

■ Grain Inspection, Packers, and Stockyards Administration

The Grain Inspection, Packers, and Stockyards Administration (GIPSA) was established October 20, 1994, under the authority of the Federal Crop Insurance and Department of Agriculture Reorganization Act of 1994, to administer the programs and functions of two predecessor agencies—the Federal Grain Inspection Service and the Packers and Stockyards Administration. GIPSA’s two program activities—the Grain Inspection program and the Packers and Stockyards program—help promote a competitive, efficient market structure and facilitate the marketing of grains, oilseeds, pulses, rice, livestock, meat, and poultry in domestic and international markets.

Federal Grain Inspection Program

The Grain Inspection program plays a critical role in American grain trade. Its mission is to:

- Facilitate the marketing of grain, oilseeds, pulses, rice, and related commodities by establishing descriptive standards and terms,
- Certify quality accurately and consistently,
- Provide for uniform official inspection and weighing,
- Carry out assigned regulatory and service responsibilities, and
- Provide the framework for commodity quality improvement incentives to both domestic and foreign buyers.

This program serves American agriculture by providing descriptions (grades) and testing methodologies for measuring the quality and quantity of grain, rice, edible beans, and related commodities, and by providing an array of inspection and weighing services, on a fee basis, through a unique partnership of Federal, State, and private laboratories.

By serving as an impartial third party, GIPSA and the official grain inspection and weighing system ensure that the Official U.S. Standards for Grain are applied and that weights are recorded fairly and accurately. In this way, GIPSA advances the orderly and efficient marketing and effective distribution of U.S. grain and other assigned commodities from the Nation's farms to domestic and foreign buyers.

The Grain Inspection program administers the provisions of the U.S. Grain Standards Act, and those provisions of the Agricultural Marketing Act of 1946 that relate to inspection of rice, pulses, lentils and processed grain products. To facilitate the marketing of U.S. grain and related commodities, the program:

- Establishes official U.S. grading standards and testing procedures for eight grains (barley, corn, oats, rye, sorghum, triticale, wheat, and mixed grain), four oilseeds (canola, flaxseed, soybeans, and sunflower seed), rice, lentils, dry peas, and a variety of edible beans.
- Provides American agriculture and customers of U.S. grain around the world with a national inspection and weighing system that applies the official grading and testing standards and procedures in a uniform, accurate, and impartial manner.
- Inspects and weighs exported grain and oilseeds. Domestic and imported grain and oilseed shipments, and crops with standards under the AMA, are inspected and weighed upon request.
- Monitors grain handling practices to prevent the deceptive use of the grading standards and official inspection and weighing results, and the degradation of grain quality through the introduction of foreign material, dockage, or other nongrain material to grain.

Through these permissive and mandatory programs, the Federal Grain Inspection program promotes efficient and effective marketing of U.S. grain and other commodities from farmers to end users.

Packers and Stockyards Programs

In the Packers and Stockyards program, GIPSA's mission is:

- To promote fair business practices and a competitive marketing environment for the marketing of livestock, meat, and poultry by fostering fair and open competition and guarding against deceptive and fraudulent practices affecting the movement and price of meat animals and their products; and
- To protect consumers and members of the livestock, meat, and poultry industries from unfair business practices which can unduly affect meat and poultry distribution and prices.

GIPSA's Packers and Stockyards program administers the Packers and Stockyards (P&S) Act of 1921. The purpose of the act, which has been amended to keep pace with changes in the industry, is to assure fair competition and fair trade practices, safeguard farmers and ranchers, and 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.

Payment Protection

The P&S Act requires prompt payment for livestock purchased by dealers, market agencies, and packers whose operations are subject to the act. Every dealer, order buyer, packer, commission firm, and auction market must pay for livestock before the close of the next business day following the purchase and transfer of possession. In addition, the act establishes specific payment delivery requirements for livestock purchased for slaughter.

Other means of assuring payment protection include annual and special reports required of packers, live poultry dealers, stockyard owners, market agencies, and dealers. These reports help monitor compliance with the financial requirements of the P&S Act. Also, each packer, market agency, and dealer operating in commerce is required to file a surety bond or its equivalent. During FY 1994, 300 claimants were paid \$2.3 million from bond proceeds of dealers and market agencies that failed financially; 9 claimants were paid \$50 million from packer bonds.

