

2008 Explanatory Notes
Grain Inspection, Packers and Stockyards Administration

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Purpose Statement

The Grain Inspection, Packers and Stockyards Administration (GIPSA) was established October 20, 1994, under the authority of the Agriculture Reorganization Act of 1994 (P.L. 103-354), to administer the programs and functions of the former Federal Grain Inspection Service (FGIS) and the Packers and Stockyards Administration (PSA). The mission of the agency is to facilitate the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products, and to promote fair and competitive trading practices for the overall benefit of consumers and American agriculture. GIPSA is composed of three major activities (1) Grain Regulatory Program, (2) Grain Inspection and Weighing Services, and (3) Packers and Stockyards Program.

The Grain Regulatory Program activities are carried out under authority of the United States Grain Standards Act, as amended (USGSA), and the Agricultural Marketing Act of 1946 (AMA), and are currently funded by appropriations.

The Grain Regulatory Program promotes and enforces the accurate and uniform application of the USGSA and applicable provisions of the Agricultural Marketing Act of 1946 (AMA). GIPSA identifies, evaluates, and implements new or improved techniques for measuring grain quality. GIPSA also establishes and maintains testing and grading standards to facilitate the marketing of U.S. grain, oilseeds, and related products.

Grain Inspection and Weighing Services are authorized under both the USGSA and the AMA. The USGSA requires the mandatory inspection and weighing of grain at export ports by GIPSA or delegated State agency personnel, and the permissive inspection and weighing of grain at domestic locations by designated State and private agency personnel. The USGSA also requires GIPSA to supervise all official inspection and weighing activities. On a request basis, GIPSA performs inspection of rice and related commodities under the AMA. Both statutes require GIPSA to collect user fees to fund the costs of operations including the supervision and administration of Federal grain inspection and weighing activities.

Packers and Stockyards Program activities are authorized by the Packers and Stockyards Act of 1921 (P&S Act), as amended, and Section 1324 of the Food Security Act of 1985. These activities are currently funded through appropriations. GIPSA's Packers and Stockyards Program (P&SP) is responsible for administering the Packers and Stockyards Act (P&S Act), which prohibits unfair, deceptive, and fraudulent practices by market agencies, dealers, packers, swine contractors, and live poultry dealers in the livestock, poultry, and meatpacking industries. The P&S Act makes it unlawful for a regulated entity to engage in unfair, unjustly discriminatory, or deceptive practices. Packers, live poultry dealers, and swine contractors are also prohibited from engaging in specific anti-competitive practices. P&SP conducts two broad types of activities—regulatory and investigative—in its administration and enforcement of the P&S Act. P&SP activities cover two general areas: Business Practices and Financial Protection. Business Practices are further divided into Competition and Trade Practices.

GIPSA headquarters is located in Washington, D.C. FGIS field activities are located in 10 field offices, 1 Federal/State offices, and 7 suboffices. P&SP field activities are located in 3 field offices and resident agent positions in 29 locations across the nation. As of September 30, 2006, employment totaled 617 full-time permanent employees and 65 part-time or intermittent employees. Of the total, 123 full-time and 2 part-time or intermittent employees were located in headquarters while the remaining 494 full-time and 63 part-time or intermittent employees were assigned to field locations.

OIG Reports

#30601-01-Hy 1/10/06 Grain Inspection, Packers and Stockyards Administration's Oversight of the Packers and Stockyards Program

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Available Funds and Staff-Years
2006 Actual and Estimated 2007 and 2008

Item	Actual 2006		Estimated 2007		Estimated 2008	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Salaries and Expenses.....	\$38,443,000	311	\$38,058,570	316	\$44,385,000	332
Rescission	-384,430	--	--	--	--	--
Transfer to USDA Working Capital Fund.....	-150,000	--	--	--	--	--
Unobligated Balance.....	-128,663	--	--	--	--	--
Total, Salaries and Expenses.....	37,779,907	311	38,058,570	316	44,385,000	332
<u>Obligations under other</u>						
<u>USDA Appropriations:</u>						
Agricultural Marketing Service for Pesticide Data Program.....	542,169	4	545,000	4	545,000	4
Misc, reimbursements.....	247,695	1	215,114	1	200,000	1
Total, Other USDA Appropriations.....	789,864	5	760,114	5	745,000	5
Total, Agriculture Appropriations.....	38,569,771	316	38,818,684	321	45,130,000	337
<u>Other Federal Funds:</u>						
Department of Homeland Security..	25,282	--	--	--	--	--
Department of Commerce	25,414	--	26,500	--	26,500	--
<u>Non-Federal Funds:</u>						
Inspection and Weighing.....	37,416,969	329	42,363,000	353	42,363,000	353
Total, Grain Inspection, Packers and Stockyards Administration	76,037,436	645	81,208,184	674	87,519,500	690

