state of the cattle and hog industries, changing business practices in these industries, and areas of concern under the P&S Act.

The report indicates that substantial changes are occurring in industry structure and the behavior of firms in the livestock and meatpacking industries. Feeding is more concentrated and feeding operations have gotten larger. At the same time, packing industry concentration has increased and packing plants have gotten larger. Market participants at all stages of the live animal and meat production industry are using more sophisticated vertical coordination and more varied pricing arrangements to exchange goods. Technological developments, changes in consumer demand, and other competitive forces drive many of the changes. Many of the changes are healthy for the industries involved, for consumers, and for the Nation as a whole. These changes also bring the potential for packers, dealers, and market agencies to engage in activities that would be prohibited under the P&S Act.

Areas of concern include: packers acting in concert to restrict competition, short cattle trading windows, shared agents, formula and grid pricing methods, thin spot markets, pricing formulas under Mandatory Price Reporting, captive supplies, market access and price inequalities, unfair treatment in contracts, carcass evaluation, e-commerce, string sales (making the purchase of some livestock conditional on the purchase of other livestock), payment delays due to drug residue testing, retaliation, and auction market stability.

GIPSA is addressing these concerns by monitoring changes in the industry structure and behavior, and investigating practices that appear to be unlawful under the P&S Act. GIPSA also may undertake regulatory initiatives to assure effective enforcement of the P&S Act. In addition, GIPSA uses research and analysis, and other tools to assess the economic, competitive, and trade practice implications of the structural and behavioral changes.

Captive Supply Report to Congress

GIPSA prepared a report on captive supplies in response to a Congressional mandate in the 2001 Agricultural Appropriations bill. The report, “Captive Supply of Cattle and GIPSA’s Reporting of Captive Supply,” clarified GIPSA’s definition of the term “captive supply,” and compared GIPSA’s captive supply statistics to statistics published by other organizations, including USDA’s Agricultural Marketing Service. The report also compared 1999 procurement transactions data of the four largest beef packers to summary captive supply data the packers submitted to GIPSA.

The report made the following points. Differences in captive supply

statistics reported by various organizations resulted from conflicting definitions, variations in the geographical bases of the data collection, and differences in time periods covered by the statistics (weekly versus annual).

GIPSA's analysis of the four largest beef packers' 1999 transactions data revealed that the summary captive supply statistics the packers reported to GIPSA included cattle procured from non-reporting subsidiaries, affiliates, owners, and employees, if the animals were procured through a captive supply arrangement. GIPSA found that in 1999 captive supplies accounted for 32.3 percent of the four largest beef packers' total slaughter rather than 25.2 percent, as reported in the packers' annual reports to GIPSA. The data discrepancies were attributed to misunderstandings about captive supply definitions and computational errors.

GIPSA will publish its definition of captive supplies to facilitate and encourage discussion of what is the most appropriate definition. GIPSA defines captive supplies as livestock that is owned or fed by a packer more than 14 days prior to slaughter, livestock that is procured by a packer through a contract or marketing agreement that has been in place for more than 14 days, or livestock that is otherwise committed to a packer more than 14 days prior to slaughter.

Statistical Report

GIPSA prepared a statistical report on the livestock and meatpacking industry covering reporting year 2000. The report provides data on industry concentration, plant size, packer financial performance, and number of animals purchased by source of supply – public and non-public markets. Public markets are terminals and auctions; nonpublic markets include all other sources of livestock. Most of the data are reported by type of animal and/or State or geographic region. The report includes data on slaughtering packers; market agencies buying or selling livestock on commission, including auction markets and selling agencies at terminal stockyards; and livestock dealers buying and selling livestock for their own accounts.

The report shows that the number of meat packers reporting to GIPSA (those purchasing more than \$500,000 of livestock for slaughter per year) has fallen over time, from 497 firms operating 623 plants in 1990, to 247 firms operating 326 plants in 2000.

Concentration of the four largest steer and heifer slaughterers rose from about 36 percent in 1980 to a high of 82 percent in 1994 and has remained relatively stable since then. Four-firm concentration in hog slaughter rose from about 34 percent in 1980 to 55 percent in 1996 and has leveled off at about 56 percent since then. Four-firm concentration in sheep and lamb slaughter rose from about 56 percent in 1980 to a high of 78 percent in 1992 and has since declined to about 67 percent in 2000.

The report includes information concerning the four largest steer and heifer slaughterers' use of forward contracts, marketing agreements, and packer feeding, collectively referred to as captive supplies. The four largest firms' use of forward contracts and marketing agreements rose from 24 percent of their total steer and heifer procurement in 1999 to about 29 percent in 2000. Packer feeding of steers and heifers by the four largest firms increased by less than 1 percentage point to about 9 percent in 2000. Overall, the use of all forms of captive supply by the four largest firms rose less than 6 percentage points in 2000 to 38 percent, its highest level.

Research Projects

GIPSA supports a small number of research projects that have the potential to contribute knowledge and understanding relevant to the Agency's mission. The findings of the studies reflect the views of the authors and are not necessarily those of the Agency.

Two cooperative agreements with universities for research were completed during FY 2002. One project (Utah State University) examined possible use of market power by beef packers and reported finding evidence that keeping plants operating at a steady level is more important to packers than cattle and other input prices, suggesting that the standard tests for market power are not valid. The researchers reported at a conference in August 2002 that, while individual feedlots tend to sell to a single plant, selection of which packer to sell to can be explained by factors that are not related to packers' market power.

Another research project (Wyoming State University) that was completed during the year examined bidding behavior in a controlled (laboratory) setting to gain insights about expected behavior in actual markets. The researchers reported that, in an experimental setting, prices were lower when there were a limited number of buyers than when several buyers bid against each other. They report that interaction among buyers further lowered the price, but there was little or no price-reducing effect if the buyers did not know the number of livestock available for sale. The authors expect to report their findings in the *American Economic Review* shortly.

Researchers at Iowa State University and the University of Nebraska, who worked on a 1999 GIPSA study of fed cattle procurement in the Texas Panhandle, have conducted followup analyses of (1) how a packer's use of captive supplies relative to other packers' use of captive supplies affects prices the first packer pays for fed cattle; and (2) the relationship between captive supply delivery timing and spot market prices. Public release of findings in professional journals is expected shortly.

P&SP has four active cooperative agreements with universities for research. One of the projects (North Carolina State University) is examining the economic effects on poultry contract growers and integrators of alternative compensation methods, different layout times between flocks, and different asset requirements imposed on growers. In results released by the researchers, they suggest: payments to growers may be higher when growers are paid based on performance relative to other growers (tournament settlements) than when they are paid under fixed performance standards; and they found no evidence that integrators discriminate among growers when providing inputs to the growers. Some of the findings have been released by the authors in the *American Journal of Agricultural Economics* and the *European Review of Agricultural Economics*. Additional findings are forthcoming in the *Journal of Labor Economics*.

Another project (Texas A&M University) is examining relevant geographic markets for broiler grower services, and is estimating potential use of market power by integrators—no results are available. The third project (Texas A&M University) is evaluating whether a new analytical tool can contribute to understanding relationships between use of captive supplies and fed cattle prices. The researcher is examining reviewers' comments and no results are available. The fourth project (University of California-Davis and USDA's Economic Research Service) is examining how distance, transportation costs, use of captive supplies, and bidding methods affect competition in cattle procurement. In preliminary findings presented at a conference in August 2002, the authors reported that prices paid by packers may be less than prices predicted by a simulation model that the researchers developed to estimate the full value of the cattle.

Other Initiatives and Activities

GAO Investigation of Economic Models

GIPSA participated in a GAO investigation of USDA's economic models of cattle prices. The investigation focused on examining whether models that USDA uses to predict prices incorporate structural change. GIPSA does not use the types of economic models for predicting prices that were the central focus of the investigation. GAO noted that GIPSA has conducted research using different models to evaluate the effects of structural change on livestock prices.

Recruitment and Training

P&SP has been taking several steps to strengthen its capacity to efficiently and effectively monitor and investigate behavior in the livestock, meat, and poultry industries. P&SP recruited at annual conferences of the American Agricultural Economics Association and the Allied Social Science Associations. The Agency has participated in job fairs throughout the country and has made several trips to universities to recruit employees. The Agency also has actively participated in summer intern programs, including programs for minority and disadvantaged persons.

P&SP undertook a number of training initiatives in FY 2002. For example, all Competition Program economists and P&SP legal specialists attended investigation training in Chicago, Illinois. The training also included an orientation and visit to the Chicago Mercantile Exchange. Competition Program economists and P&SP legal specialists attended an antitrust law conference. P&SP economists took advanced training in the use of P&SP's chosen econometric and statistical software package to enhance their ability to conduct complicated econometric analyses. Members of Senior Management, Competition Unit Supervisors and Branch employees, and the Supervisory Legal Specialist held a retreat to examine the P&SP competition program. Discussions focused on the scope of the competition program, investigation direction and planning, and future program needs. Nearly all P&SP managers participated in management training in FY 2002, with most attending "Managing in a Performance Based Culture" presented by the Office of Personnel Management.

Stakeholder and Industry-Related Initiatives

P&SP personnel regularly attend and participate in meetings of industry associations at the local, State, and national levels to remain abreast of problems and concerns in the livestock, meat, and poultry industries, and to promote a better understanding of marketing options and constraints facing the industry. An increased presence at public meetings has enabled P&SP personnel to stay fully informed and has provided industry participants with more information on the activities of the Agency, more access to P&SP officials, and additional perspective about P&SP policy. Although P&SP's interactions with the industry cover a broad range of topics of interest, competition issues and changing business practices in the livestock, meat, and poultry industries are emphasized at most of the meetings.

