



United States  
Department of  
Agriculture

Grain Inspection,  
Packers and  
Stockyards  
Administration

# **2001 Annual Report of the Grain Inspection, Packers and Stockyards Administration**

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# **Organizational Structure and Functions**

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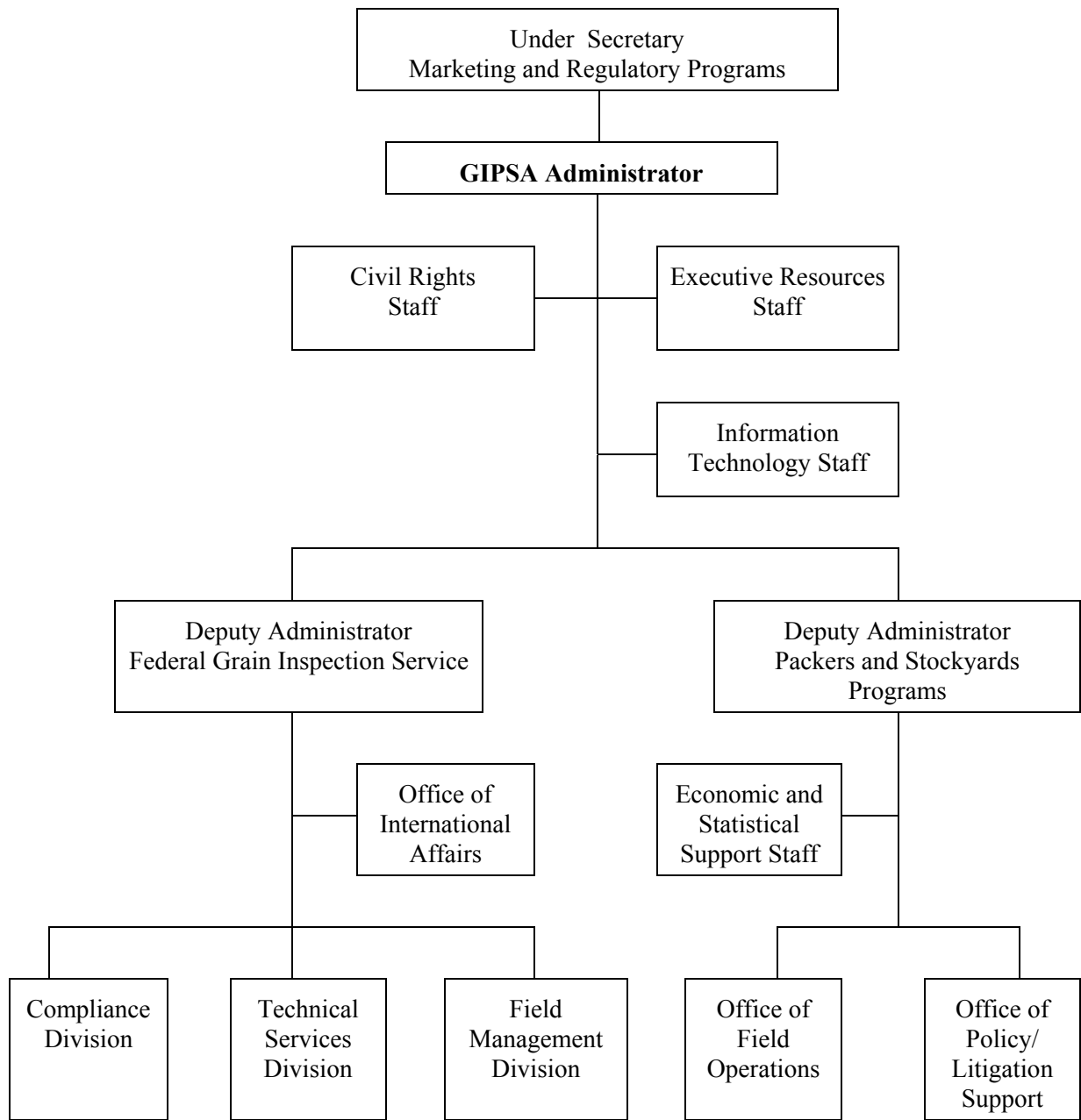
## **Organizational Structure and Functions**

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

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

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

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

### Activities Under the P&S Act

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

- investigating competitive practices of livestock, meat, and poultry firms to guard against anticompetitive behavior that may violate the Act, such as price manipulation, price fixing, and territorial allocation;
- examining structural changes in the livestock, meat, and poultry industries to assess potential competitive implications;
- investigating trade practices of packers, market agencies, and dealers;
- investigating the financial conditions and payment practices of market agencies, dealers, and packers subject to the P&S Act to determine whether they are financially sound and capable of meeting their obligations;
- maintaining the integrity of the statutory trust for cash sellers of livestock and poultry growers;

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

**Toll-Free Hotline**

GIPSA maintains a toll-free number (1-800-998-3447) to allow livestock producers, poultry growers, and the public to report complaints and share concerns. During FY 2001, P&SP received 124 hotline complaints from livestock producers, poultry growers, and the public. Each call was referred to the appropriate regional office for review.

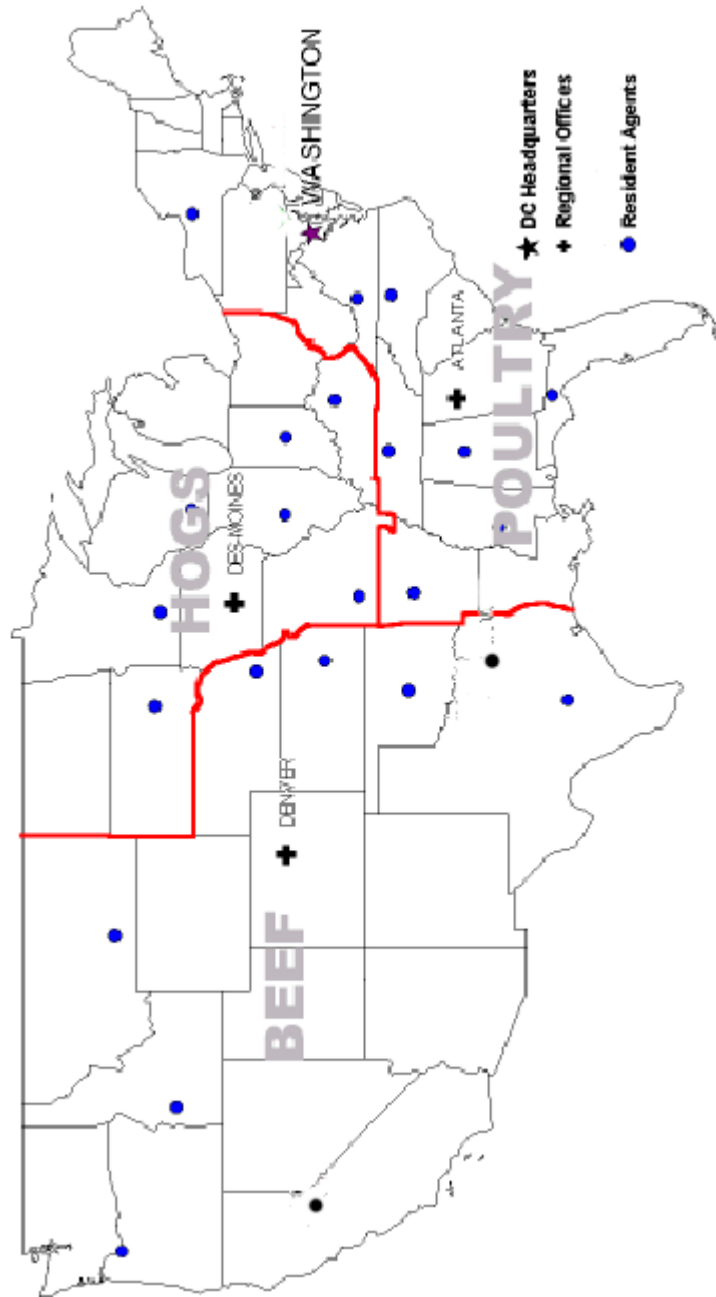
**P&SP Structure**

The headquarters office of the P&S Programs is located in Washington, D.C. Following the consolidation of the field activities into three regions in 1998, regional offices are located in Atlanta, GA; Denver, CO; and Des Moines, IA. Resident agent positions are in 28 locations across the Nation to provide core services. As of September 30, 2001, P&S had 166 full-time employees.

**P&SP Regional Offices**

<p>Atlanta Regional Office Suite 5R10 100 Alabama Street, SW Atlanta, GA 30303-5R10</p>	<p>Phone: 404-562-5840 FAX: 404-562-5848 E-mail: Elkin_W.Parker@usda.gov</p>
<p>Denver Regional Office 1 Gateway Center, Suite 200 3950 Lewiston Street Aurora, CO 80011</p>	<p>Phone: 303-375-4240 FAX: 303-371-4609 E-mail: Milton_B.Hansen@usda.gov</p>
<p>Des Moines Regional Office Federal Building, Suite 317 210 Walnut Street Des Moines, IA 50309</p>	<p>Phone: 515-323-2579 FAX: 515-323-2590 E-mail: Jay_A.Johnson@usda.gov</p>

# 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 weighing<sup>1</sup> of grain;

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<sup>1</sup> 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,<sup>2</sup> 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 services<sup>3</sup> 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.

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<sup>2</sup> 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.

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

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

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

**Permissive Services**

Official inspection and weighing of U.S. grain in domestic commerce are performed upon request and require payment of a fee by the applicant for services. Domestic inspection and weighing services are provided by 59 designated agencies that employ personnel licensed by GIPSA to provide such services in accordance with regulations and instructions.

**Activities under the Agricultural Marketing Act**

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

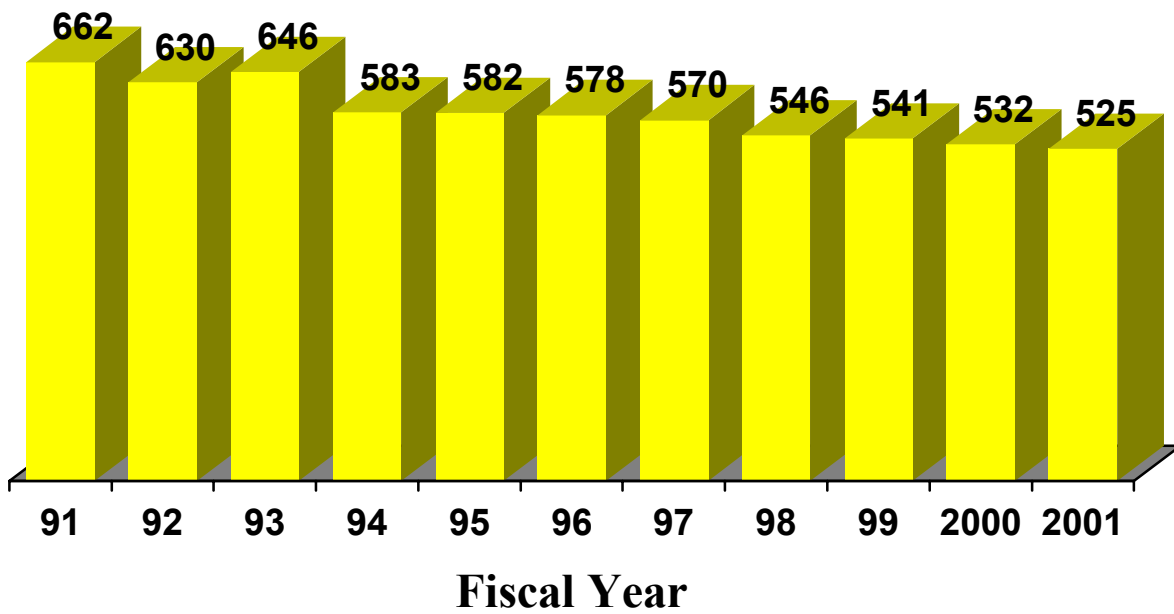
**FGIS Structure**

FGIS is comprised of 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**

**Federal Grain Inspection Service  
Full-Time Permanent Employment, FY 1991-2001**

**Number of Employees**



Source: Executive Resources Staff, SF-113-A



## Provision of Inspection and Weighing Services by State

State	Grain			Commodities		
	State Agencies		Private Designated Agencies	GIPSA Locations	State/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						
Maryland				.		.
Massachusetts						
Michigan			.			.
Minnesota	.	.		.	.	.
Mississippi	.	.		.	.	
Missouri		.		.	.	.
Montana		.		.	.	.
Nebraska			.	.	.	.
Nevada						
New Hampshire						
New Jersey						
New Mexico			.			
New York						.
North Carolina		.			.	
North Dakota			.	.	.	.
Ohio			.	.		.
Oklahoma			.			.
Oregon		.		.	.	.
Pennsylvania						
Rhode Island						
South Carolina	.	.				
South Dakota			.			.
Tennessee			.			
Texas			.	.		.
Utah		.				.
Vermont						
Virginia	.	.				
Washington	.	.		*	.	.
West Virginia						
Wisconsin	.	.			.	.
Wyoming			.		.	.