One way the P&S program assures the integrity of the livestock, meat, and poultry markets is through programs that provide payment protection for sellers of livestock, meat, and poultry. For example, P&S emphasizes custodial account investigations as a means of payment protection for consignors of livestock. All market agencies selling on a commission basis are required to establish and maintain a separate bank account designated as "Custodial Account for Shippers' Proceeds," to be used for deposits from livestock purchasers and disbursements to consignors of livestock.

The P&S custodial audit program provides for auditing each auction market and commission firm's custodial account at least once every 3 years. During the past 4 years, livestock consignors, on average, have recovered 80 percent of their losses from auction markets that failed financially.

Packer & Poultry Trust Activities

If a meat packer fails to pay for livestock or a live poultry dealer for live poultry, then receivables, inventories, and proceeds derived from such purchases in cash sales or by poultry growing arrangement become trust assets by operation of law. These assets are held by the meat packer or live poultry dealer for the benefit of all unpaid cash sellers and/or poultry growers. Cash sellers of livestock and poultry growers are legally in a priority payment position in bankruptcy or in claims against trust assets in the event of business failure.

Since the 1976 amendments to the P&S Act, cash sellers have been paid \$46.9 million under the statutory trust provision. During FY 1994, 11 packer firms paid out \$2.0 million.

A statutory trust provision offering protection to live poultry growers and sellers became effective in February 1988. Since then, P&S has investigated 28 poultry failures, with 17 resulting in payments totalling \$6.1 million.

Open Competition

Competition for livestock, either in direct trading or at public markets, should be open and free of restrictions. Any practice, agreement, or understanding that excludes potential buyers from bidding in open competition would be considered a restraint on competition. Practices resulting in the lessening of competition for producers' livestock include apportioning of territories, price agreements or arrangements not to compete, and payoffs or kickbacks to buyers. GIPSA staff members immediately investigate any practice that indicates a possible restriction of competition.

Scales & Weighing Activities

GIPSA is concerned with two different elements that affect the integrity of transactions: (1) the accuracy of scales used for weighing livestock, meat, and poultry, and (2) the proper and honest operation of scales to assure that the weight on which a transaction is based is accurate.

The major emphasis in the scales and weighing program is on detection of improper and fraudulent use of scales. An investigative program uses several different procedures to determine whether weighing activity is proper and honest.

A total of 551 livestock weighing investigations were conducted in FY 1994, and approximately 10 percent of the investigations disclosed false weighing. More than 17,300 head of livestock were checkweighed by GIPSA personnel in these investigations.

Animal Care & Handling

GIPSA also has jurisdiction over livestock marketing at stockyards. If the care and handling of livestock at a stockyard are found to be unjust, unreasonable, or discriminatory, then rules, regulations, and practices can be prescribed for handling such livestock to protect the quality and value of the animals. GIPSA requires stockyard owners and packers to exercise reasonable care and promptness with respect to handling livestock to prevent shrinkage, injury, death, or other avoidable loss. The agency also has a surveillance program to review handling practices, services, and facilities at stockyards.

Fair Treatment for Poultry Growers

GIPSA carries out enforcement of the trade practice provisions of the P&S Act relating to live poultry dealers. Its review program extensively examines the records of poultry integrators to assure compliance with the trade practice provisions of the P&S Act.

Carcass Merit Purchasing

P&S monitors the use of electronic evaluation devices by hog slaughterers who purchase hogs on a carcass merit basis, in order to ensure that the electronic measuring is accurate and properly applied, and that the producer receives an accurate accounting of the sale. The accuracy rate for the application of the devices is about 97 percent.

Analysis of Structural Change

P&S examines structural changes in the livestock, meat packing, and poultry industries, and analyzes the competitive implications of these structural changes. The analyses assist in enforcing the P&S Act and in addressing public policy issues relating to the livestock and meat industries.

Congress recently directed P&S to undertake a major study of concentration in the red meat packing industry. The study, scheduled for completion late in 1995, will define relevant cattle procurement markets, examine cattle and hog procurement patterns, analyze the effects of concentration on cattle prices, and examine the implications of vertical coordination arrangements in beef and hog production.

Clear Title

The Clear Title provisions of the Food Security Act of 1985 permit States to establish central filing systems to inform parties about liens on farm products. The purpose of this program is to remove an obstruction to interstate commerce in farm products. GIPSA certifies when a State's central filing system complies with the act.