Examples of P&SP participation in meetings and other interaction with stakeholders include:

- Resident Agents, in addition to maintaining direct contact with producers and growers, develop and maintain mutually beneficial relationships with State officials, to discuss areas of mutual concern, particularly in areas of overlapping jurisdiction.
- Senior P&SP staff members met with top officials of six leading beef packers to review the Captive Supply study GIPSA released in January 2002, discuss issues associated with measuring captive supplies, and review GIPSA's plans for improving the quality of the data.
- GIPSA works with the Council on Food, Agricultural, and Resource Economics (C-FARE). C-FARE is a non-profit organization that focuses on economic dimensions of public policy issues and organizes symposiums on emerging issues.
- GIPSA is represented on the Technical Advisory Committee of the Livestock Marketing Information Center (LMIC). The LMIC is a cooperative effort between university extension specialists, USDA economists, and industry cooperators. LMIC provides data and economic analyses and projections about issues and conditions concerning the livestock industry, contributes to economic education, and supports applied research projects and policy evaluation.

- GIPSA participates in the National Pork Producers Council, Pork Industry Ad Hoc committee of government, academic, and U.S. and Canadian industry representatives, formed to work on initiatives to combat and mitigate the low price of hogs. The committee encourages cooperative organizational action between members of the pork industry. Involvement exemplifies GIPSA commitment to anticipate and prepare for production trends.
- GIPSA is the lead USDA agency in providing support to the American Indian Higher Education Consortium (AIHEC) at Tribal Colleges and Land-Grant Universities. GIPSA's USDA Tribal College Liaison attended and participated in several national conferences of Native Americans. Several P&SP employees took part in the first ever site visit by USDA to the Navajo Nation in Arizona.

Federal Grain Inspection Service



*Facilitating the marketing of U.S. grain
for the benefit of American agriculture.*

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

Harnessing Technology

Automation Initiatives

Web-Based System. Competition in the domestic and international grain markets remains extremely tight, increasing the need for companies to improve operational efficiency and customer satisfaction. To play a relevant role in the competitive U.S. grain market, FGIS is adjusting to better serve the emerging market needs by expanding our quality measurement capability, being more flexible to accommodate new marketing practices, and improving service delivery. FGIS has established an interdisciplinary team charged with reengineering and moving inspection-related operations to a web-based environment. FGIS envisions using a web-based system for the inspection and certification processes, data warehousing and real-time retrieval by the official system and our customers, enhancing quality control and assurance systems, providing visual inspection aids, as well as billing, licensing, equipment testing, manuals, and records.

Grain Inspection Automation at Export Elevators. A team of GIPSA automation and grain inspection experts, working with the North American Export Grain Association (NAEGA), developed a prototype automated grain inspection system that provides updated grain inspection information five times faster than present manual methods. During FY 2002, GIPSA implemented a prototype automated grain inspection system in Destrehan, Louisiana. Successful operation of the prototype will lead to full implementation of the system in Destrehan, Louisiana, and the issuance of system specifications for commercial deployment of the system in additional locations. When fully implemented, the system is expected to reduce costs to the industry and enhance GIPSA's efficiency.

Digital Imaging

Digital imaging has great potential for improving the accuracy, consistency, objectivity, and speed of grain inspection and grading. Digital imaging is a process of recording images, in GIPSA's case, of grain, in electronic digital format and then transferring the image to a computer for review and analysis.

Rice Inspection. In FY 2002, GIPSA established a program to check the long- and short-term accuracy of field instruments used to measure total broken kernels (TBK) in rice in California and Louisiana. In FY 2003, GIPSA plans to approve the GrainCheck 2312 to officially measure TBK in long-grain milled rice and medium-grain milled rice. GrainCheck technology will be used to develop additional rice inspection applications such as TBK measurement in short-grain milled rice and Brown rice.

Wheat Inspection. GIPSA and the Agricultural Research Service (ARS) jointly researched the use of GrainCheck technology for subclass measurements in Durum and Hard Red Spring wheat samples. Initial testing of an ARS-developed Durum wheat calibration showed results equal to or better than those achieved through official visual inspection. In FY 2002, GIPSA, North Dakota State University, and ARS evaluated this calibration using approximately 120 2001-crop Durum samples. For those samples, the calibration gave results inconsistent with visual inspection. The calibration is being further analyzed using a set of prepared samples with well-characterized subclass characteristics. The prepared samples also are being analyzed by official inspection to help set baseline performance standards.

In a separate project, GIPSA initiated a research program using flatbed scanner technology for objective grain inspection. GIPSA also plans to develop software and methodology to use flatbed scanner technology to differentiate between various shades of white wheat as a basis for subclasses. This technology will enable the market to easily and accurately differentiate white wheat best suited for specific end uses, such as Asian noodles, which typically require very white wheat. In FY 2003, ARS and GIPSA will develop calibrations for subclass measurements of Durum and Hard Red Spring wheat samples using a new imaging instrument that represents an update to GrainCheck 2312 technology.

Functional Quality Assessment

In FY 2002, GIPSA continued investigating using near-infrared transmittance (NIRT) measurements as a rapid means of predicting dough strength and other characteristics for flour made from that wheat on whole wheat kernels. GIPSA collected data on both export samples and a sample set representing a wider protein range to gain a better understanding of the relationship between protein levels and end-use characteristics. Data also were collected on a near-infrared reflectance instrument to help identify kernel characteristics affecting NIRT predictions of dough strength. In FY 2003, GIPSA and ARS will, through a cooperative research agreement, expand this study to include additional near-infrared instrument models and more laboratory end-use quality measurements.

Mycotoxin Methods Development and Test Kit Approvals

In FY 2002, GIPSA performed 10 mycotoxin test kit evaluations; 6 new test kits were approved for use in the official inspection system. Four test kits for deoxynivalenol were evaluated; three were approved and one was rejected. One aflatoxin test kit was approved and a second rejected; and two fumonisin test kits were evaluated and both approved. GIPSA also requested the submission of zearalenone test kits. In FY 2003, GIPSA will continue to evaluate all submitted mycotoxin test kits for use in the official inspection system.

**Pesticide Residue Method
Development and Testing**

GIPSA continued to participate in the Pesticide Data Program, a cooperative effort of USDA, the Environmental Protection Agency, and participating States to monitor pesticide residue levels in fruits, vegetables, grain, and milk. GIPSA tests all grain and grain-related products and develops new analytical methods when necessary. In FY 2002, GIPSA developed and validated 3 new methods for barley, and analyzed 440 barley samples and 540 rice samples. In FY 2003, GIPSA will develop and validate 2 new methods for wheat flour and analyze about 740 barley and 500 wheat flour samples.

Promoting Standardization

GIPSA Serving an Evolving Market

The marketing structure of the U.S. food and feed industry is undergoing significant change as it moves from a supply-driven to a consumer-driven market. The emergence of value-enhanced commodities and a niche market for non-biotechnology-derived commodities have created a greater need to differentiate products in the handling system. In light of these changes, USDA sought public comment, through an Advance Notice of Proposed Rulemaking (ANPR), on how USDA can best foster the marketing of grains, oilseeds, and other commodities in this evolving marketplace. The ANPR, which USDA's GIPSA and AMS published on November 30, 2000, in the *Federal Register* (65 FR 71272), closed on April 16, 2001. As a result of that ANPR, many respondents expressed a clear need for USDA to facilitate the marketing of products, not through the traditional grades and standards, but through the exchange of information and services concerning analytical testing and various marketing mechanisms, such as identity preservation and process verification. In response to market needs, USDA's GIPSA has begun to provide and is planning to develop a variety of programs and services to facilitate the marketing of agricultural products, as discussed below.

Standardizing Testing Methodology. The rising importance of value-enhanced products with specific quality attributes and the emergence of a non-biotech niche market have created a need in the marketplace for additional testing and standardization procedures. USDA's experience in providing testing, weighing, and inspection services provides a strong foundation to enhance the accuracy, standardization, and availability of tests for new value-enhanced products. To this end, FGIS has begun to provide a variety of programs and services to meet market needs.

Process Verification. Many of the ANPR respondents also described a wide variety of identity preservation and marketing systems used in the private sector. As the market adopts a variety of new marketing mechanisms, such as process verification, to augment traditional marketing approaches in response to changing consumer demands, GIPSA is assessing how the Agency can facilitate the efficient marketing of grain by augmenting, not supplanting, existing market mechanisms.

To that end, GIPSA plans to implement a fee-based, voluntary process verification program to verify the quality systems used to market value-enhanced and specialty grains. This program would facilitate the marketing of grains and provide the grain industry the opportunity to enjoy financial benefits while maintaining minimal Federal involvement in the process. The program will be flexible enough to incorporate, where appropriate, already existing standards and procedures. At the same time, the program will have sufficient safeguards to ensure the integrity of its results. It will be based on ISO 9000 principles, which provide an internationally recognized set of quality standards. GIPSA will add integrity to the program by requiring that all lead auditors be certified as such by the American Society for Quality. Building on GIPSA's reputation for reliability and integrity, the program will offer a "USDA Certification" label to enhance domestic and international buyers' confidence in the product that they receive.

Sampling Guidelines. Recognizing that sampling is the single largest source of error in grain analyses, GIPSA developed and offers sampling guidelines to the grain handling industry.

Proficiency Programs. At the Agency's Technical Center in Kansas City, Missouri, GIPSA conducted a Proficiency Study to assess the capability and reliability of DNA-based testing for U.S. commercialized biotechnology events in corn. The study indicated a need for standardization and quality assurance tools in biotechnology analysis to improve testing reliability. On February 7, 2002, GIPSA began offering a voluntary Proficiency Program for organizations testing for biotechnology-derived grains and oilseeds.