\* Federal/State office.



**Outlook 2002**

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## Outlook 2002

### Marketing Outlook

**Livestock and Poultry Industries.** Overall, improved returns are expected to boost pork and poultry production in 2002. Beef production is expected to decline because of a continuing decline in the cattle inventory, and a lag in any increased production resulting from eventual expansion of the breeding herd. Lamb production is expected to decline again in 2002.

The cattle cycle has not yet entered an expansion phase. Last year's harsh winter curtailed beef supplies and led to higher fed cattle prices in 2001. Those prices, in conjunction with drought-induced poor grazing conditions, resulted in many heifers being placed on feed rather than entering the breeding herd. Herd expansion is not expected to occur until 2004, assuming improvements in grazing prospects in late 2001 and already higher calf prices stimulate heifer retention from the 2002 calf crop. The resulting reduction in the number of heifers in the feeder cattle supply may further reduce beef supplies in the second half of 2002, beyond the decline resulting from an expected downtrend in feedlot placements in late 2001. Beef production is expected to drop by about 4 percent in 2002. Fed cattle prices are expected to rise to the mid \$70s to low \$80s per cwt, and feeder cattle prices are expected to be in the high \$80s to low \$90s per cwt. Beef exports in 2002 are expected to be about 5 percent above 2001 levels.

Hog producers also are cautious about increasing the size of the hog breeding herd. Any expansion of the breeding herd next year is expected to be moderate. Recent surveys of producers imply modest growth in slaughter in 2002. Growth in pork production is expected to be about 4 percent. Live hog prices are projected to fall somewhat to the low to mid \$40s per cwt. Pork exports are expected to decline 8 percent in 2002.

Lamb production is expected to fall 9 percent in 2002. Live lamb prices fell sharply from the mid \$80s to the mid \$50s per cwt between April and September 2001, but are expected to rebound to the mid \$70s per cwt in 2002. In August 2001, the United States announced it would, in compliance with World Trade Organization ruling, end on November 15, 2001, its tariffs under Section 201 of the Trade Act of 1974. This may have little effect on lamb and mutton import levels due to the weakening of the U.S. dollar against the Australian and New Zealand dollars.

Relatively small increases in broiler production during 2001 and strong exports have resulted in lowered stocks and increased prices of most broiler products, and processors have started to increase weekly placements of chicks. Broiler production in 2002 is expected to increase about 2 percent, and broiler prices are projected to average in the low \$.60s per pound. Exports to Russia have been a significant factor in broiler demand, with an increase of over 100 percent in 2001 versus 2000. Total broiler exports in 2002 are expected to rise about 3 percent.

The structure of the livestock industries continues to evolve, with an emphasis on integration, coordination methods, and a movement away from commodity production. In the pork industry, production and marketing contracts now account for over 80 percent of all slaughter hogs. Six of the Nation's largest meat and poultry firms launched a business-to-business Web marketplace in FY 2001 for buyers and sellers of red meat and poultry products. Tyson Foods, one of the Nation's largest broiler producers, acquired IBP, inc., one of the Nation's largest processors of beef and pork. Smithfield Foods, among the Nation's largest hog producers and pork packers, acquired the beef processor Moyer Packing Company and announced plans to acquire Packerland Holdings, another large beef processor. Beef and pork packers continued to buy or build facilities that produce processed meat products, as they attempt to move into higher margin value-added markets.

**Grain.** Expectations of smaller corn and wheat crops combined with higher soybean consumption may help lift prices for these major crops from their lows of the past 2 years. Despite smaller crops, large grain stocks in the United States and abroad should satisfy global demand and limit any price increases, thus keeping major crop prices well below their high levels of the mid-1990s.

Domestically, low prices at planting contributed to about 4.5 percent contraction in corn and wheat acreage for the 2001 crop; soybean acreage expanded a modest 0.9 percent owing to higher anticipated grower returns vis-à-vis other crops, particularly corn. Unfavorable weather, particularly for spring crops, cut yield potential from FY 2000 levels. Smaller acreage and lower expected yields resulted in the smallest wheat crop in a decade. USDA estimates 2001 corn production 7 percent below last year's crop, which was the second largest on record. USDA anticipates a record soybean crop, although yields have been trimmed by unfavorable weather. Prices for all major crops are forecast to rise in FY 2002, but remain well below their high levels of the mid-1990s. Wheat prices are forecast to rise from \$2.62 per bushel in 2000/01 to an average \$2.90 per bushel in 2001/02; they had been \$4.55 per bushel in 1995/96. Corn prices are projected to climb from \$1.85 per bushel in 2000/01 to \$2.15 per bushel in 2001/02, but remain well below their average of \$3.24 per bushel in 1995/96. Soybean prices are expected to rise from \$4.55 per bushel in 2000/01 to \$4.90 per bushel in 2001/02, which would still be far below their peak of \$7.35 per bushel in 1996/97.

Biotech corn and soybean acreage both expanded in 2001, but to differing degrees. Biotech corn as a percent of total corn acreage increased slightly from 25 percent in 2000 to 26 percent in 2001, remaining well below its peak 33 percent share in 1999. Biotech soybean acreage increased to more than 68 percent of total acreage in 2001, compared to 54 percent in 2000.

While international trade increased in response to rising consumption, the United States has experienced limited gains due to stiff competition from other major exporters. The U.S. export share in world corn markets is expected to rise to 62 percent in 2001/02 from 59 percent this year, but soybean and wheat export market shares are forecast to decline as a result of competition from low-cost producers. The United States may account for less than half of world soybean exports for the first time in recent memory due to intense competition from Argentina and Brazil. The U.S. wheat export market share is expected to contract in the face of strong gains for nontraditional exporters like India and Ukraine.

U.S. grain marketing for FY 2002 will continue to consist mainly of traditional bulk commodities, though new value-added grains requiring special handling practices should continue to make gains. Roughly one-tenth of major crops are now marketed using non-traditional practices such as identity preservation (IP), segregation, or vertical integration. While these practices preserve such quality attributes as the product moves through the marketing chain, consumers must bear the higher costs of these more rigid marketing practices. Examples of value-added grains include high-oil corn, food grade soybeans, and high-gluten durum wheat. Some customers also pay a premium for non-biotech grains, though this share remains small (about 2 percent of corn from the 2000 crop, for example).

**Biotech Testing**  
greater

During FY 2002, GIPSA plans to implement a program to promote accuracy and consistency in the testing of grains and oilseeds to detect the presence of crops derived through the use of modern biotechnology. GIPSA entered into confidentiality agreements with life science companies to obtain the necessary knowledge and reference material to develop a proficiency testing program. GIPSA will provide selected laboratories, on a voluntary basis, with samples to measure the labs' proficiency at detecting the presence of crop developed using modern biotechnology.

**Process Verification**  
**Program**

GIPSA is exploring the feasibility of providing a process verification program to facilitate the marketing of grains, oilseeds, and related agricultural commodities. Traditionally, GIPSA accomplished its mission by offering various grain testing services and establishing official grading standards. Today, these services and standards still play important roles in grain marketing, but do not adequately address emerging practices used to market U.S. grain. GIPSA recently published an Advance Notice of Proposed Rulemaking in the *Federal Register* seeking public comment on the Agency's and the Department's roles in facilitating the marketing of grains, oilseeds, fruits, vegetables, and nuts. Respondents commented that the Government can best serve the market by (1) continuing existing programs to standardize testing methodology and component testing, and (2) building on the success of its process verification programs for fruits, vegetables, and livestock by developing similar programs for grains, oilseeds, and related agricultural commodities. It is apparent that the market is adopting a variety of new marketing mechanisms, such as process verification, to augment traditional marketing approaches, in response to changing consumer

demands. GIPSA's plan is to assess how the Agency can add value through process verification for these commodities by augmenting, not supplanting, existing market mechanisms.



## **Packers and Stockyards Programs**

### **d**

*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*



## FY 2001 Highlights

### Overview of Livestock, Meatpacking, and Poultry Industries

The following table provides an overview of the livestock, meatpacking, and poultry industries during FY 2001 and GIPSA's involvement in them.

Fiscal Year 2001	
Investigations	1,619
Market Agencies/Dealers Registered	6,241
Stockyards Posted	1,525
Slaughtering and Processing Packers Subject to the P&S Act (estimated)	6,000
Poultry Operations Subject to the P&S Act	205

Firms subject to the P&S Act generated \$125 billion worth of wholesale livestock, meat, and poultry products in FY 2001.

### Annual Assessment

GIPSA prepared a report entitled "Assessment of the Cattle and Hog Industries, Calendar Year 2000." The report describes the general economic state of the cattle and hog industries during calendar year 2000, changing business practices in those industries, and activities that appear to raise concerns under the P&S Act. The Grain Standards and Warehouse Improvement Act of 2000 (P.L. No. 106-472), enacted on November 9, 2000, amended the P&S Act and required the assessment report.

The assessment found that substantial changes in the structure and behavior of firms in the livestock and meatpacking industries are driven by technological developments, changes in consumer demand, and competitive forces. Many of the changes may benefit the industries involved, consumers, and the Nation as a whole. However, the changes also bring the potential for anticompetitive behavior or unfair trade practices that are unlawful under the P&S Act.

GIPSA will address the concerns discussed in the report by monitoring changes in industry structure and behavior, and examining practices that appear unlawful under the P&S Act. In addition to monitoring, GIPSA's actions may include formal investigations, regulatory initiatives, or research and other analyses to assess the economic, competitive, and trade practice implications of the structural and behavioral changes.

### Statistical Report

GIPSA prepared a statistical report on the meatpacking industry covering reporting year 1999. The report provides for data on industry concentration, plant size, packer financial performance, and number of animals purchased by source of supply (public market versus direct). 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. In 1990, 497 firms operating 623 plants reported to GIPSA. In 1999, the number of reporting firms had fallen to 269, and the number of plants had fallen to 355. The following table shows this trend in more detail.

<b>Number of Reporting Packers, All Species</b>				
Year	Single-plant firms	Multi-Plant Firms	Total Firms	Total Plants
1990	448	49	497	623
1991	421	47	468	587
1992	379	58	437	566
1993	349	56	405	528
1994	315	57	372	499
1995	308	52	360	487
1996	305	43	348	478
1997	289	42	331	440
1998	247	32	279	367
1999	238	31	269	355

The report details packers' use of public and nonpublic markets. Public markets are terminals and auctions; nonpublic markets include all other sources of livestock. Overall, beef packers obtained 13 percent of slaughter cattle, and slightly over 3 percent of steers and heifers, in public markets. The majority of nonfed cattle (cows and bulls) were purchased in public markets. The four largest beef packers procured a smaller percentage of their slaughter requirements through public markets than any other group of purchasers. Use of public markets varies regionally. Packers did not buy any steers and heifers for slaughter in public markets in Texas and Oklahoma, while more than 70 percent were bought in public markets in the southern Atlantic coast States. Packers used nonpublic markets for the majority of their purchases of cows and bulls in the eastern North Central and South Central States, but public markets were used for the majority of purchases of cows and bulls in all other regions.