GIPSA's Proficiency Program includes all commercialized U.S. biotechnology-derived corn and soybeans. Participation in the program continues to increase, with almost half of the participants from outside the United States. The Program had 18 participants in February 2002, 26 in May 2002, and 33 in August 2002. The August 2002 quarterly sample issuance went to 17 U.S. participants, 8 European participants, 4 in Asia, and 4 in South America. Participants used DNA-or protein-based tests, or a combination of both. Results show that the laboratory performance has improved significantly since the Proficiency Study was conducted in FY 2001, but only approximately half of the participants can analyze for all U.S. commercialized biotechnology-derived grains and oilseeds.

GIPSA will continue to offer the Proficiency Program in FY 2003. Currently, participants only report qualitative results, i.e., the event is present or not present, but the need for reliable and accurate quantitative analyses is increasing with the implementation of labeling and threshold regulations. Therefore, in FY 2003, GIPSA plans to expand the program to give participants the option of reporting qualitative and/or quantitative results.

Rapid Test Performance Evaluation Programs. The Technical Center's Biotechnology Laboratory evaluates the performance of rapid tests developed to detect biotechnology-derived grains and oilseeds, and confirms the tests operate in accordance with manufacturers' claims. In FY 2002, GIPSA expanded the program beyond its original scope, which was the evaluation of test kits used to detect Cry9C, a protein in StarLink™ corn, to include protein-based tests for other biotechnology events. In FY 2002, GIPSA verified the performance and issued Certificates of Performance for two lateral flow strip tests for StarLink™ corn, three lateral flow strip tests for Roundup Ready™ corn, and three lateral flow strip tests for Roundup Ready™ soybeans. In FY 2003, GIPSA will continue to evaluate the performance of protein-based tests to detect the presence of biotechnology events in grains and oilseeds.

Methods Development. GIPSA continues to develop methods and evaluate commercial test instrumentation to measure end-use value attributes, such as oil concentration in soybeans and corn and protein concentration in wheat, corn, and soybeans, that are meaningful to the marketplace.

**Quality Assurance/
Quality Control and
Oversight Study**

In FY 2000, GIPSA's Grain Inspection Advisory Committee recommended that the Agency conduct a study to determine if the current quality assurance/quality control (QA/QC) and oversight systems could be improved to enhance program efficiency and effectiveness without lessening service quality. The QA/QC program provides data on the consistency and accuracy of official inspection results. Dr. John Surak, Clemson University, an authority in quality systems, conducted the study, which included a thorough review of current practices, organizational structure, and technology used to ensure inspection uniformity nationwide; site visits to interior and export field offices, and official agencies; and interviews of industry representatives. The final report recommended that GIPSA: (1) use computer technology to increase the effectiveness of data collection; (2) use process monitoring techniques and computer technologies to evaluate grading effectiveness; (3) separate the calibration process from the setting of grade limits; and (4) eliminate boundaries for official agencies. Results of the study were shared with the Advisory Committee and placed on the GIPSA web page for public information, and are being considered in long-range planning activities.

ISO Certification

The International Organization for Standardization (ISO) represents the national standards institutes and organizations of over 100 countries, including the American National Standards Institute (ANSI). The American Society of Quality, the European Standards Institute, and the Japanese Industrial Standards Committee are a few of the major quality organizations that have endorsed the ISO Standards, which are becoming the *de facto* standards across industries throughout the world.

GIPSA has successfully met the ISO 9002 Standards and received registration for its moisture, protein, oil, and mycotoxin reference laboratories. In addition, the mycotoxin test kit evaluation and pesticide analysis programs also are registered. In FY 2002, GIPSA began converting from the ISO 9000:1994 Standards to the revised ISO 9000:2000 Standards. The Agency also began preparing the Pesticide Data Program and the Biotechnological Test Kit Evaluation Program to qualify for ISO 17025 accreditation, which are standards dedicated exclusively to increasing and maintaining overall laboratory quality.

In FY 2003, the Pesticide Data Program will have all necessary elements completed for application for ISO 17025 accreditation, and all currently registered programs under ISO 9000:1994 Standards will be registered under the ISO 9000:2000 Standards.

Sunflower Oil Measurements

GIPSA developed a procedure using the MQA 6005 pulsed-nuclear magnetic resonance (NMR) instrument to measure sunflower seed oil without first drying the samples. The method greatly reduces analysis time, which facilitates marketing of sunflower with moisture contents between 4.5 and 10.5 percent. The percent of oil in sunflowers is an important pricing factor. Quicker measurements improve financial transactions between producers and buyers. In FY 2002, GIPSA successfully piloted the new method for sunflowers at the Kansas Grain Inspection laboratory, Colby, Kansas. Limited moisture levels in samples prevented the study from assessing the method on a wider range of moisture levels. In FY 2003, the pilot will expand to include other field locations, additional pulsed-NMR instrument models, and samples with a wider range of moisture.

In FY 2002, GIPSA approved the Oxford Analytical MQA 7005 pulsed-NMR for use in official sunflower oil determinations.

NIRT Standardization

In FY 2002, GIPSA continued working with groups from Canada, Australia, and several European countries to develop and evaluate a global artificial neural network (ANN) near-infrared transmittance (NIRT) calibration for wheat and barley protein. GIPSA modified the standardization of field instruments to reduce average differences between the two calibration approaches. The Agency also began a 1-year pilot test of the barley protein ANN calibration. In FY 2003, GIPSA plans to conduct a second field study to investigate sample-by-sample differences between the calibrations and to better assess the regional market impact of implementing the new calibration for wheat protein.

In FY 2002, GIPSA made bias adjustments to the NIRT Hard Red Winter wheat protein calibration and the Soft White wheat protein calibration to improve agreement with the chemical reference method.

Standardizing Commercial Grain Inspection Equipment

In FY 2002, GIPSA continued cooperative efforts with The National Conference of Weights and Measures, Inc., (NCWM Inc.) and the National Institute for Standards and Technology (NIST) to standardize commercial inspection equipment. GIPSA was the sole evaluation laboratory for grain inspection equipment under the NCWM Inc.'s National Type Evaluation Program (NTEP). GIPSA collected grain moisture meter calibration data for five instrument models.

In FY 2003, GIPSA will collect grain moisture meter calibration data for NTEP models, implement NTEP testing for near-infrared protein and oil analyzers, and provide technical support in the development of an NTEP program for commercial test weight equipment.

**Moisture Measurement
1999-2001
Methods**

GIPSA conducted basic grain moisture research in fiscal years

to measure and characterize dielectric response over a 1 to 501 MHz frequency range for 15 major U.S. cereal grains and oilseeds. These data were used to develop a Unified Moisture Algorithm, a single calibration that can be used for all grain types, and that provides prediction accuracy equal to that of individual grain calibrations available on current moisture meter designs. In FY 2002, GIPSA continued to collect dielectric data and refine the Unified Moisture Algorithm, and worked with manufacturers to assess their interest in developing prototype meter designs that will use the moisture algorithm and to identify how best to support and encourage manufacturer efforts.

In FY 2003, GIPSA plans a collaborative research effort with ARS and academia to define test cell design and performance parameters needed to support manufacturer development of prototype meters capable of using the moisture algorithm. GIPSA will continue to collect dielectric data and expand the calibration database to include additional grain types.

Research Collaboration with NIST

In FY 2002, GIPSA established formal research collaboration with NIST on developing reference materials and methods for DNA-based testing. Using information obtained through confidentiality agreements with life science organizations, GIPSA and NIST produced event-specific plasmids for evaluation as reference materials and the development of reference methods. GIPSA and NIST have collaborated in the evaluation of sample grinding and DNA isolation procedures. This work will be submitted to a peer-reviewed journal in FY 2003.

In FY 2003, GIPSA and NIST will continue this collaboration by exploring new technologies for DNA-based testing and developing reference materials and methods.

Reference Method Analyses

GIPSA maintains reference methods for protein, moisture, oil, and mycotoxins that are used to maintain the accuracy of testing in the official inspection system. The protein, moisture, and oil reference analyses support the standardization of the NIRT (protein), moisture meter, and NMR (oil) instruments used for rapid inspection at field locations performing official testing. The mycotoxin reference analyses support the evaluation and standardization of test kits used at official testing locations. In FY 2002, GIPSA performed 4,096 reference moisture analyses, 2,236 reference protein analyses, and 533 reference oil analyses on grains and oilseeds. Approximately 350 mycotoxin reference analyses were performed on grains and processed-grain commodities. In FY 2003, GIPSA will continue to provide quality reference method analyses to support the maintenance of accurate field testing by the official inspection system.

Digitizing Visual Reference Material

In FY 2002, GIPSA converted the visual reference aids for corn, rice, soybeans, and sorghum from 35mm slides to digital color prints. In FY 2003, GIPSA will convert the visual reference aids for wheat, barley, canola, flaxseed, oats, rye, rapeseed, and sunflower seed. These new visual aids are more reliable and user-friendly than the slides previously used. In addition, the digital imaging process is more efficient and affordable than the traditional film reproduction process.

Educational Materials

In FY 2002, GIPSA produced multimedia educational materials for training official personnel and educating the grain industry. More than 10,000 educational CDs were distributed to official inspection offices, grain handling and processing firms, producers, foreign grain buyers, government agencies, and educational institutions.

GIPSA developed an internal training CD on the quality assurance database program and began developing a sorghum grading CD. GIPSA also produced Spanish versions of the corn, soybean, and wheat grading CDs for distribution at grain grading schools held in Mexico.

In FY 2003, GIPSA will continue to develop new multimedia content for distribution on CDs and versions of existing content for distribution via the Internet.

**Rice Cooperative
Research Agreement**

Milling yield, expressed in terms of total rice and whole kernels, is an important measure of rice quality. The accuracy and consistency of this measurement is critically important to rice millers and for the efficient marketing of rough rice. Unfortunately, the operational performance of currently approved laboratory milling and shelling technology is erratic and not conducive to orderly marketing. There also is growing concern about the availability, quality, and consistency of new equipment and replacement parts from the sole source vendor.

In response to these concerns, GIPSA is negotiating a research agreement with the University of Arkansas to determine the effectiveness and performance of other rice miller/sheller technology. Evaluation of alternative shellers will be targeted first, since the sheller has proven to be more problematic in the past. Depending on the success of this endeavor, GIPSA will pursue a similar arrangement involving an evaluation of alternative millers.

**Cracked Corn
Inspection Procedures**

Cracked corn is rapidly becoming a major export commodity for the grain industry. The official inspection system was asked to certify the quality of a dramatically greater volume of U.S. exports of cracked corn to Mexico during FY 2002. In response to this new export market, GIPSA developed procedures to standardize the testing, inspection, and certification process.

U.S. Standards for Wheat

GIPSA plans to publish in the *Federal Register* a proposed rule to revise the U.S. Standards for Wheat by inserting subclasses in the definition of the class Hard White wheat. The creation of subclasses would facilitate the marketing of Hard White wheat by delineating the desirable quality factors of both lighter and darker colored kernels, thereby helping American wheat producers capture greater value for their product. The proposed rule also would change the definition of Contrasting Classes for Hard Red Winter wheat and Hard Red Spring wheat.

U.S. Standards for Lentils

On May 6, 2002, GIPSA published in the *Federal Register* (67 FR 30354) a notice with opportunity to comment on changes to the U.S. Standards for Lentils. GIPSA solicited comments on the need to modify the definitions for “good” and “fair” color lentils; to establish “poor color lentils” as an additional color factor; to establish “contrasting lentils” as a new grading factor; and to expand the definition of damaged lentils to include “immature lentils.” Based on comments received and other available data, GIPSA implemented these changes on July 1, 2002.

U.S. Standards for Rice

GIPSA plans to publish a direct final rule during calendar year 2002 to amend the U.S. Standards for Rice to establish and add “hard milled” rice as a new milling degree level and to eliminate reference to “lightly milled” from the milling requirements of U.S. Standards for Milled Rice. These changes will facilitate the marketing of rice by better aligning the standards with current processing and marketing practices.

Briefings with Visiting and Governmental

GIPSA personnel frequently meet with delegations visiting the United States from other countries to brief them on the U.S. grain marketing system, the national inspection and weighing system, official U.S. grain standards, and GIPSA’s mission. Many of these delegations are sponsored by USDA Cooperator organizations, including U.S. Wheat Associates and the U.S. Grains Council, which arrange visits to grain production areas, GIPSA headquarters and field offices, onsite laboratories at export grain elevators, and the Agency’s Technical Center in Kansas City, Missouri. At the Technical Center, delegations sometimes receive technical training on analytical testing procedures and grain inspection methods and procedures.

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

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

Summary of Briefings with Visiting Trade and Governmental Teams In Fiscal Year 2002

Algeria	Nigeria
Asia	Norway
Australia	Oman
Azerbaijan	Panama
Bosnia	Peru
Botswana	Philippines
China	Romania
Costa Rica	Russia
Estonia	Saudi Arabia
European Union	Serbia
France	South Africa
Japan	South Korea
Kazakhstan	Sri Lanka
Latvia	Tanzania
Mexico	Thailand
Middle East	Trinidad
Moldova	Turkey
Morocco	Uganda
Mozambique	Uzbekistan
Namibia	Vietnam
New Zealand	Yemen

International Outreach

In FY 2002, GIPSA continued to respond to customers' needs for technical assistance overseas. Exporters, importers, and end users of U.S. grains and oilseeds, as well as other USDA agencies, USDA Cooperator organizations, and other governments, frequently ask for GIPSA personnel to travel overseas. These activities include representing the Agency at grain marketing and grain grading seminars, meeting with international governments and grain industry representatives to resolve grain quality and weight discrepancies, helping other countries develop domestic grain and commodity standards and marketing infrastructures, assisting importers with quality specifications, and training local inspectors in U.S. inspection methods and procedures. This year, GIPSA received 24 requests for technical assistance overseas.

Such activities typically have been funded through various programs administered by the Foreign Agricultural Service and Farm Service Agency, directly by USDA Cooperators, or by GIPSA's Office of International Affairs (OIA). A 1995 amendment to the U.S. Grain Standards Act extended GIPSA the authority to charge and be reimbursed for travel, salary, and related expenses when a customer requests consultative expertise. The Agency's authority to recover costs for providing consultative services has enhanced our ability to facilitate marketing of U.S. grains, oilseeds, and related commodities.

Highlights of GIPSA's FY 2002 international outreach activities include: helping conduct assessments for USAID/ATRIP-funded initiatives involving agricultural standards, harmonization, and transportation management in South Africa, Botswana, Namibia, Mozambique, Kenya, Tanzania, and Uganda; initiating a 3-month regional assignment in Asia to address immediate and long-term issues in the region relating to GIPSA; participating in several international biotech conferences and meetings; meeting with Taiwanese authorities to clarify differences between U.S. rice standards and inspection procedures and Taiwanese specifications; and helping USDA cooperators establish a grain inspection laboratory and training local inspectors in Syria.

**Summary of Activities Involving International Travel in
Fiscal Year 2002**

<i>Purpose</i>	<i>Number of Travelers</i>	<i>Country Visited</i>	<i>Dates of Visit</i>
1. To participate in the North American Export Grain Association (NAEGA)/ APPAMEX Annual Trade Forum.	1	Mexico	10/25 - 10/28/01
2. To provide export services on a cargo of U.S. flaxseed being loaded in Canada.	1	Canada	11/17 – 11/20/01
3. To participate in a Value-Added Workshop for Central and South America at the request of U.S. Grains Council.	1	Panama	01/07 – 01/12/02
4. To make a presentation at the Regional Codex Workshop.	1	Hong Kong	01/14 – 02/03/02
5. To assist in the investigation of a rice quality discrepancy.	1	Haiti	01/21 – 01/26/02
6. To participate in a Foreign Agricultural Service regional biotech conference (for Europe, Africa, and the Middle East).	1	Tunisia	01/27 – 01/31/02
7. To participate in technical discussions regarding China's implementation of new biotech regulations.	1	China	02/02 – 02/07/02
8. To make a quality assurance presentation at the U.S. Wheat Associates Wheat Trading Seminar.	1	Egypt	02/06 – 02/13/02
9. To meet with Canadian Government officials regarding implementation of the Biosafety Protocol.	1	Canada	02/26 – 02/27/02
10. To participate in the CODEX Biotech Analytical Methods Meetings.	1	Japan	02/27 – 03/07/02

<i>Purpose</i>	<i>Number of Travelers</i>	<i>Country Visited</i>	<i>Dates of Visit</i>
11. To participate in the Grain Elevator and Processing Society Exchange 2002.	2	Canada	02/28 – 03/12/02
12. To conduct an assessment for the U.S. AID-funded activities in agricultural standards, harmonization, and transportation management.	1	South Africa, Botswana, Namibia, Mozambique	02/28 – 03/17/02
13. To meet with Chinese Government officials regarding implementation of their biotech regulations.	1	China	03/04 – 03/08/02
14. To participate in Technical Experts Group meetings on implementation of the Biosafety Protocol.	1	Canada	03/12 – 03/21/02
15. To meet with Chinese grain inspection personnel for technical exchanges, and to work with representatives from U.S. Wheat Associates to promote export of U.S. wheat.	3	China	03/16 – 03/29/02
16. To participate in the negotiations on implementation of the Cartagena Biosafety Protocol.	1	Netherlands	04/20 – 04/27/02
17. To initiate a 3-month regional assignment to address immediate and long-term regional issues relating to GIPSA, and to develop relationships with overseas customers, USDA Cooperators, and government officials.	1	Malaysia, Indonesia, Philippines, Vietnam, Singapore, China	04/16 – 07/27/02

<i>Purpose</i>	<i>Number of Travelers</i>	<i>Country Visited</i>	<i>Dates of Visit</i>
18. To establish a grain inspection laboratory and train local inspectors at the request of U.S. Grains Council.	1	Syria	05/09 – 05/17/02
19. To participate in the Foreign Agricultural Service <i>Biotechnology in Asia Conference</i> .	1	Sri Lanka	05/11 – 05/17/02
20. To participate in the 2 nd International Conference on Grain, Flour, and Bread Quality (Russia) and the ICC International Association for Science and Technology (Hungary).	1	Russia, Hungary	05/19 – 05/30/02
21. To attend meetings with Chinese Government officials regarding their biotechnology regulations.	1	China	05/28 – 06/01
22. To meet with the U.S. Agricultural Attache', USDA Cooperators, North American Export Grain Association members to discuss GIPSA's outreach activities.	1	Mexico	06/09 – 06/13/02
23. To meet with Taiwanese authorities to discuss U.S. rice standards and inspection procedures to clarify differences between U.S. standards and Taiwanese specifications to facilitate exports of U.S. rice.	1	Taiwan	06/28 – 07/03/02
24. To meet with Brazilian Government officials and scientists at a technical workshop on biotechnology.	1	Brazil	08/18 – 08/24/02
25. To provide export services on a cargo of U.S. wheat being loaded in Canada.	1	Canada	08/20 – 08/23/02

<i>Purpose</i>	<i>Number of Travelers</i>	<i>Country Visited</i>	<i>Dates of Visit</i>
26. To provide export services on a cargo of U.S. wheat being loaded in Canada.	1	Canada	08/27 – 08/31/02
27. To participate in the APEC Workshop on Technical Cooperation Exchange on Safety Assessments in Agricultural Biotechnology.	1	Taiwan	08/27 – 08/31/02
28. To conduct an assessment for East African harmonization of standards and transportation management to foster agricultural trade.	1	Kenya, Tanzania, Uganda	08/29 – 09/14/02
29. To participate in the XXIV National Congress of Corn and Sorghum.	1	Brazil	08/31 – 09/06/02
30. To meet with government and industry officials to discuss biotech regulations, recent U.S. <i>Federal Register</i> announcements concerning biotech policy, USDA marketing initiatives, including process verification, and StarLink™ corn.	1	China, Japan, Korea	09/03 – 09/13/02

Providing Official Inspection and Weighing Services

Bulk Rice Inspection

Based on findings of a 2001 study on the impact of bulk handling on rough rice quality, GIPSA designed and implemented a program under which bulk rice is officially inspected at an interior location and identity preserved during shipment to export. The new inspection program eliminates redundant inspections and improves the efficiency of rice marketing.