Hog packers use public markets even less than cattle packers do. The top 20 packers use public markets for a little less than 1 percent of their hog procurement and, overall, hog packers purchased about 3 percent of their

needs through public markets. There also is much less regional variation in use of public markets for hog procurement. Use of public markets ranged from less than 1 percent in the Southern Plains and Mountain States to about 15 percent in the northern Atlantic coast States.

<b>Packer Use of Terminal and Auction Markets, 1999</b>		
	Percent of Total Slaughter	
	<u>Cattle</u>	<u>Hogs</u>
4 largest packers	3.7	0.6
20 largest packers	8.2	0.7
All packers	13.0	3.1

The report provides details about livestock sold through public markets. Livestock sold through public markets may be used for slaughter, further feeding, dairy production, or other purposes. The total number of cattle and calves sold through public markets for all purposes declined from 42 million head in 1990 to 38 million head in 1998, then rose to 40 million in 1999. The number of hogs and pigs sold through public markets declined from about 19 million in 1990 to about 8 million in 1999. The total number of public markets (terminal and auction markets) in the United States declined from 1,618 in 1990 to 1,519 in 2000.

**Clear Title**

USDA has certified 19 State central filing systems as compliant with Section 1324 of the Food Security Act of 1985. Fifteen of those States received certification in 1986 and 1987. Minnesota received the most recent certification in 1993. States establish central filing systems to enable buyers to learn about lien notices against farm products.

**Concentration and Industry Structure**

Concentration in livestock slaughter has stabilized in recent years. For steers and heifers, four-firm concentration rose 32 percentage points from 1985 to 1994, and has since remained relatively stable at 82 percent. Four-firm concentration in slaughter hog procurement rose from 32 percent in 1985 to 55 percent in 1996, and has remained stable since then. Four-firm concentration in sheep and lamb slaughter rose rapidly in the mid-1980s, from 51 percent in 1985 to 77 percent in 1988, but has fallen over the last decade to 67 percent in 2000. The number of plants and number of head slaughtered by the top four firms, both in absolute number and as a percentage of total sheep and lamb slaughter, have fallen between 1988 and 2000. Four-firm concentration in broiler processing rose from 33 percent in 1985 to 49 percent in 2000.

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

#### Four-Firm Concentration in Meatpacking: Reporting Years 1980-2000

Year	Cattle <sup>1</sup>	Steers and heifers	Cows and bulls	Hogs	Sheep and lambs
<u>Percent of total commercial slaughter</u>					
1980	28	36	10	34	56
1981	31	40	10	33	53
1982	32	41	9	36	44
1983	36	47	10	29	44
1984	37	50	11	35	49
1985	39	50	17	32	51
1986	42	55	18	33	54
1987	54	67	20	37	75
1988	57	70	18	34	77
1989	57	70	18	34	74
1990	59	72	20	40	70
1991	61	75	20	44	72
1992	64	78	24	44	71
1993	67	81	25	43	73
1994	69	82	25	45	73
1995	69	81	28	46	72
1996	66	79	29	55	73
1997	68	80	30	54	65
1998	70	80	33	56	68
1999	70	81	31	56	68
2000	69	82	32	56	67

<sup>1</sup> Includes steers, heifers, cows, and bulls.  
 Note: Figures for years 1980-90 are based on firms' fiscal years as reported to GIPSA. Figures for 1991-2000 are based on calendar year federally inspected slaughter.

## Investigations

GIPSA's Packers and Stockyards Programs includes Competition, Trade Practices, and Financial Protection units. In FY 2001, these units undertook 1,619 investigations, and closed 1,326. The individual breakdown of FY 2001 investigations closed, including those closed within 1 year.

Fiscal Year 2001 Total Number of Investigations: 1,619			
Unit:	Number Closed	Number Closed in 1 Year	Percent Closed in 1 Year
Competition	22	12	54.5
Financial	573	552	96.3
Trade Practice	731	722	98.8
Totals	1,326	1,286	97.0

## GAO Report

In August 1999, the Chairman of the Subcommittee on Administrative Oversight and the Courts, Senate Committee on the Judiciary, requested that the General Accounting Office (GAO) review USDA's efforts to implement the P&S Act due to concerns about the sufficiency of GIPSA's actions to protect competition in the livestock markets. On September 21, 2000, GAO issued report GAO/RCED-00-242 titled "Packers And Stockyards Programs: Actions Needed to Improve Investigations of Competitive Practices."

On November 9, 2000, Public Law 106-472 was signed into law requiring, pursuant to "Section 312. Improved Investigative and Enforcement Activities under the Packers and Stockyards Act of 1921," that GIPSA implement the recommendations contained in the GAO report no later than November 9, 2001; and that USDA submit to Congress a report describing the actions taken to respond to GAO's recommendations.

GAO's report recommended that USDA improve its capability to investigate allegations of anticompetitive practices by having integrated teams of attorneys and economists perform GIPSA's investigative work, improving the planning and review of these investigations by adopting methods and guidance similar to that of the Department of Justice (DOJ) and the Federal Trade Commission (FTC), and consulting with DOJ and FTC on the design of program improvements. GAO also recommended that USDA determine the number of attorneys needed for USDA's Office of the General Counsel (OGC) to participate in GIPSA's investigations. GAO further recommended that senior GIPSA and OGC officials review the progress of investigations at main decision points and provide feedback, guidance, and approval of investigations as they progress. To ensure that GIPSA's legal specialists are used effectively, GAO recommended that OGC attorneys provide them with leadership and supervision. To ensure that GIPSA has the required economic talent, GAO recommended that GIPSA consider modifying the grade structure for its economists. Finally, GAO recommended that GIPSA promote competition through information activities such as reporting publicly on

changing business practices in the cattle and hog industries and identifying market operations or activities that appear to raise concerns under the P&S Act. Overall, GIPSA concurred with the report's recommendations.

During FY 2001, GIPSA took appropriate measures to implement GAO's recommendations. The Agency developed and implemented a process for investigation planning, development, implementation, and review. These operating procedures will ensure that complex investigation plans are reviewed carefully by GIPSA headquarters and OGC. The investigation process also will enhance current informal teamwork between GIPSA and OGC during the early stages of complex investigations and ensure that all investigative, economic, and legal issues are considered carefully before initiating complex investigations. In establishing its process, GIPSA reviewed DOJ guidance for investigation development. FTC provided training on investigation and information collection procedures to GIPSA legal specialists and OGC attorneys. OGC added attorneys to its staff in FY 2001, increasing its resources to address GIPSA matters. GIPSA upgraded economist positions located in its headquarters staff and upgraded position announcements for field economists. OGC provided training to GIPSA legal specialists, and GIPSA appointed a supervisory legal specialist to serve as primary liaison with OGC. Finally, GIPSA issued its first annual assessment of the cattle and hog industries to report on changes in those industries.

GIPSA also has developed rapid response teams to address or investigate potential violations of the P&S Act. These teams were deployed to address several potentially serious situations across the Nation in FY 2001. During FY 2001, 94 GIPSA investigators conducted 51 rapid response investigations. These investigations not only found violations of the P&S Act, but also contributed to returning \$6.1 million to livestock producers and poultry growers.

**Technical Training**  
in

On October 24-26, 2000, P&SP conducted competition training sessions

Washington, D.C., for Agency economists and legal specialists, and attorneys from OGC. The training focused on conducting competition investigations using economic and econometric analyses. In January, February, and March 2001, GIPSA sponsored three week-long training sessions for its legal specialists which were provided by OGC attorneys, FTC officials, and GIPSA headquarters staff.

**Strengthened Investigations**  
investi-

GIPSA incorporated economic, statistical, and legal expertise into

gations at the field office level to increase the program's efficiency and effectiveness in investigating anticompetitive practices, and enforcing trade practice and payment protection provisions of the P&S Act. In FY 2001, P&S continued to recruit economists and legal specialists for its field staff, which now includes 17 economists and 5 legal specialists. GIPSA continues to seek additional funding to investigate competitive behavior in meat packing and address concerns in the poultry industry. The Agency has increased cross-utilization of its economists, legal



specialists, auditors, marketing specialists, and industrial specialists from headquarters and field locations to apply appropriate investigative and analytical skills to specific investigations.

**Status of Rulemakings  
and**

*Swine Contract Library Final Rule.* GIPSA is developing a final rule programs to implement the swine contract library that will provide summarized information on contract terms and monthly reports on the number of swine under contract.

*Non-Reporting of Price Proposed Rule.* GIPSA is reviewing the need for a regulation to address issues related to the non-reporting of price. During 2001, the USDA Agricultural Marketing Service implemented mandatory price reporting, which, among other things, requires large packers to report prices paid for livestock. Working with livestock producers, GIPSA will determine if packers are still requiring conditions or agreements for producers to not report or discuss prices paid for their livestock.

*Recordkeeping Proposed Rule.* GIPSA is developing a proposed rule to specify recordkeeping requirements for packers' procurement transactions.

*Forms and Information Collection.* During 2001, a review of forms and information collection requirements resulted in a revision of forms. GIPSA is developing instructions for all of the forms. When approved by the Office of Management and Budget, GIPSA will make the forms and instructions available on the Internet.

**Electronic Livestock  
Marketing**

GIPSA searches the Internet at regular intervals to identify individuals or firms that may be conducting business operations or auction sales of livestock subject to the P&S Act via Internet web sites. When a business site is found that is not registered, GIPSA contacts a responsible representative of the business. If the business operations are determined to be subject to the P&S Act, GIPSA pursues registration and bonding of the business. Often, web sites merely provide livestock sellers a location to offer their livestock for sale and are not operated subject to the P&S Act. On September 30, 2001, there were 7 firms registered and bonded to conduct business subject to the P&S Act on the Internet. GIPSA will continue to monitor Internet livestock procurement activity to ensure that subject entities are registered and bonded. Operations of subject Internet firms also will be monitored in an effort to promote a fair and competitive livestock marketing environment.

**Poultry Town Hall Meetings**

GIPSA held a series of poultry town hall-type meetings in FY 2001 to educate attendees about GIPSA's poultry activities, and specifically, about the feed weighing regulations that became effective in May 2000 and other actions under consideration by GIPSA. The meetings were used as a forum for GIPSA to learn more about the challenges facing today's poultry growers, and for growers and the industry at large to better understand GIPSA's programs. Meetings were held in: Moultrie, Georgia; Athens, Georgia; Hanceville, Alabama; Russellville, Arkansas; Morton, Mississippi; Dexter, Missouri; Fayetteville, North Carolina; and

Salisbury, Maryland.

**GIPSA Outreach**

GIPSA 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 the marketing options and constraints facing the industry. In FY 2001, GIPSA planned and participated in a series of poultry "town hall" meetings for poultry growers, integrators, and affiliated industries. Resident agents maintain open communications with State officials to discuss areas of mutual concern in areas of overlapping jurisdiction.

**Feed Mill Orientation  
calculation**

Feed mill orientations help ensure that feed weights used in the of producer/grower payment are accurate. GIPSA investigated the operations of 58 feed mills, representing 26 different poultry companies, during FY 2001 to determine compliance with feed weighing regulations recently promulgated. While primarily conducted to ensure accurate weighing, information gathered during these investigations will be used to plan investigations of suspected feed weighing violations. The information is also valuable in evaluating and investigating complaints received involving feed delivery or pickup.