Review Inspections

GIPSA published a proposed rule in the *Federal Register* on August 21, 2002, soliciting public comment on revising the regulations on reinspections and appeal inspections under the U.S. Grain Standards Act. Currently, reinspections and appeal inspections for grade must review all official factors that: (1) may determine the grade; (2) are reported on the original certificate, or (3) are required to be shown. GIPSA considers this an inefficient and costly regulatory requirement. GIPSA proposed allowing interested parties to specify which official factor(s) should be redetermined during the reinspection or appeal inspection service. To safeguard against inadvertent misgrading, official inspectors may assess other factors, as necessary. GIPSA plans to publish the final rule during FY 2003.

Standards for USDA Farm Programs

USDA farm programs for deficiency payments and crop insurance typically rely on the official U.S. standards to determine eligibility and payment. Federal crop insurance coverage for crambe seed and millet seed was not available to interested producers this year because Federal inspection procedures did not exist for the commodities. To help producers, GIPSA, working with the USDA Risk Management Agency, established uniform inspection procedures for crambe and millet this year to help farmers meet crop insurance eligibility requirements. GIPSA implemented these procedures on April 5, 2002, under the Agricultural Marketing Act of 1946.

Laboratory Scales

A GIPSA review of requirements for official grain test scales found that laboratory scale specifications could be relaxed without adversely affecting grading accuracy. Specifically, GIPSA found that increasing the division size and using scales with expanded resolution did not diminish accuracy. GIPSA modified procedures to allow the use of commercial grain inspection scales, which are sometimes less expensive than officially approved instruments, for certain official applications.

**Railroad Track Scale
Testing Program**

As mandated by the USGSA, GIPSA's railroad track scale testing program annually tests all official grain railroad track scales. Under an agreement with the Association of American Railroads, GIPSA also tests railroad master scales across the Nation. Finally, GIPSA provides track scale type evaluation services under the National Institute of Standards and Technology's National Type Evaluation Program. GIPSA optimizes its track scale testing equipment and scale inspector resources to the fullest extent by offering track scale testing services to the railroad industry. Five GIPSA-owned track scale test cars criss-cross the Nation; GIPSA scale inspectors perform track scale testing on a private railroad's behalf using railroad-owned test cars.

Inspection Program Data Fiscal Years 2000-2002

Item	Fiscal Years		
	2000	2001	2002
Quantity of Grain Produced ¹ (Mmt) ²	406.6	417.8	402.3
Quantity of Grain Officially Inspected (Mmt)			
Domestic	128.3	128.7	131.0
Export by GIPSA	84.3	78.8	81.5
by Delegated States/Official Agencies	<u>26.1</u>	<u>27.1</u>	<u>24.4</u>
Total	238.7	234.6	236.9
Delegated States/Official Agencies			
Delegated and Designated States	8	8	8
Designated States	7	7	7
Private Agencies	<u>44</u>	<u>44</u>	<u>43</u>
Total	59	59	58
State/Private Agency AMA Agreements	15	14	19
Number of Official Original Inspections and Reinspections			
GIPSA	119,409	111,802	101,568
Delegated States/Official Agencies	<u>1,824,224</u>	<u>1,798,906</u>	<u>1,728,016</u>
Total	1,943,163	1,910,708	1,829,584
<i>(continued)</i>			

¹ Source: USDA Crop Production Reports.

² Million metric tons.

Item	Fiscal Years		
	2000	2001	2002
Number of Grain Inspection Appeals			
Field Offices	3,103	3,105	3,700
Board of Appeals and Review	254	431	530
Number of Commercial Inspections			
GIPSA	9	0	36
Delegated States/Official Agencies	<u>532,232</u>	<u>629,802</u>	<u>677,849</u>
Total	532,241	629,802	677,885
Number of Wheat Protein Inspections			
GIPSA	37,971	33,046	20,246
Delegated States/Official Agencies	<u>462,239</u>	<u>436,161</u>	<u>387,610</u>
Total	500,210	469,207	407,856
Number of Soybean Protein and Oil Inspections			
GIPSA	17,977	17,320	16,425
Delegated States/Official Agencies	<u>4,023</u>	<u>8,706</u>	<u>19,910</u>
Total	22,000	26,026	36,335
Number of Aflatoxin Inspections	62,701	61,234	66,062
Number of DON Inspections	37,875	41,134	50,017
Number of StarLink™ Tests	--	220,222	101,560
Quantity of Rice Inspected (Mmt) (milled basis)	3.3	3.1	2.8

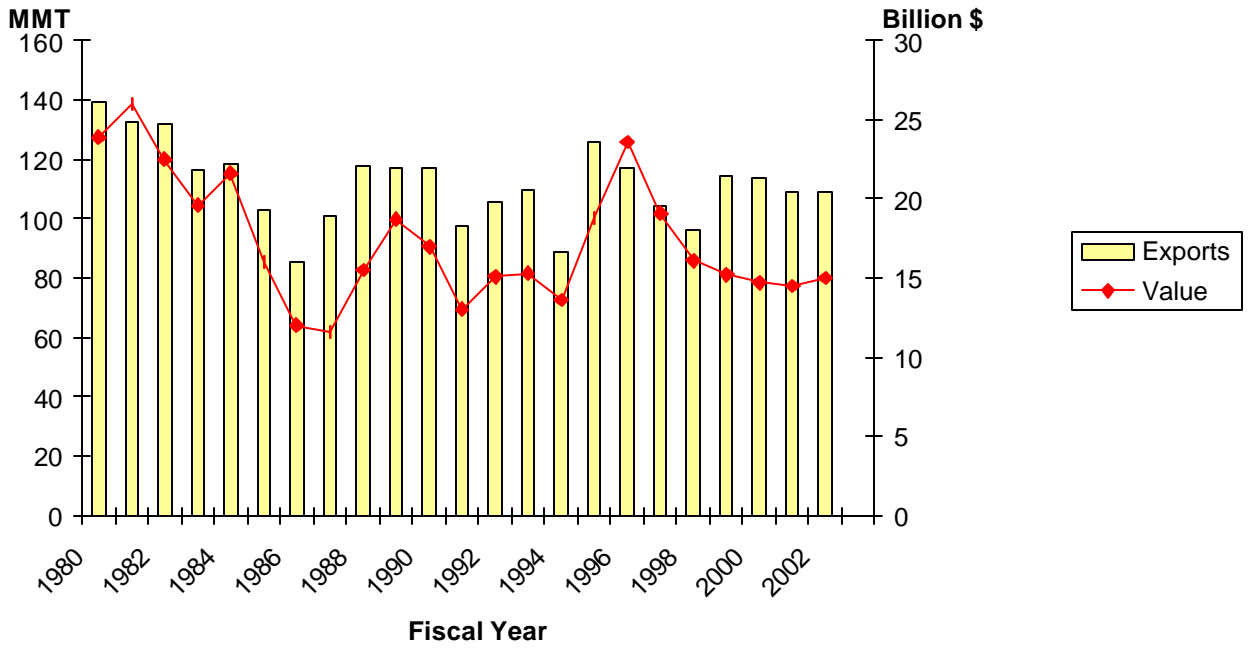
Weighing Program Data Fiscal Years 2000-2002

Item	Fiscal Years		
	2000	2001	2002
Official Weight Certificates Issued			
GIPSA			
Class X ¹	76,689	73,420	72,131
Class Y ²	<u>12,666</u>	<u>15,916</u>	<u>5,974</u>
Total	89,355	89,336	78,105
Delegated States/Official Agencies			
Class X ¹	18,974	30,471	24,313
Class Y ²	<u>105,353</u>	<u>110,016</u>	<u>101,191</u>
Total	124,327	140,487	125,504
Exported Grain Weighed (Mmt)			
GIPSA	84.3	78.8	81.5
Delegated States	<u>21.1</u>	<u>21.7</u>	<u>19.1</u>
Total	105.4	100.5	100.6
Number of Certified Scales in Service			
Export Elevators	258	250	250
Number of Railroad Track Scales Tested	186	250	250

¹ Class X weighing involves 100 percent supervision.

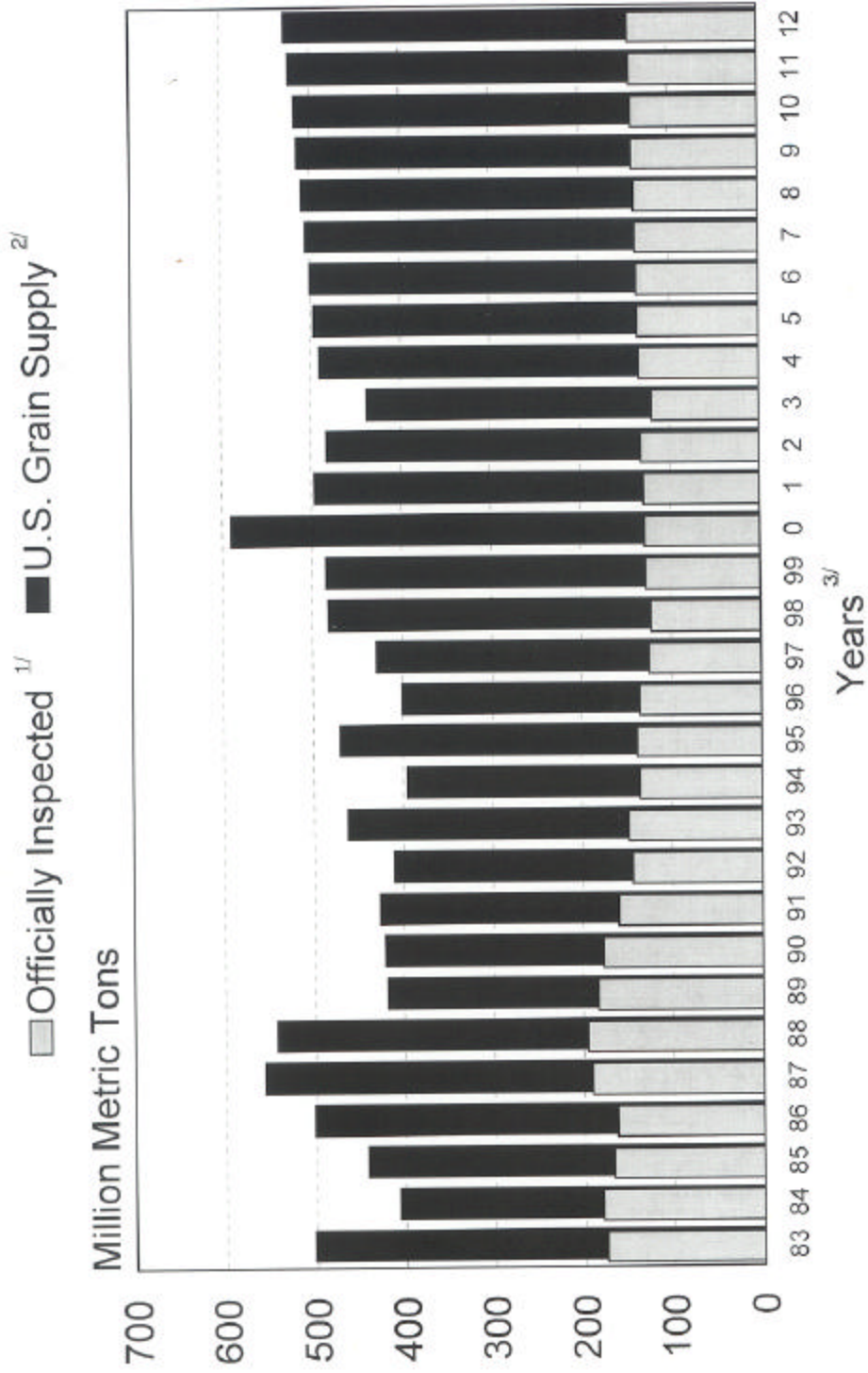
² Class Y weighing involves a minimum of 25 percent supervision.

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



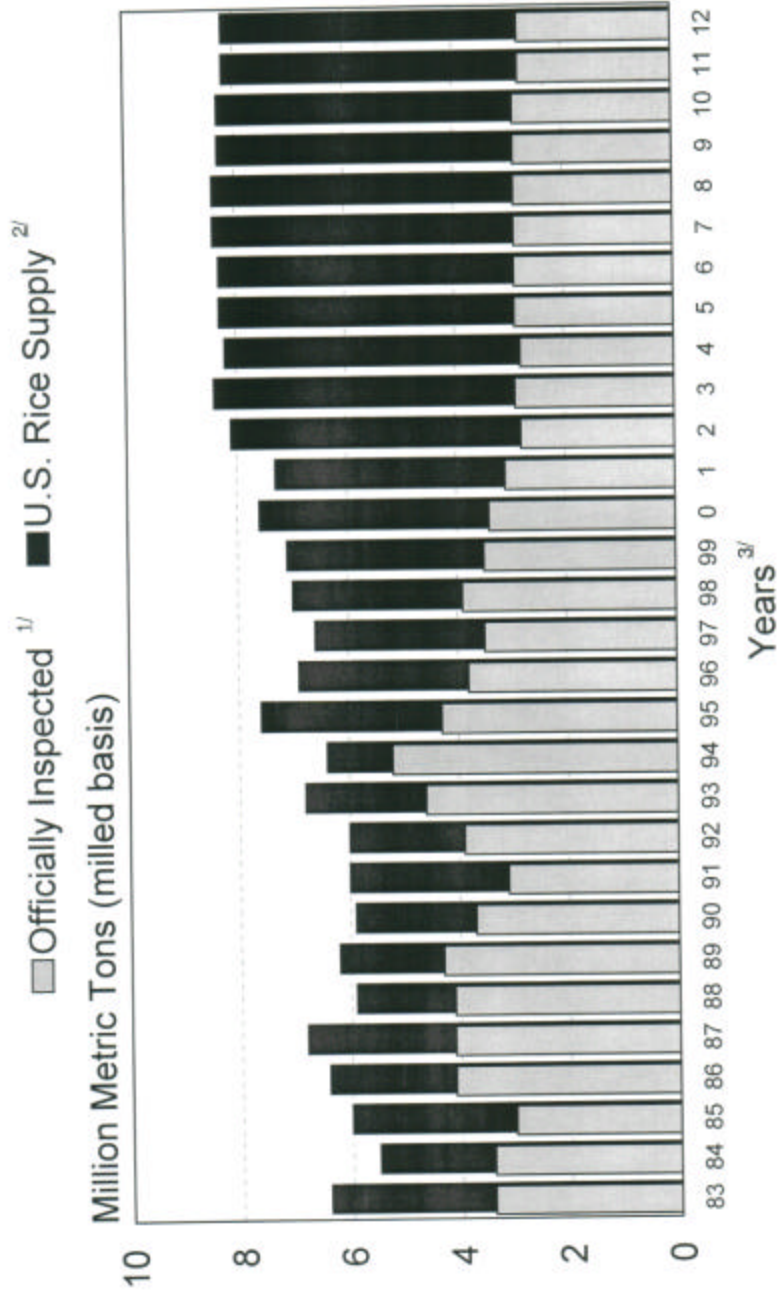
Sources: FGIS Export Grain Inspection System and the USDA Economic Research Service

U.S. DOMESTIC GRAIN INSPECTIONS



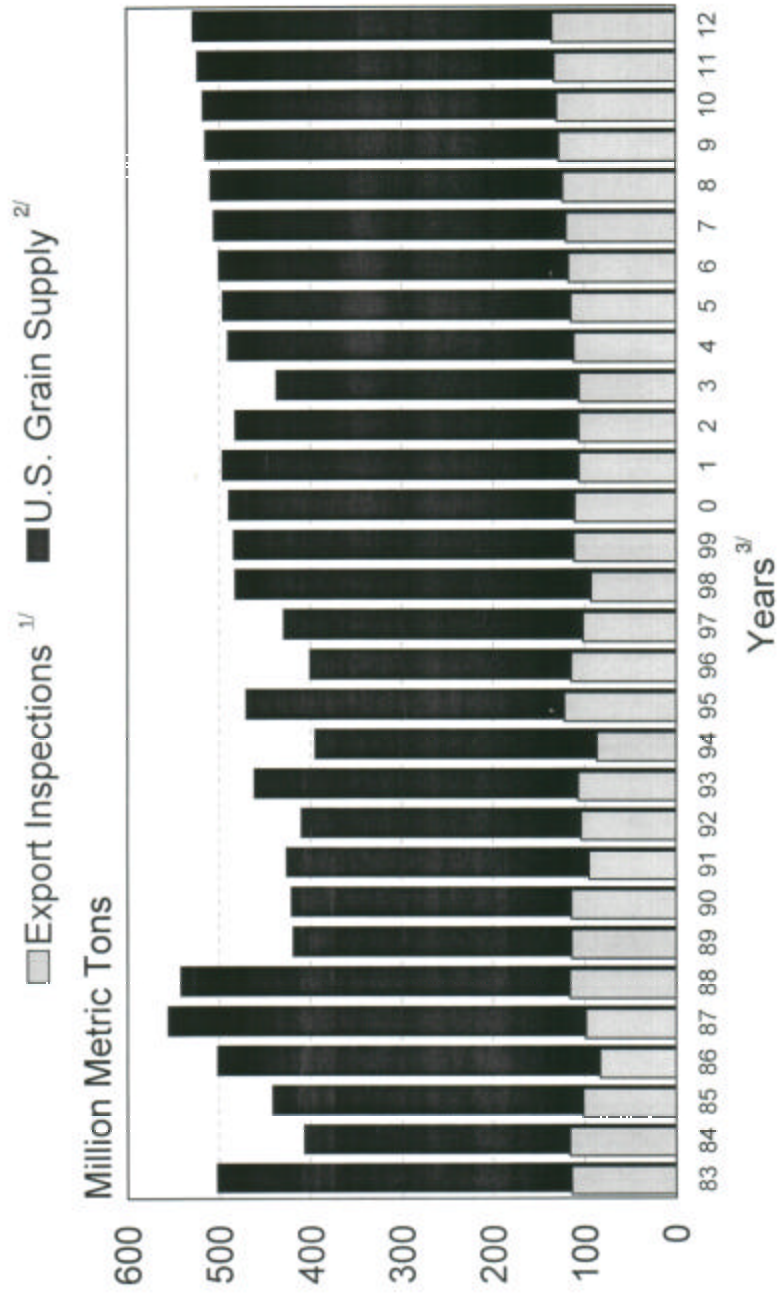
Source:
 1/ FGIS, GIWIS for 1983 - 02 and 2002 inspection rate (27.2%) applied to estimated supplies for 2003 - 2012.
 2/ USDA, ERS market year figures for 1983 -2000, WASDE (Oct. 11, 2002) for 2001-2003 and WAOB baseline projections for 2004 - 2012.
 3/ Domestic inspections are reported by fiscal years and U.S. grain supplies are by marketing years.