**New Market Orientation  
soon**

GIPSA strives to meet with new auction market owners and managers after the operations begin under new ownership. 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 2001, 23 new market orientations were conducted.

## **Competition**

### **Overview**

GIPSA continually monitors the livestock industry for anticompetitive practices that may violate the P&S Act through various investigative activities and other tools. To promote compliance with the P&S Act, GIPSA investigates potential anticompetitive practices. When violations are uncovered, GIPSA pursues appropriate enforcement actions. In addition, USDA, the DOJ, and the FTC have a memorandum of understanding to provide each other with assistance, support, and cooperation on matters of mutual interest. As requested, GIPSA provides information and expertise to assist those agencies in conducting investigations of antitrust matters involving the livestock, meat, and poultry industries. Finally, GIPSA engages in outreach activities to inform interested parties, particularly livestock and poultry producers and the regulated entities, of the Agency's enforcement efforts and to stimulate public dialogue on important competition issues.

### **Anticompetitive Arrangements**

GIPSA places a high priority on investigating emerging information received about the potential failure of livestock dealers, market agencies, or packers to compete for the purchase of livestock. During FY 2001, GIPSA conducted or initiated 52 investigations involving livestock dealers, market agencies, packer buyers, and slaughtering packers regarding potential anticompetitive practices in the purchase of livestock.

### **Captive Supply Study**

Conference report language accompanying the 2001 Agricultural Appropriations Bill directed the Secretary of Agriculture to conduct a comprehensive study and deliver a report on the issue of captive supply. In particular, the Secretary was directed to examine whether cattle procured pursuant to a captive supply arrangement by a packer's non-reporting subsidiary, affiliate and owners, officers, and employees are included in GIPSA's reporting of captive supply, and why GIPSA's captive supply percentage is frequently lower than the percentages reported by other entities. GIPSA is producing a comprehensive report that will identify reasons captive supply is both supported and opposed and will summarize research findings. The report also will provide perspective on other statistics characterized as captive supply and why these statistics differ from GIPSA's. The report will conclude with steps GIPSA is taking to improve its collection and reporting of slaughter purchase information. The report is expected to be published early in FY 2002.

## **Trade Practices**

### **Overview**

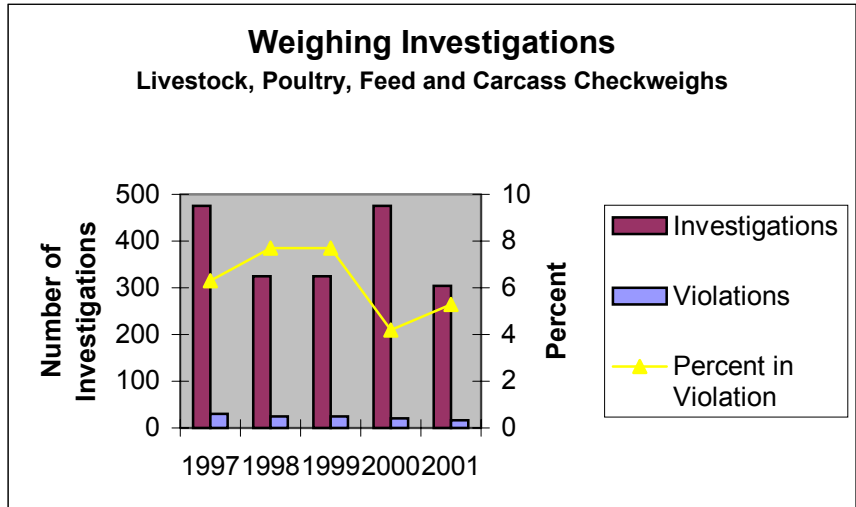
One of GIPSA's major objectives under the P&S Act is to maintain fair business practices in the marketing and procurement of livestock, meat, and poultry. To ensure fair business practices and determine if unfair or deceptive practices are occurring, GIPSA continually conducts trade practice investigations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

### **Unfair Practices**

Some of GIPSA's unfair practices enforcement efforts in this area are directed at monitoring scale tests, and detecting improper and fraudulent use of scales. In most cases, the scales are tested by state and private testing agencies following standards developed in cooperation with the National Conference on Weights and Measures (NCWM). GIPSA conducts training schools for test agencies with NCWM National Training Program-certified instructors. Since 1988, 30 training schools provided technical instruction to 496 officials from 50 States and the Navajo Nation. Informal instruction is routinely provided upon request to State and private test agencies.

GIPSA analyzes test reports and periodically supervises scale tests to ensure that they accurately reflect the performance of the scales under normal use conditions. Of the scales tested during FY 2001, 91 percent complied with performance requirements. Equipment not found in compliance was adjusted, repaired, or replaced by private scale companies.

Check weighing investigations are a critical component of the program to assure accurate weights. In FY 2001, 304 check weighing investigations were conducted at livestock auction markets, dealer buying stations, meatpacking and poultry processing plants. Approximately 5.3 percent of the investigations disclosed false or incorrect weighing, which resulted in corrective action being taken.



**False Weighing**

Under the P&S Act regulations require that livestock purchased on a weight basis be accurately weighed and that payment be made on accurate weight. False weights have an immediate and measurable impact on livestock producers' paychecks. During FY 2001, administrative complaints were issued against four entities for allegedly selling livestock to their customers at more than the true and correct weight.

**Contract Poultry Arrangements**

During FY 2001, GIPSA investigated the operations of 71 live poultry dealers. Nearly 20 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 several live poultry dealers throughout the United States are deceptive or unfair to the growers who grow poultry under these agreements.

Continuing investigations of large tare weight variations have prompted procedural changes by several poultry firms to ensure accurate tare weights of poultry live haul vehicles. Weighing practices were investigated through unannounced check weighs at 104 poultry complexes in FY 2001.

**Livestock Marketing**

Fraudulent transactions in the livestock, meat, and poultry industries are a major concern. Such transactions involve various types of fraudulent activity, including collusion between or among dealers, order buyers, market agencies, or packer employees engaging in payoffs and kickback schemes; weight and price manipulation, and misrepresentation of livestock's origin and health and defrauding purchasers of livestock by causing paper transactions in which the livestock purportedly changes ownership several times with markups in price and/or weight each time before sale to the ultimate buyer. These practices are among the most serious violations of the P&S Act and have the ultimate effect of lowering prices paid to the livestock producer or raising prices paid by

the consumer.

During FY 2001, GIPSA participated in a joint investigation with the Federal Bureau of Investigation (FBI). The investigation relates to a large ponzi cattle scheme that resulted in approximately \$200 million in losses to investors, banks, and others.

### **Livestock Procurement**

To determine if unfair or deceptive practices in violation of the P&S Act are occurring in the procurement of livestock, GIPSA continues to conduct livestock procurement investigations of slaughtering packers, dealers, and order buyers. These investigations include examining firms' entire operations for possible violations of the P&S Act, including price manipulation, weight manipulation of livestock or carcasses, manipulation of carcass grades, commercial bribery, misrepresentation of source, condition, or quality; and other unfair and deceptive practices. During FY 2001, GIPSA conducted 224 investigations of slaughtering packers, livestock dealers and order buyers.

### **Reparations**

Any person harmed when a market agency or dealer violates the P&S Act may file a reparation complaint seeking monetary damages. At the beginning of FY 2001, there were 18 docketed reparation complaints pending in which the complainants were seeking reparation in the amount of \$476,800. During FY 2001, 3 additional actions were docketed or re-opened in which the complainants were seeking reparation in the amount of \$71,572. One docket was closed, in which 1 complainant was awarded \$9,500. At the end of FY 2001, 17 dockets, in which complainants are seeking \$236,628 in reparations, were pending.

## **Financial Protection**

### **Getting Paid**

The financial integrity of market participants is essential for a stable and competitive market for livestock, poultry, and meat. Prompt and full payment for livestock and poultry purchases is a statutory requirement and is imperative for producers to maintain a production cycle necessary for a viable market.

Livestock buyers subject to the P&S Act are required to maintain a bond or bond equivalent to cover their livestock purchases. Livestock auction markets must establish and maintain a custodial (trust) account for payment to consignors. Packer and poultry trusts established by the P&S Act give livestock and poultry sellers first claim to trust assets in the event of nonpayment.

### **Financial Investigations Act**

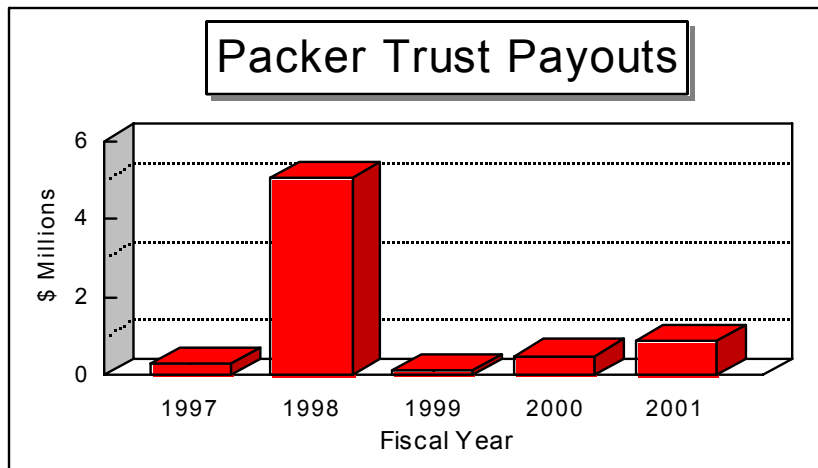
Payment protection for livestock sellers is an integral part of the P&S and extremely important to GIPSA. To ensure compliance with the financial and payment protection provisions of the Act, GIPSA routinely reviews financial reports, and conducts audits of payment practices and financial investigations.

Financial investigations during FY 2001 resulted in \$6.3 million being restored to custodial accounts established and maintained by livestock auction markets for the benefit of livestock sellers. Over \$844,000 was recovered by livestock sellers under the packer trust provisions of the Act.

Livestock dealers, market agencies, and packers are required to meet solvency requirements, a critical component of payment protection under the Act. During FY 2001, 47 insolvent dealers and market agencies corrected or reduced their insolvencies by \$2.8 million. Insolvent packers corrected or reduced their insolvencies by \$1.8 million.

### **Packer Trust**

Producers must receive timely and full payment for the livestock they market. Payment protection is provided through statutory provisions requiring full and prompt payment, packer bonding, and establishing packer trusts. Packers purchasing more than \$500,000 worth of livestock also must file annual reports of their operations with GIPSA and maintain a solvent financial condition. The prompt payment provision is a significant element of the financial protection afforded producers under the P&S Act, and an integral part of the packer trust which provides protection to producers who have not received payment by meat packers. Since the 1976 amendments to the P&S Act, livestock sellers have been paid \$55.1 million under the statutory trust provisions.

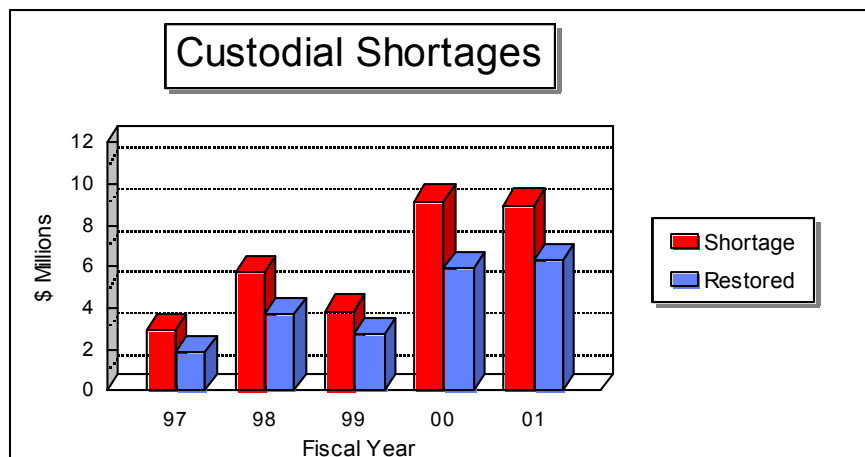


**Live Poultry Trust**

In February 1988, the P&S Act was amended to include a statutory trust provision similar to the packer trust giving payment protection to live poultry growers and sellers. Since the 1988 amendments, live poultry producers have been paid \$7.5 million under the statutory trust provisions. The poultry trust payouts reflect claims for unpaid purchases of broilers, turkeys, and spent fowl.

**Custodial Shortages**

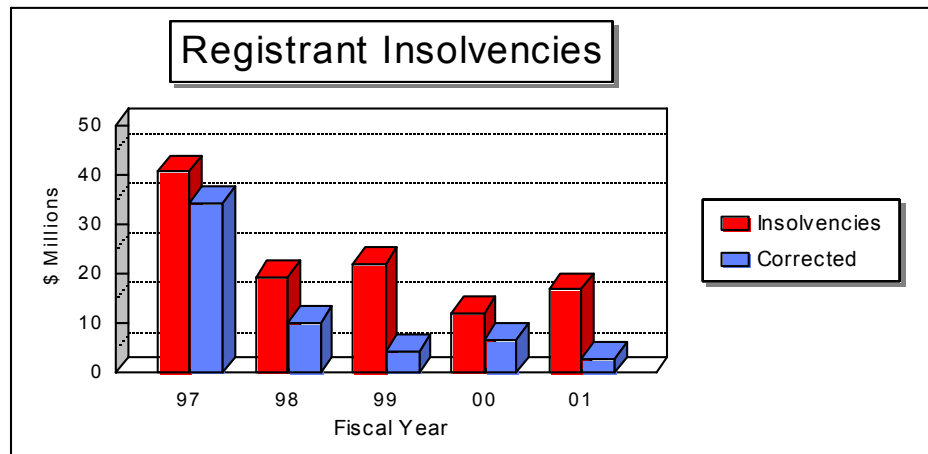
Market agencies that sell livestock on a commission basis are required to establish and maintain a separate bank account for the benefit of livestock sellers called a Custodial Account for Shipper's Proceeds. GIPSA receives biannual reports from the markets on these accounts as part of an ongoing compliance surveillance program. During FY 2001, onsite compliance reviews of 322 custodial accounts disclosed that 98 markets had shortages totaling \$7.2 million in their accounts. The compliance surveillance program resulted in the restoration by the markets of \$6.3 million to the custodial accounts.





**Solvency**

Livestock dealers, market agencies, and packers are required to meet solvency requirements, a critical payment protection component of the P&S Act. In the past 5 fiscal years, 1,054 dealers and market agencies found to be insolvent either corrected or reduced their insolvencies by over \$58.5 million as a result of GIPSA compliance activities. Of the 1,054 dealers and market agencies, 430 completely corrected their insolvencies. During FY 2001, 165 insolvent dealers and market agencies corrected or reduced their insolvencies by \$2.9 million, and insolvent packers corrected or reduced their insolvencies by \$1.9 million.

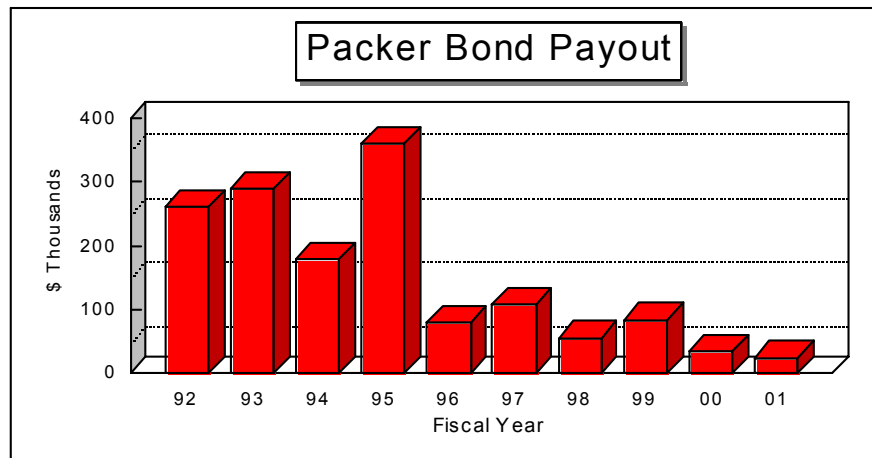


**Bonding**

The P&S Act and regulations require that each market agency and dealer operating in commerce be registered. To comply, a firm must file an application with a surety bond or its equivalent. Each slaughtering packer must register its livestock buyers as dealers purchasing livestock for slaughter. Their livestock purchases are covered under the packer’s bond. The following table shows the number of packers and registrants and the value of their bonds for the past 3 fiscal years.

	<b>FY 99</b>	<b>FY 00</b>	<b>FY 01</b>
Posted Stockyards	1,548	1,519	1,525
Market Agencies/Dealers	6,577	6,371	6,241
Packer Buyers	2,044	2,038	2,050
Value of Bonds (millions)	\$250	\$242	\$242

In FY 2001, 598 livestock sellers with claims of \$4.2 million were paid \$276,000 from registrant bonds. Claims of \$556,094, for which recovery from the bonds is expected, remain pending.



The 1976 amendments to the P&S Act added provisions requiring packers to be bonded, thereby establishing an additional means of payment protection for livestock sellers. A performance bond for payment of livestock is required of all slaughtering meat packers with annual livestock purchases exceeding \$500,000.

While the P&S Act protects livestock sellers, full and timely payment is not guaranteed. GIPSA does not have authority to order that payment be made, but can only ameliorate the risk by its presence and through enforcement of the P&S Act. The Agency investigates complaints of slow pay and failure to pay and is often instrumental in causing payment to be made to the seller. GIPSA also helps the seller file bond claims and packer trust claims when full payment is not received. GIPSA cannot, however, completely eliminate the payment risk inherent in the marketplace. Even so, the payment laws and regulations under the P&S Act promote an open and competitive livestock market unfettered by the risk of rampant and openly fraudulent payment practices.

## 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*



## FY 2001 Highlights

### USDA's Role in an Evolving Market in

During FY 2001, GIPSA solicited comments on USDA's role in facilitating the marketing of grains, oilseeds, fruits, vegetables, and nuts

today's marketplace. GIPSA coordinated the Department's effort to explore how it can continue to foster the marketing of agricultural products in an evolving marketplace characterized by biotech and non-biotech crops, as well as by an increasing number of crops with specific end-use quality attributes. GIPSA published the advance notice of proposed rulemaking (ANPR) in the November 30, 2000, *Federal Register*.

The ANPR sought comment in two broad areas: (1) current market needs and practices, and the costs and benefits associated with those practices; and (2) the proper role for USDA in light of changes in the evolving marketplace. During the 135-day comment period, USDA received 2,984 comments. Of those who commented about market facilitation, there was broad consensus for USDA to act in two areas: (1) continuing and expanding existing programs to standardize testing methodology, and (2) building on the success of its process verification programs for fruits, vegetables, and livestock by developing similar programs for grains, oilseeds, and related agricultural products.

## Harnessing Technology

### 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, for example, of grain, in electronic digital format and then transferring the image to a computer for review and analysis.

**Rice Inspection.** In FY 2001, GIPSA developed and approved GrainCheck 2312 Total Broken Kernels (TBK) calibrations for official inspection of long-grain milled, long-grain parboiled, and short-grain milled rice. GIPSA-authorized or -licensed inspectors used these calibrations for official services on three instruments in California and one instrument used in Louisiana and Arkansas to improve the consistency and accuracy of inspection results. We will refine a quality control system for this new technology and expand its use for official rice inspection in FY 2002.

**Wheat Inspection.** GIPSA and the Agricultural Research Service (ARS) jointly researched the use of GrainCheck technology for measuring percent vitreous kernels in Durum and Hard Red Spring wheat samples. ARS developed a Durum wheat calibration that provides results equal to or better than those achieved through visual determinations by official inspectors. In FY 2002, GIPSA, North Dakota State University, and ARS plan to evaluate the GrainCheck Durum wheat calibration subclass determinations for a set of approximately 120 samples. GIPSA also plans to initiate a joint program with the Canadian Grain Commission (CGC) to investigate the use of flatbed scanner technology for imaging and differentiating white and red wheat kernels.

GIPSA will continue to explore opportunities for applying remote digital imaging to enhance visual grading services. Remote digital imaging will provide faster turnaround of results on difficult and unusual characteristics encountered in grain and graded commodities.

### Functional Quality (NIRT) Assessment

In FY 2001, GIPSA investigated use of near-infrared transmittance measurements on whole wheat kernels to provide a rapid means of predicting dough strength and other characteristics for flour made from that wheat. Data were obtained from export shipments representing the 1998-2000 harvests. Preliminary results with 1998-crop Hard Red Spring wheat looked promising, but prediction ability was much reduced for 1999- and 2000-crop samples. In FY 2002, GIPSA will collect data on samples representing a wider protein range to better understand the relationship between protein levels and end-use characteristics. GIPSA also will collect data on a near-infrared reflectance research instrument to help identify kernel characteristics affecting NIRT predictions.

<b>Grain Inspection Automation At Export Elevators</b>	A GIPSA team of automation and grain inspection experts, working with the North American Export Grain Association (NAEGA), developed a prototype automated grain inspection system. The system provides updated grain inspection information five times faster than present manual methods. The automated system has the potential to reduce costs to the industry and enhance GIPSA's efficiency. GIPSA will operate the prototype system in FY 2002 to gather performance data and identify required enhancements.
<b>Mycotoxins Methods Development and Test Kit Approvals</b>	In FY 2001, GIPSA developed and validated a zearalenone reference method. This enables GIPSA to initiate the evaluation of commercial zearalenone test kits for use in the official inspection system. GIPSA also evaluated and approved two deoxynivalenol (DON) and two fumonisin test kits, evaluated and rejected two fumonisin test kits, and initiated the evaluation of one additional fumonisin and two aflatoxin test kits. In FY 2002, GIPSA will request the submission of zearalenone test kits and continue to evaluate all submitted mycotoxin test kits for the official inspection system.
<b>Pesticide Residue Method Program, Development and Testing Agency,</b>	In FY 2001, GIPSA continued to participate in the Pesticide Data a cooperative effort of the USDA, U.S. Environmental Protection and 10 participating States to monitor pesticide residue levels in fruits, vegetables, grain, and milk. GIPSA tests all grain and grain-related products, and develops new methods of analysis when necessary. In FY 2001, GIPSA developed and validated 2 new methods for rice and analyzed about 740 rice samples and 328 peanut butter samples. In FY 2002, GIPSA will develop and validate two new methods for barley and analyze about 740 barley and 740 rice samples.

## Promoting Standardization

### Visual Reference Material next

In FY 2001, GIPSA acquired the necessary equipment to produce the generation visual reference aids. In FY 2002, GIPSA will begin converting from 35mm slides to digital color prints. This shift will reduce the cost and improve the application and use of visual aids.

### Biotechnology

GIPSA continues to work with a number of public and private sector organizations on developments associated with biotechnology-derived grains, and their potential impact on grain quality testing and assurance needs in the U.S. grain industry. GIPSA remains abreast of current international quality concerns and disputes, and maintains strong ties with industry participants and official testing agencies. Further, GIPSA is a member of the USDA Biotechnology Coordinating Committee, an internal USDA forum for intensive and regular dialogue on issues related to the expanding use of biotechnology for agriculture.