U.S. RICE INSPECTIONS



Source: 1/ FGIS, AMA Output Reports for 1983 - 02 and 2002 inspection rate (34.6%) applied to estimated supplies for 2003-2012.
 2/ USDA, ERS market year figures for 1993 - 2000, WASDE (Oct. 11, 2002) for 2001 - 2003, and WAOB baseline projections for 2004- 2012.
 3/ Inspections are reported by fiscal years and U.S. rice supplies are by marketing years.

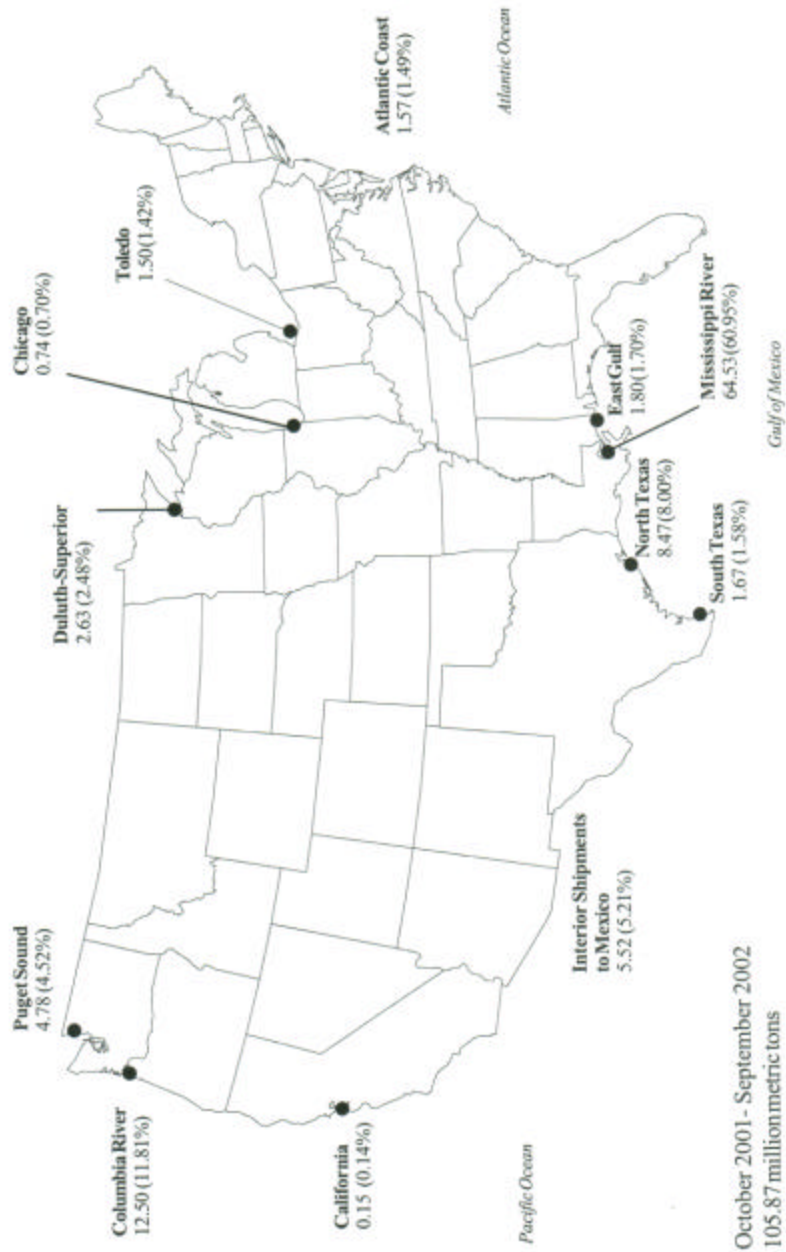
U.S. EXPORT GRAIN INSPECTIONS



Source:
 1/ FGIS, EGIS for 1983 - 02, WASDE (Oct 11, 2002) for 2003, and WAOB baseline projections for 2004-2012.
 2/ USDA, ERS market year figures for 1983 - 00, WASDE (Oct 11, 2002) for 2001-2003, and WAOB baseline projections for 2004-2012.
 3/ Export inspections are reported by fiscal years and U.S. grain supplies are by marketing years.

Volume of U.S. Grain Inspected for Export by Area Fiscal Year 2002

Million Metric Tons



Protecting Integrity

Alleged Violations

At the beginning of FY 2002, 6 cases involving alleged violations of the USGSA and the AMA were pending further action. During FY 2002, GIPSA personnel opened 12 cases relating to the following alleged violations: improper procedures, improper sampling/sample manipulation, deceptive grain handling practices, false weighing, violating export grain requirements, employee misconduct, and mismanagement. The Agency closed 7 cases during FY 2002, leaving 11 cases pending at the end of the fiscal year.

GIPSA took administrative action in 4 of the 7 cases closed during FY 2002. These included informational letters to 1 official agency employee and 3 GIPSA managers, and 1 cautionary letter to GIPSA personnel. Two cases, which did not involve violations of the AMA and USGSA, were returned to the Office of Inspector General, USDA, for referral to other agencies. The other case was closed due to insufficient evidence to prove a violation occurred.

Also during FY 2002, the Office of Inspector General, USDA, and the Justice Department continued to pursue criminal action in an investigation involving false certification and weights of grain. During 2002, five subjects pled guilty and were sentenced for charges including submitting false grain inspection certificates (issued under the U.S. Warehouse Act), conspiracy, and filing false income tax returns. Sentences handed down to these subjects included 23 months' imprisonment and 3 years' supervised release with payment of \$1,451,691.20 in restitution, and 3 months' imprisonment and 1 year supervised release with payment of \$5,410.35 in restitution. The case remains open in the courts.

Compliance Reviews

Compliance reviews are independent third-party examinations of GIPSA's grain inspection field operations, which includes reviews of GIPSA field offices and suboffices, and State and private official agencies. During FY 2002, GIPSA personnel conducted compliance reviews of two GIPSA field offices and one suboffice, and official agencies. Teams of reviewers evaluated customer satisfaction (including potential service delivery discrimination), management effectiveness and efficiency, and procedural compliance. During the reviews, GIPSA found no instances of service delivery discrimination. All identified noncompliance items were subsequently corrected. None of the findings appear to have affected the overall integrity of GIPSA's mission or programs, or the national inspection system. Overall, field offices, suboffices, and official agencies are performing satisfactorily.

Delegation and Designation Programs

Fifty-eight (58) official agencies are designated by GIPSA under the U.S. Grain Standards Act, as amended, to provide permissive official inspection and/or weighing services at domestic locations. Of these, eight are States that are also delegated to provide mandatory official inspection and weighing services at export locations. Delegations are permanent unless GIPSA or the State terminates the agreement.

Under the triennial renewal process, 20 official agency designations automatically terminated in FY 2002. GIPSA renewed 19 of the 20 for full 3-year terms after reviewing their performance. One official agency designation was cancelled due to poor performance and customer service complaints. Its geographic area was assigned to two existing official agencies that performed satisfactorily.

Conflicts of Interest

At the beginning of FY 2002, three designated official agencies were operating with discretionary conflict-of-interest waivers. All three agencies remain designated with conflict-of-interest waivers.

Drug-Free Workplace

As each designated official agency becomes eligible for designation renewal, it must certify to GIPSA that it provides a drug-free workplace. Each of the 18 agencies renewed in FY 2002 provided this certification.

Registration

During calendar year 2002, GIPSA issued 83 Certificates of Registration to individuals and firms involved in foreign commerce grain business.

Pilot/Exceptions Programs

In FY 2002, GIPSA continued operation of three exception programs to provide the Agency with information on the effect of allowing more than one designated official agency to inspect or weigh grain in a single geographic area. On July 3, 2002, GIPSA proposed a rule to amend the regulations under the Act to include these exceptions.

The first exception program assesses the effect on timeliness of service provision. Under the program, official agencies may provide service to facilities located outside of their assigned geographic area on a case-by-case basis when official service cannot be provided within established timeframes. During FY 2002, there were no reports of the timely service exception being used.

The second exception program allows an "open season" during which official agencies can offer their services to facilities outside their assigned area if no official service has been provided there during the previous 3 months. During FY 2002, 87 facilities received 27,802 inspections under this program. This included 571 for barges, 27,159 for railcars, and 72 other inspections (e.g., trucks and containers).

The third exception program allows customers shipping grain in barges to select any official agency to probe-sample and inspect the grain. During FY 2002, 5 facilities received 76 barge inspections under this program.