In FY 2001, GIPSA completed and fully staffed its Biotechnology Reference Laboratory. Completing this laboratory enabled GIPSA to move forward in a number of areas, including the Rapid Test Performance Evaluation Program and the DNA-Based Proficiency Testing Program.

In response to the concerns stemming from identification of StarLink™ corn in human food, in FY 2001, GIPSA introduced a program to verify the performance of rapid tests to detect the presence of StarLink™ corn. GIPSA issued Certificates of Performance for three Lateral Flow Strip (LFS) and four Enzyme-Linked Immunosorbent Assay (ELISA) tests for the Cry9C protein produced in StarLink™ corn. GIPSA's verification that these tests performed in accordance with the manufacturer's claims enabled the grain industry to quickly and accurately assess the presence or absence of StarLink™ corn and channel the corn appropriately.

In FY 2001, GIPSA, in concert with Japanese officials, developed a Protocol for Food Corn Exported to Japan. This protocol was adopted by the grain industry, and enabled the United States to continue exporting corn to Japan by providing assurance that exported corn did not contain significant levels of StarLink™ corn. This protocol has been considered a model for other countries to which the U.S. exports corn.

In FY 2001, GIPSA established Confidentiality and Material Transfer Agreements with all of the Life Science Organizations that have registrations for biotechnology-derived corn and soybeans. These agreements enable GIPSA to obtain proprietary information and materials needed for the development of reference methods and implementation of GIPSA programs. GIPSA now has the capability to conduct DNA-based qualitative testing procedures for all commercial



biotechnology events, and is developing quantitative procedures for all biotechnology events. Through agreements with life science organizations, GIPSA will have access to information and materials that will enable GIPSA to have reference methods established as new biotechnology events are introduced.

In FY 2002, GIPSA will expand the Rapid Test Performance Verification Program to assess the performance of rapid tests for additional biotechnology events. GIPSA will work with the Life Science Organizations to enhance the availability of detection methods for future biotechnology events introduced into the commercial market.

In FY 2001, GIPSA conducted a Proficiency Study to assess the capability of the testing industry to detect biotechnology-derived grains. The study involved government and private laboratories in the United States and government laboratories in Europe. Thirteen laboratories participated in the Proficiency Study, and the results showed that analytical capabilities vary widely.

In FY 2002, GIPSA also will continue to work with the National Institute of Standards and Technology (NIST), and standards organizations in the United States and other countries to establish internationally recognized standard reference materials and standard methodologies for agricultural biotechnology events.

### **Educational Materials**

In FY 2001, GIPSA acquired the hardware and software necessary to produce multimedia content for training official personnel and educating the grain industry. GIPSA produced six CD titles (Wheat, Corn, and Soybean Grading; Grain Grading Overview; Rough Rice Milling Yield, and Testing Corn for StarLink™) and made them available to the public. GIPSA distributed over 2,000 new CDs and 5,000 revised brochures to official inspection offices, grain handling and processing firms, producers, foreign grain buyers, government agencies, and educational institutions, and posted the brochures in electronic format on the Internet. These materials have become extremely popular with the industry, domestic and international, and the numbers of requests have steadily increased. In FY 2002, GIPSA plans to produce CDs on grain sampling methods and sample variability, container stowage exams, and rail sampling safety.

### **ISO Certification**

The International Standards Organization (ISO) represents the national standards institutes and organizations of 97 countries, including the American National Standards Institute (ANSI). The American Society of Quality, the European Standards Institute, and the Japanese Industrial Standards Committee have endorsed ISO standards, which are becoming the *de facto* standard across industries throughout the world. GIPSA has successfully met ISO 9002 standards and received registration for its moisture and protein reference laboratories. In FY 2001, GIPSA expanded its ISO program by adding the oil extraction reference, mycotoxin reference, mycotoxin test kit evaluation, and pesticide data program laboratories. In FY 2002, GIPSA will update its ISO program to the newest ISO 9001:2000 standard and seek to add the pesticide

analysis service, heavy metals, and equipment checktesting laboratories.

**Pulsed NMR for Sunflower Oil Measurements**

In FY 2001, GIPSA developed a new procedure for use with the MQA 6005 pulsed-NMR that allows the measurement of sunflower seed oil without first having to oven-dry the sample. The new method is applicable to samples with moisture contents between 4.5 and 10.5 percent, and greatly reduces analysis time for samples in that moisture range. GIPSA initiated a pilot study to evaluate the new procedure under field conditions. Research conducted in FY 2001 indicates that an alternate measurement procedure based upon the ISO 10565 standard also provides accurate results for samples with moisture contents of 10 percent or less. In FY 2002, GIPSA will evaluate both measurement procedures in an attempt to extend the use of the pulsed-NMR to sunflower seed samples with moisture contents as high as 16 percent.

**NIRT Standardization**

In FY 2001, GIPSA continued cooperative efforts 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 conducted field testing to compare wheat protein values obtained using current, individual wheat class calibrations and the global all-class ANN calibration. Average differences in wheat protein determinations varied depending upon the wheat class being examined. In FY 2002, GIPSA plans to modify standardization of field instruments to reduce average differences between the two calibration approaches, and conduct a second field study to investigate sample-by-sample differences between the calibrations and better assess regional market impact of implementing the new calibration.

In FY 2001, GIPSA implemented new NIRT calibrations for corn protein and oil, and soybean protein and oil to improve agreement with chemical reference methods and better represent new corn and soybean varieties.

**Standardizing Commercial Grain Inspection Equipment**

In FY 2001, GIPSA participated in an on-going cooperative effort among GIPSA, NCWM Inc., and NIST to standardize commercial inspection equipment. GIPSA served as 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 six instrument models, and evaluated NTEP data using new calibration coefficients for one commercial meter to extend allowed operating temperature ranges.

In FY 2002, GIPSA will continue NTEP testing activities in support of the commercial grain moisture meter program. GIPSA will continue to provide technical support in the development of NTEP programs for near-infrared analyzers used to determine constituents other than moisture content and for commercial test weight equipment.

**Moisture Measurement Methods range**

In FY 2001, GIPSA conducted basic grain moisture research to measure and characterize dielectric response over a 1 to 501 MHz frequency range for 15 major U.S. cereal grains and oilseeds. In fiscal years 1999 and 2000, GIPSA collected similar data that were used to develop a Unified

Moisture Algorithm, a single calibration that can be used for all grain types, that provides prediction accuracy equal to or better than that of individual grain calibrations available on current moisture meter designs.

GIPSA collected additional data on very-low-moisture grain samples and on samples conditioned to hot and cold temperature extremes to further refine the algorithm. Moisture is used to determine the market value of every bushel of grain marketed. Improving the accuracy and consistency of moisture measures benefits all market participants. GIPSA shared results of this research with grain moisture meter manufacturers in the hopes that they may serve as the basis for a new generation of grain moisture meters. In FY 2002, GIPSA will continue to collect dielectric data and refine the Unified Moisture Algorithm, and plans to work with manufacturers to support and encourage the development of prototype meter designs that will use the new moisture algorithm.

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

At the direction of GIPSA's Grain Inspection Advisory Committee, the Agency initiated a study to assess the performance of its internal quality assurance and control processes to determine whether organizational or technological changes could improve the efficiency and cost effectiveness of the process. The study includes a thorough review of current practices, organizational structure, and technology used to ensure inspection uniformity nationwide. Dr. John Surak, Clemson University, an authority in quality systems, is conducting the study.

**U.S. Standards for Sorghum**

GIPSA plans to prepare a proposal to solicit comments on amending the sorghum standards to redefine damage to measure only damaged sorghum and not include other damaged grains which are considered foreign material. The proposed action would simplify the sorghum classification scheme and facilitate the marketing of U.S. sorghum.

**U.S. Standards for Wheat**

GIPSA is taking several actions related to the wheat standards. First, GIPSA plans to prepare an advance notice of proposed rulemaking to solicit comments and ideas on how the wheat standards could be changed to encourage the production and delivery of cleaner (lower dockage) wheat. GIPSA also plans to propose limits for garlic in wheat and changes to promote the production of Hard White wheat.

**International Briefings**

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

Briefings are tailored to address each group's interests and concerns. Presentations include explanations of the various services available from GIPSA, the Agency's use of the latest technology to provide grain traders with accurate and reliable inspection and weighing information,

and, for importers or potential importers new to the U.S. grain market, information on contracting for the quality they desire.

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

In FY 2001, GIPSA representatives met with 75 teams from 32 countries, as shown below. Some countries were represented on several different teams.

**Summary of Briefings with Visiting Trade and Governmental Teams in Fiscal Year 2001**

Algeria	Netherlands
Bosnia	New Zealand
Brazil	Nigeria
Bulgaria	Peru
China	Poland
Colombia	Russia
Egypt	Saudi Arabia
European Union	South Africa
Georgia	South Korea
Guatemala	Taiwan
Honduras	Tunisia
Indonesia	Ukraine
Italy	United Arab Emirates
Japan	United Kingdom
Madagascar	Venezuela
Mexico	Vietnam

**Outreach technical**

In FY 2001, GIPSA continued to respond to customers' needs for 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 GIPSA personnel to travel overseas to represent the Agency at grain marketing and grain grading seminars, meet with foreign governments and grain industry representatives to resolve grain quality and weight discrepancies, help other countries develop domestic grain and commodity standards and marketing infrastructures, assist importers with quality specifications, and train local inspectors in U.S. inspection methods and procedures. This year, GIPSA received 10 requests for technical assistance overseas.

Such activities typically have been funded through various programs administered by the Foreign Agricultural Service (FAS), Farm Service Agency (FSA), directly by USDA Cooperators, or by GIPSA's Office of

International Affairs. The 1995 amendment to the U.S. Grain Standards Act extended the authority to GIPSA to charge and be reimbursed for travel, salary, and related expenses when a customer requests that we provide consultative expertise. Our authority to recover costs for providing consultative services has enhanced our ability to facilitate marketing of U.S. grains, oilseeds, and related commodities.

During fiscal year 2001, we provided technical assistance to Zambia, Kenya, Tanzania, and Uganda to develop grain standards and inspection methods; conducted a weight review on a U.S. wheat shipment to the Philippines; met several times with Japanese officials to address their concerns over StarLink™ corn; participated in several international biotech conferences; and assisted USDA cooperators with rice grading seminars in Nicaragua, Costa Rica, and Guatemala, and grain quality seminars in several other countries.