Summary of Complaints Reported by Importers on Inspection and Weighing Fiscal Year 2002

<i>Complainant</i>	<i>Grain</i>	<i>Number of Complaints</i>	<i>Nature of Complaint</i>
Africa and Middle East			
Egypt	Wheat	1	Protein
	Corn	1	Broken corn and foreign material
Eritrea	Sorghum	1	Broken kernels and foreign material
Morocco	Wheat	1	Dockage, foreign material
Asia			
Indonesia	Soybeans	1	Foreign material
Vietnam	Wheat	1	Falling Number
Europe			
Spain	Wheat	1	Dockage
Latin America			
Colombia	Corn	1	Soybean meal
Ecuador	Wheat	1	Protein, damaged kernels
TOTAL		9	

Management Initiatives



Management Initiatives

Homeland Security

The events of September 11, 2001, caused GIPSA, along with the rest of USDA, to step up efforts to ensure the security of America's food supply. GIPSA inspectors remain on a heightened state of alert at seaports, inland grain terminals, stockyards, and meat processing plants. We have increased security at all GIPSA facilities and work sites. And, we are coordinating with other Federal agencies, such as the Food and Drug Administration, Centers for Disease Control and Prevention, Customs, and law enforcement entities, on biosecurity issues. During FY 2002, GIPSA undertook the following homeland security initiatives:

GIPSA Facility and Workplace Security

- **Security Analyses.** In the initial wake of the September 11th tragedies, GIPSA focused on ensuring the security of its facilities and people, and strengthening its emergency preparedness and response systems. Managers at all GIPSA field locations performed comprehensive "security gap analyses" and took any needed corrective actions to enhance workplace security.
- **Site Visits.** To better assess the Agency's homeland security posture, GIPSA safety and health personnel visited seven key GIPSA regional and field offices, and the Agency's Technical Center in Kansas City. These visits (1) identified and addressed local office security problems, and (2) allowed direct communication with employees about GIPSA and USDA initiatives to improve the security of USDA facilities and work sites.
- **Mail Handling Guidelines.** In response to the Anthrax scare, GIPSA issued Agency-wide mail-handling guidelines that were based on a Center for Disease Control Health Advisory and procedures published by the U.S. Postal Service. In addition, at the Agency's largest laboratory, rooms handling incoming and outgoing mail were physically separated and contained. GIPSA also made personal protective equipment (i.e., gloves and masks) available for use by all GIPSA employees who handle incoming mail.

Emergency Preparedness

- **Emergency Preparations and Response Guide.** To better prepare GIPSA offices for natural and man-made disasters, GIPSA developed an Emergency Preparedness and Response Guide that provides GIPSA offices with basic information on preparing for disasters and responding to a wide range of emergencies, including terrorist threats.

- **Emergency Action Plan.** Last year, GIPSA developed a plan for oversight and recovery efforts, and to ensure continuity of service in the event of a major emergency at a field location.
- **Headquarters Evacuation Plans.** In direct response to the events of September 11, GIPSA developed office-specific evacuation procedures that identify the office's chain of command, establish an office head-count protocol, and identify an evacuation route and meeting point for office employees.
- **Emergency Notification Policies and Procedures.** September 11 taught us that complex emergency reaction plans often don't work in a real emergency. For this reason, GIPSA drastically simplified the Agency's emergency notification procedures to allow faster and more direct communication with key personnel.
- **COOP and CAT.** GIPSA continues to work closely with the USDA Office of Crisis Planning and Management (OCPM) to refine the Department's and GIPSA's Continuity of Operations Plan (COOP) and to support/staff the Department's Crisis Action Team (CAT). GIPSA's COOP and CAT team members have participated in a number of disaster-related exercises and training sessions in the past year.

Training and Educational Initiatives

- **Biosecurity Awareness.** Processed grain products, animal feed, livestock, poultry, and hogs -- products that GIPSA employees deal with on a daily basis -- all are potential vectors for intentional contamination that could injure humans and animals. To strengthen overall security plans, better protect our employees and customers, and promote biosecurity awareness, GIPSA developed and instituted a biosecurity training program.

Homeland Security Outreach

- GIPSA's Safety and Health Manager outlined USDA's homeland security and biosecurity program at the American Institute of Baking's (AIB) "Food Security Conference." AIB is a non-profit corporation that works closely with local grain science and trade organizations, and maintains working relationships with many other food production and equipment, food safety, trade development, and food legislation groups and university food science research programs both in the United States and abroad.
- GIPSA helped the National Food Processors Association, Grain Elevator and Processing Society (GEAPS), National Grain and Feed Association (NGFA), and other industry groups on a number of homeland security/food security initiatives. For example, GIPSA provided input into the NGFA paper "Agribusiness Facility and Operations Security," and provided information to GEAPS and NGFA about the National Infrastructure Protection Center's Information Sharing Program.

Civil Rights

GIPSA continues to incorporate the Secretary's Civil Rights goals and objectives into the Agency's daily operations. The Agency has implemented and trained all managers on a Civil Rights Strategic Plan. Our goal is to strive for fairness, acceptance, inclusion, and respect in relationships with our co-workers and customers.

Outreach. GIPSA has removed perceived barriers to its programs by significantly increasing its outreach efforts to assist disadvantaged and underserved customers. This includes new activities: support for the Beginning Agricultural Youth Opportunity Unlimited (BAYOU) at Southern University and A&M College, and Pregraduate Training of Young Minorities for Leadership Roles in Agriculture at Southern Arkansas University, and increased funding for Title IX educational activities. The Agency has also increased outreach initiatives to provide excess property (computers, laboratory equipment, etc.) to local high schools, HACU, and Land-Grant Colleges and Universities.

Recruitment. GIPSA has acted to address the President's Initiative to hire more employees with disabilities. Working with the Animal and Plant Health Inspection Service, GIPSA is expanding the area of consideration of job announcements to target more applicants with disabilities. GIPSA also participated with other USDA agencies at career fairs and conferences to increase the level of employment for persons with disabilities.

GIPSA hires minority interns on a regular basis to increase awareness of Federal employment opportunities among minorities. This is a long-term program to address workforce diversity issues in the future. In FY 2002, GIPSA hired 18 interns from a variety of programs (e.g., WINS, Center of Excellence, Regulatory Science, and 1890 programs).

EEO Dispute Resolution. In FY 2002, using mediation and alternate dispute resolution, GIPSA successfully resolved 28 percent of all informal complaints. The Agency continues to work with employees and managers to reach early resolutions in the pre-complaint process.

Explosion Data

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

Summary of Reported Grain Dust Explosions FY 1997-2002

	1997	1998	1999	2000	2001	2002
Number of Explosions	14	18	11	9	8	7
Number of Injuries	8	21	15	19	7	8
Number of Deaths	1	7	0	1	1	1

Summary of Reported Agricultural Dust Explosions FY 2002

Facility	Location	Date	Injuries	Fatality
Farmers Coop	Woolstock, IA	09/09/02	3	0
ADM/CountryMark, LLC	Clymers, IN	08/08/02	0	0
Mill Rite Farms	Millersburg, OR	08/08/02	3	1
Graham Grain Company	Shelburn, IN	06/03/02	1	0
Farmers' Coop Assn.	Hanover, KS	04/18/02	0	0
Harvest Land Cooperative	Springfield, MN	04/13/02	1	0
Graham Grain Company	Terre Haute, IN	12/27/01	0	0

Financial Overview



Financial Overview

Fee Increase

On April 22, 2002, GIPSA increased inspection and weighing fees by approximately 4.6 percent. Specifically, GIPSA increased its hourly rates and certain unit rates on tests performed at other than an applicant's facility (*67 Federal Register* 13084). These increases were designed to generate revenue required to recover operational costs created by mandated cost-of-living increases to Federal salaries.

Fee Structure Adjustment Proposal

During FY 2002, GIPSA conducted a thorough review of the fee-for-services programs. This evaluation indicated a need to restructure those fees.

In FY 2003, GIPSA will consider increasing the fee rates and adjust the fee schedule for official inspection and weighing services performed in the United States, under the U.S. Grain Standards Act, as amended. The action would eliminate short-term contract rates, create new regional tonnage rates to cover local overhead, and establish a single national tonnage rate to cover headquarters overhead expenses. Specifically, GIPSA plans to propose:

- Increasing 1-year contract hourly fees to recover the increase in salary and benefits, and recover non-billed time. GIPSA is considering eliminating the 3- and 6-month contracts because they have proven to be ineffective.
- Increasing the hourly fee rates for services not performed at an applicant's facility. These hourly rates include, but are not limited to, grain grading seminars, prototype evaluation, and fees for services not listed. Increases in these hourly rates are needed to recover the full cost of labor, supplies, materials, and a portion for administrative overhead.
- Increasing unit fees to recover the full cost of labor, supplies, materials, and a portion for administrative overhead.
- Establishing a regional administrative tonnage fee designed to recover local overhead costs plus an equal share of national overhead costs. The regional fee would be applied to every ton exported from a specific field office. The full impact of this proposed fee increase would vary based on the number of tons exported and the region in which each facility is located.

**Status of GIPSA
Fee-Supported Accounts
Fiscal Year 2002**

Trust Fund Program	Revenue 09/30/02	Obligations 09/30/02	Profit/(Loss) 09/30/02	Trust Fund 09/30/02
US Grain Standards Act				
Canadian Operations	273,517	269,598	3,919	(128,751)
Inspection & Weighing	25,317,296	25,898,341	(581,045)	(3,339,097)
Official Agencies	1,310,101	1,376,872	(66,771)	4,417,829
Registration	<u>14,401</u>	<u>5,683</u>	<u>8,718</u>	<u>75,398</u>
USGSA Subtotal	26,915,315	27,550,494	(635,179)	1,025,379
Agricultural Marketing Act				
Rice Inspection	4,147,642	3,996,223	151,419	745,146
Commodity Inspection	<u>2,703,070</u>	<u>2,742,937</u>	<u>(39,866)</u>	<u>2,288,066</u>
AMA Subtotal	6,850,712	6,739,160	111,553	3,033,212
Total Fiscal Year 2002	33,766,027	34,289,654	(523,627)	4,058,590

(Totals may not add due to rounding.)

GIPSA's Appropriated Budget Authority**Fiscal Years 1997-2002***Dollars in thousands*

Description	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Appropriated Funds						
Budget Authority						
Packers & Stockyards Programs	12,376	13,165	16,062	15,128 ¹	17,355 ²	17,873
Federal Grain Inspection Service	10,752	10,725	10,725	11,505	14,195	15,244
Total Budget Authority	23,128	23,890	26,787	26,633	31,550	33,117 ³

^{1/} Includes a \$200,000 transfer from the Office of the Secretary for mandatory price reporting activities.

^{2/} Includes a \$199,560 permanent supplemental appropriation for mandatory price reporting activities included in Public Law 106-554.

^{3/} Reduced by a 1-year-only rescission of \$51,071.

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