**Summary of Activities  
Involving International  
Travel in Fiscal Year 2001**

<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	10/19 - 10/22/00
2. To continue with phase II of the Joint U.S./Philippine Association of Flour Millers study to address alleged short weights.	2	Philippines	10/20 – 11/02/00
3. To represent GIPSA in intergovernmental/industry discussions to address Japan’s concerns over StarLink™ corn.	1	Japan	10/24 – 10/31/00
4. To participate in a U.S. Wheat Associates trade seminar.	1	Morocco	11/08 – 11/12/00
5. To participate in the Seventh Association of Southeast Asian Nations (ASEAN) Committee on Science and Technology.	1	Philippines	11/17 – 11/22/00
<i>Continued</i>			

<i>Purpose</i>	<i>Number of Travelers</i>	<i>Country Visited</i>	<i>Dates of Visit</i>
6. To participate in the European Grain Network Annual Conference.	1	Austria	12/02 – 12/06/00
7. To participate in a technical meeting on sampling strategies for detection of genetically modified material.	2	Italy	12/02 – 12/11/00
8. To meet with rice importers and participate in USA Rice Federation grading seminars.	1	Nicaragua, Costa Rica, Guatemala	12/03 – 12/09/00
9. To participate in the United States-European Union Transatlantic Economic Partnership Biotech Group meeting.	1	Belgium	12/05 – 12/08/00
10. To participate in the European Union Joint Research Centre joint workshop on methods development for detection of biotech components of food.	1	Belgium	12/09 – 12/14/00
11. To participate in intergovernmental meetings with Japanese officials to address concerns over StarLink™ corn.	2	Japan	1/23 – 1/27/01
12. To meet with Algerian authorities to discuss quality issues and inspection procedures.	1	Algeria	1/28 – 2/01/01
13. To participate in one of a series of USAID-funded international grain standards harmonization and traffic management projects.	2	Kenya, Uganda, Tanzania	2/08 – 2/24/01
<i>Continued</i>			

<i>Purpose</i>	<i>Number of Travelers</i>	<i>Country Visited</i>	<i>Dates of Visit</i>
14. To participate in a team to assess grades and standards systems for various commodities at the request of Michigan State University.	1	Zambia	2/16 – 3/08/01
15. To meet with Japanese Government officials regarding StarLink™ corn, and to participate in a U.S. Grains Council marketing seminar in Korea.	1	Japan, Korea	3/13 – 3/24/01
16. To meet with rice importers to discuss quality concerns on milling degree at the request of USA Rice Federation.	1	Philippines	4/17 – 4/21/01
17. To participate in a Mexican Country Elevator Workshop at the request of U.S. Wheat Associates.	1	Mexico	4/23 - 4/25/01
18. To participate in another phase of a series of USAID-funded international grain standards harmonization and traffic management projects.	1	Kenya, Uganda, Tanzania	5/10 – 5/26/01
19. To participate in the Livestock Marketing Information Center 2001 Technical Advisory Committee Meeting.	1	Mexico	5/15 – 5/18/01
20. To participate in the U.S. Wheat Associates' South Asian Technical Conference and Buyer's Conference.	1	Thailand	6/18 – 6/29/01
<i>Continued</i>			

<i>Purpose</i>	<i>Number of Travelers</i>	<i>Country Visited</i>	<i>Dates of Visit</i>
21. To give a presentation on GIPSA quality control at the request of American Soybean Association.	1	Mexico	6/18 – 6/24/01
22. To participate in the International Organization of Legal Metrology working group on international moisture meter specifications at the request of the National Institute of Standards and Technology.	1	Germany	6/19 – 6/24/01
23. To represent GIPSA as a participant in a Biotechnology Grain Trade Strategy Session.	1	Canada	6/24/ - 6/27/01
24. To participate in the Asian-Pacific Economic Cooperation – Japan International Research Center for Agricultural Science Joint Symposium and Workshop on Agricultural Biotechnology.	1	Thailand	9/02 – 9/07/01
25. To participate in a biotechnology workshop for Asian importers sponsored by U.S. Grains Council.	1	Singapore	9/02 – 9/08/01
26. To participate in the next phase of a series of USAID-funded international grain standards harmonization and traffic management projects.	1	Tanzania	9/04 – 9/14/01



## Providing Official Inspection and Weighing Services

### Hard White Wheat

Hard White wheat produced during the 2001 crop year in Kansas was darker in color than normally expected. The wheat exhibited the typical milling and baking traits and characteristics of Hard White wheat except for color, which was affected by the growing environment. The Hard White wheat market accepted darker-colored Hard White wheat varieties and segregated it from Hard Red Winter wheat. To facilitate the marketing of Hard White wheat, GIPSA amended the official wheat classification policy to ensure that all Hard White wheat varieties are considered Hard White wheat regardless of color. Purity of class is determined by visual analysis of individual kernels.

### Promoting Efficiency

GIPSA assisted a grain firm in approving a shipping bin procedure for loading unit trains at an interior grain elevator. The shipping bin procedure for loading unit trains will permit the grain company to preinspect grain prior to the train's arrival and speed the loading of unit trains by nearly 25 percent. This will enable the shipper to better realize the financial incentives offered by the railroad for quick turnaround on unit trains. GIPSA will make this inspection option available to other rail shippers.

GIPSA initiated a study to assess the impact of bulk handling on rough rice quality. This study will enable GIPSA to design an inspection program whereby bulk rice inspected at an interior location can be identity preserved during shipment to export, reducing the amount of export inspections needed. This action will improve the efficiency of rice marketing.

### Promoting Efficient Review Inspections

GIPSA plans to propose revisions to the regulations under the U.S. Grain Standards Act regarding reinspections and appeal inspections. Currently, reinspections and appeal inspections for grade must include a review of all official factors that: (1) may determine the grade; (2) are reported on the original certificate, or (3) are required to be shown. In today's market, GIPSA considers this regulatory requirement inefficient, costly, and unnecessary. GIPSA will propose allowing interested parties to specify which official factor(s) should be redetermined during the reinspection or appeal inspection service. However, to safeguard against inadvertent misgrading, official personnel may determine other factors, when deemed necessary. The proposal will be published in the *Federal Register* in FY 2002.

### Railroad Track Scale Testing Program

GIPSA's railroad track scale testing program, which was implemented in 1978 as part of the USGSA-mandated equipment testing requirements, continues to grow. While our first priority remains testing grain industry railroad track scales, GIPSA also provides service to the Association of American Railroads (AAR), NIST, and railroad companies on a time-available/cost-recovery basis. The testing program now has five railroad

track scale test cars and may be expanded with an additional two cars.

Number of Certified Scales in Service at Export Elevators				
<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
253	256	258	258	250

Number of Railroad Track Scales Tested				
<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
136	155	204	186	250

**StarLink™ Test Services**

GIPSA implemented StarLink™ test services for corn on November 15, 2000, to help the U.S. corn market properly segregate and use StarLink™ corn. Using the lateral-flow testing method, a reliable and rapid test for the presence of StarLink™, GIPSA implemented flexible testing and certification procedures allowing applicants to direct the level of detection, which GIPSA identified on the certification statement. Concurrent with the implementation of the testing procedures, GIPSA developed a protocol to facilitate the shipment of food corn to Japan to provide a practical quality assurance process to meet the Government of Japan Ministry of Health and Welfare food regulatory requirements for StarLink™ corn. The protocol provides for corn exported to Japan for food purposes to be tested for the presence of StarLink™ at interior locations and its identity preserved to the export vessel.

**Supporting USDA Programs typically and Producers Income**

USDA farm programs for deficiency payments and crop insurance

rely on the U.S. standards to determine eligibility and payment. GIPSA acted on two commodities this year--Pinkeye beans and hullless oats--to assist farmers in their eligibility requirements. GIPSA also helped develop a warehouse fumigation protocol for processed products.

GIPSA received inquiries from the industry and Risk Management Agency about the eligibility of Pinkeye beans for crop insurance. GIPSA evaluated Pinkeye bean type samples and discussed the functionality of the commodity with experts in the cowpea industry. Based on a review of this matter, GIPSA determined that Pinkeye beans are a “violeteye cowpea” which conforms to the Blackeye bean standards. As a result of this determination, producers of Pinkeye beans

are eligible for crop insurance under the USDA program.

USDA's crop insurance program does not cover hulless oats. Producers indicate crop insurance is not available because the official U.S. grain standards do not include hulless oats in the definition for oats. GIPSA prepared a proposal to amend the oat standards to address hulless oats. Until the standards are changed, GIPSA implemented inspection procedures for hulless oats so official inspections could be performed to facilitate the eligibility of hulless oats for crop insurance.

GIPSA cooperated with USDA's Farm Service Agency (FSA) to develop and implement a warehouse fumigation protocol for bagged commodities moving to export. This action was precipitated by reported live infestation of cargo at certain destinations. The protocol emphasizes preventative rather than remedial actions. Every commodity, as specified by FSA, must receive at least one treatment with a phosphine fumigant between the commodity mill and the foreign receiver. GIPSA will verify the fumigator's readings for temperature, exposure hours, and fumigant concentration level.

#### **Wheat Protein Certification**

A number of importers of U.S. wheat have requested that GIPSA optionally certify wheat protein content results on any specified moisture basis requested by applicants, in addition to certifying results on the current 12.0 percent moisture basis. In response to this request, GIPSA published a notice in the October 1, 1998, *Federal Register*, soliciting comments on a proposal to introduce flexible certification of our protein testing program, in addition to maintaining the standardization of results. GIPSA evaluated the comments and published a final notice in the November 3, 2000, *Federal Register*, to begin certifying protein content in wheat using the current 12.0 percent moisture basis and any other moisture basis requested by an applicant. This action, implemented on May 1, 2001, allows GIPSA to meet importers' needs for additional quality information.

**Inspection Program Data  
Fiscal Years 1999-2001**

Item	Fiscal Years		
	1999	2000	2001
Quantity of Grain Produced <sup>1</sup> (Mmt) <sup>2</sup>	423.8	406.6	418.0
Quantity of Grain Officially Inspected (Mmt)			
Domestic	127.3	128.3	128.6
Export by GIPSA	85.3	84.3	78.8
by Delegated States/Official	<u>26.1</u>	<u>26.1</u>	<u>27.2</u>
Total	238.7	238.7	234.6
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>44</u>
Total	59	59	59
State AMA Agreements	15	15	14
Number of Official Original Inspections and Reinspections			
GIPSA	126,753	119,409	111,802
Delegated States/Official Agencies	<u>1,852,033</u>	<u>1,824,222</u>	<u>1,910,750</u>
Total	1,978,786	1,943,161	2,022,552
<i>(continued)</i>			

<sup>1</sup> Source: USDA Crop Production Reports.

<sup>2</sup> Million metric tons.

Item	Fiscal Years		
	1999	2000	2001
Number of Grain Inspection Appeals			
Field Offices	3,103	3,103	3,105
Board of Appeals and Review	373	254	431
Number of Commercial Inspections			
GIPSA	0	9	0
Delegated States/Official Agencies	<u>457,288</u>	<u>532,232</u>	<u>629,802</u>
Total	457,288	532,241	629,802
Number of Wheat Protein Inspections			
GIPSA	43,642	37,971	33,046
Delegated States/Official Agencies	<u>460,661</u>	<u>462,239</u>	<u>436,161</u>
Total	504,303	500,210	469,207
Number of Soybean Protein and Oil Inspections			
GIPSA	16,880	17,977	17,320
Delegated States/Official Agencies	<u>5,723</u>	<u>4,023</u>	<u>8,706</u>
Total	22,603	22,000	26,026
Number of Aflatoxin Inspections	62,875	62,701	61,234
Number of DON Inspections	30,855	37,865	41,134
Quantity of Rice Inspected (Mmt) (milled basis)	3.5	3.4	3.1

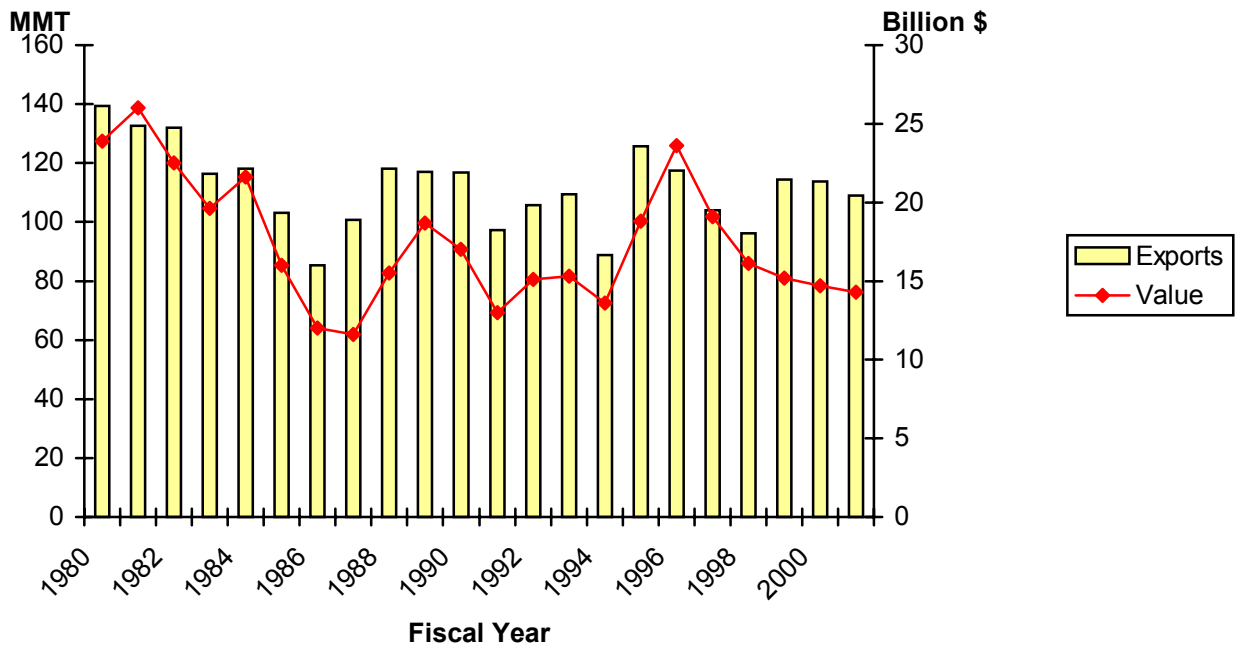
**Weighing Program Data  
Fiscal Years 1999-2001**

Item	Fiscal Years		
	1999	2000	2001
Official Weight Certificates Issued			
GIPSA			
Class X <sup>1</sup>	79,967	76,689	73,420
Class Y <sup>2</sup>	<u>10,612</u>	<u>12,666</u>	<u>15,916</u>
Total	90,579	89,355	89,336
Delegated States/Official Agencies			
Class X <sup>1</sup>	28,032	18,973	30,971
Class Y <sup>2</sup>	<u>116,130</u>	<u>105,353</u>	<u>108,794</u>
Total	144,184	124,326	139,765
Exported Grain Weighed (Mmt)			
GIPSA	85.3	84.3	78.8
Delegated States	<u>21.3</u>	<u>21.1</u>	<u>21.7</u>
Total	106.5	105.4	100.5
Number of Certified Scales in Service			
Export Elevators	258	258	250
Number of Railroad Track Scales Tested	204	186	250

<sup>1</sup> Class X weighing involves 100 percent supervision.

<sup>2</sup> 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

## **US Domestic Grain Inspections**



## **U.S. Rice Inspections**

## **U.S. Export Grain Inspections**

## **Volume of U.S. Grain Inspected for Export by Area**

## Protecting Integrity

### Compliance Reviews

Compliance reviews are independent third-party reviews of GIPSA's grain inspection field operations, which includes grain inspection field offices and suboffices, and States and private agencies (official agencies). During FY 2001, GIPSA conducted compliance reviews of 3 GIPSA field offices and 4 suboffices, as well as 21 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 of the noncompliance items identified within the national inspection and weighing system 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 weighing

There are 59 official agencies designated under the U.S. Grain Standards Act, as amended, to provide permissive official inspection and/or services at domestic locations. Of these, eight are States that also are delegated to provide mandatory official inspection and weighing services at export locations. Delegations are permanent unless GIPSA or the State decides to terminate the agreement.

Under the triennial renewal process, 20 official agency designations automatically terminated in FY 2001. GIPSA renewed all 20 for full 3-year terms after reviewing their performance.

### Conflicts of Interest beginning

No official agency designations were cancelled this year. At the beginning of FY 2001, three designated official agencies were operating with discretionary conflict-of-interest waivers. All three agencies remain designated with conflict 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 20 agencies renewed in FY 2001 provided this certification.

### Pilot/Exception Programs

At the beginning of FY 2001, GIPSA continued operation of three pilot 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 November 9, 2000, these programs were incorporated into the U.S. Grain Standards Act as exceptions. GIPSA is in the process of proposing a rule to amend the regulations under the Act to include these exceptions.

The first exception program addresses improving timeliness of service provided by official agencies to applicants for official services. The

program allows official agencies to provide service to facilities located outside of their assigned geographic area on a case-by-case basis when official service cannot be provided within established timeframes. During FY 2001, 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 to those facilities during the previous 3 months. During FY 2001, 92 facilities received 29,705 inspections under this program. This included 570 for barges, 29,083 for railcars, and 52 other inspections (trucks, containers, etc.).

The third exception program allows customers shipping grain in barges to select any official agency to probe-sample and inspect the grain. During FY 2001, 3 facilities received 32 barge inspections under this program.

### **Alleged Violations**

At the beginning of FY 2001, 15 cases involving alleged violations of the USGSA and the AMA were pending further action. During FY 2001, GIPSA opened 6 cases involving the following alleged violations: false weighing, deceptive loading and grain handling practices, exporting without official inspection and weights, issuing false official certificates, performing official duties improperly, and employee misconduct. The Agency closed 15 cases during FY 2001, leaving 6 cases pending.

GIPSA took administrative action in 10 of the 15 cases closed during FY 2001. These included informational letters to 3 firms and 1 official agency, warning letters to 4 firms, and civil monetary penalties against 2 firms. The other 5 cases were closed due to insufficient evidence to prove a violation occurred.

Also during FY 2001, USDA's Office of the Inspector General and the Justice Department continued to pursue criminal action in an investigation involving false certification and weights of grain. The Grand Jury issued indictments to several individuals involved in this matter on various felony counts. In addition, one other subject entered a Pretrial Diversion Agreement with the U.S. attorney. The case remains open in the courts.

### **Registration to**

During calendar year 2001, GIPSA issued 76 certificates of registration to individuals and firms involved in foreign commerce grain business.

### **Improved Licensing Program**

GIPSA revised procedures to improve the processes for licensing official inspectors while maintaining the integrity of the inspection and weighing programs. The revised procedures streamline the licensing process; add flexibility in the use of official agency staff; and implement a testing program to better evaluate the knowledge, skills, and abilities of licensed personnel. The revised procedures were developed with input and feedback both from field office and official agency managers.

## Complaints

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

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

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

In FY 2001, GIPSA received 15 quality and no quantity complaints from importers on grains inspected under the U.S. Grain Standards Act. These complaints involved 494,267 metric tons, or about 0.5 percent by weight, of the total amount of grain exported during the year. This compares to 13 quality and 0 quantity complaints received in FY 2000, representing about 0.3 percent of grain exports by weight.

**Summary of Complaints  
Reported by Importers on  
Inspection and Weighing  
Fiscal Year 2001**

<i>Complainant</i>	<i>Grain</i>	<i>Number of Complaints</i>	<i>Nature of Complaint</i>
<b>Africa and Middle East</b>			
Egypt	Soybeans	1	Foreign material, damaged kernels
	Wheat	1	Infestation
Mozambique	Wheat	1	Wheat of other classes
	Wheat	1	Heat-damaged kernels
Nigeria	Wheat	1	Foreign material, dockage, shrunken and broken kernels, total defects
	Wheat	1	Wheat of other classes, contrasting classes, protein
<b>Asia</b>			
China	Soybeans	1	Wet
	Wheat	1	Protein
Indonesia	Corn	1	Broken corn and foreign material
Philippines	Wheat	1	Infestation
Sri Lanka	Wheat	1	Dockage
	Wheat	1	Infestation
<b>Europe</b>			
Italy	Wheat	1	Short weight
<b>Latin America</b>			
Ecuador	Wheat	1	Total defects
Mexico	Soybeans	1	Heat-damaged kernels
	Wheat	1	Infestation
Nicaragua	Wheat	1	Dockage, foreign material, protein
Peru	Corn	1	Previous cargo
Venezuela	Corn	1	Heat-damaged kernels, damaged kernels, broken corn and foreign material
<b>TOTAL</b>		<b>19</b>	





## **Management Initiatives**

**d**



## Management Initiatives

### Small Farms Outreach for

During FY 2001, GIPSA participated in two, major regional workshops small and disadvantaged farmers: the Agricultural/Natural Resources Workshop For Farmers, held July 11-13, 2001, in Perry, Georgia, and the Risk Management Strategies Workshop for Small and Limited Resource Farmers, held July 23-25 in Memphis, Tennessee. The workshops provided GIPSA and other USDA agencies the opportunity to focus on the challenges facing small and limited-resource farmers. GIPSA personnel also participated in a number of other meetings with farmers at both the national and State levels, including a series of Poultry and Cattle Town Hall meetings hosted by the Agency.

### Safety and Health Health Technical Training

In April 2001, the FGIS Safety and Health Staff hosted a Safety and Technical Training Conference, a technical training session for Agency Collateral Duty Safety and Health Officers (CDSHOs). The training strengthened GIPSA's safety and health program by improving the CDSHOs' knowledge of programs, policies, and procedures relating to potentially hazardous working conditions in grain elevators, on board vessels, and in offices and laboratories.

### Explosion Data

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

### Summary of Reported Grain Dust Explosions, Fiscal Years 1996-2001

	1996	1997	1998	1999	2000	2001
Number of Explosions	16	14	18	11	9	6
Number of Injuries	26	8	21	15	19	5
Number of Deaths	1	1	7	0	1	1

**Summary of Reported  
Grain Dust Explosions,  
Fiscal Year 2001**

<b>Facility</b>	<b>Location</b>	<b>Date</b>	<b>Injuries</b>	<b>Fatalities</b>
Ohio Grain Company	Ohio, IL	07/11/01	2	0
Consolidated Grain & Barge	Curran (Springfield), IL	06/27/01	0	0
Evergreen FS'	Yuton (Bloomington) IL	06/26/01	0	0
Prospect Farmers Exchange	Prospect, OH	04/23/01	2	0
Farmers Co-op Elevator	Greenleaf, KS	04/06/01	1	1
Midwest Grain	Atchinson, KS	01/31/01	0	0

# Financial Overview

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## Financial Overview

### Fee Increases hourly

On May 4, 2001, GIPSA increased by approximately 3.7 percent its rates and certain unit rates on tests performed on rice and commodities (65 *Federal Register* 17775). Also, effective August 8, 2001, GIPSA increased by approximately 6.1 percent its hourly rates and certain unit rates on tests performed at other than an applicant's facility for user fees charged for official inspection and weighing of grain (66 *Federal Register* 35751). These increases were designed to generate revenue required to recover operational costs created by mandated cost-of-living increases to Federal salaries.

### Status of GIPSA Fee-Supported Accounts Fiscal Year 2001

Trust Fund Program	Revenue 09/30/01	Obligations 09/30/01	Profit/(Loss) 09/30/01	Trust Fund 09/30/01
<b>US Grain Standards Act</b>				
Canadian Operations	248,259	249,818	(1,559)	(158,930)
Inspection & Weighing	23,977,240	25,670,126	(1,692,886)	(2,572,080)
Official Agencies	1,528,546	1,771,033	(242,487)	4,413,226
Registration	<u>13,408</u>	<u>5,146</u>	<u>8,262</u>	<u>66,484</u>
USGSA Subtotal	25,767,452	27,696,122	(1,928,670)	1,748,700
<b>Agricultural Marketing Act</b>				
Rice Inspection	4,102,960	3,842,326	260,634	611,654
Commodity Inspection	<u>2,503,814</u>	<u>2,353,040</u>	<u>150,774</u>	<u>2,184,922</u>
AMA Subtotal	6,606,774	6,195,366	411,408	2,796,576
<b>Total Fiscal Year 2001</b>	<u>32,374,226</u>	<u>33,891,488</u>	<u>(1,517,262)</u>	<u>4,545,277</u>

(Totals may not add due to rounding.)

**GIPSA's Appropriated Budget Authority****Fiscal Years 1997-2001***Dollars in thousands*

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

<sup>1/</sup> Includes a \$200,000 transfer from the Office of the Secretary for mandatory price reporting activities.

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



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