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Permanent Positions by Grade and Staff Year Summary2006 Actual and Estimated 2007 and 2008

Grade	2006			2007			2008		
	Wash DC	Field	Total	Wash DC	Field	Total	Wash DC	Field	Total
Senior Executive Service	3	1	4	4	1	5	4	1	5
GS-15	10	5	15	10	5	15	10	5	15
GS-14	23	22	45	23	22	45	23	22	45
GS-13	37	51	88	37	53	90	38	56	94
GS-12	11	83	94	11	86	97	11	98	109
GS-11	6	53	59	6	53	59	6	53	59
GS-10	1	12	13	1	12	13	1	12	13
GS-9	3	142	145	7	142	149	7	142	149
GS-8	6	11	17	6	11	17	6	11	17
GS-7	4	32	36	4	32	36	4	32	36
GS-6	2	52	54	2	52	54	2	52	54
GS-5	--	40	40	--	48	48	--	48	48
GS-4	--	1	1	--	1	1	--	1	1
GS-3	--	--	--	--	--	--	--	--	--
GS-2	1	--	1	1	--	1	1	--	1
Ungraded Positions	9	1	10	9	1	10	9	1	10
Total Permanent Positions.....	116	506	622	121	519	640	122	534	656
Unfilled Positions									
End-of-year.....	5	8	13	0	0	0	0	0	0
Total, Permanent Full-Time Employment, End-of-year.....	111	498	609	121	519	640	122	534	656
Staff Year Estimate	125	520	645	125	549	674	125	565	690

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

SIZE, COMPOSITION AND COST OF MOTOR VEHICLE FLEET

The passenger motor vehicles of the Grain Inspection, Packers and Stockyards Administration are mainly used by professional resident agents, auditors, marketing specialists, economists and managers to conduct competition, financial and trade practice compliance and investigative activities. These activities are located in rural areas and a high degree of mobility is required. The use of common carriers is seldom feasible. Comparative studies of cost requirements involved in the use of private and Government vehicles have shown that it is more economical to make Government vehicles available than to make reimbursements for the use of private cars. Vehicles are replaced based on GSA age and mileage requirements.

GIPSA pools the use of motor vehicles for different activities in order to keep the number of vehicles to a minimum and reduce overall costs of maintenance.

Size, Composition, and Annual Cost
(in thousands of dollars)

Fiscal Year	Number of Vehicles by Type						Total Vehicles	Annual Operating Cost (\$ in thous)	
	Sedans and Station Wagons	Light Trucks		Medium Trucks	Heavy Trucks	Ambulances			Buses
		4X2	4X4						
FY 2005	31	7	10				48	\$149	
Change	-3	21	2				0	+\$30	
FY 2006 a/	28	28	12				68	\$179	
Change	5	0	0				5	+\$20	
FY2007 est.	33	28	12				73	\$192	
Change	10	0	0				10	+\$26	
FY2008 est.	43	28	12				83	\$218	

a/ Previous vehicles inventories did not accurately reflect the number of vehicles in the Agency.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

The estimates include appropriation language for this item as follows:

Salaries and Expenses

For necessary expenses to carry out the provisions of the United States Grain Standards Act, for the administration of the Packers and Stockyards Act, for certifying procedures used to protect purchasers of farm products, and the standardization activities related to grain under the Agricultural Marketing Act of 1946, \$44,385,000: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

SALARIES AND EXPENSES

Estimate, 2007.....	\$38,059,000
Budget Estimate, 2008.....	<u>44,385,000</u>
Increase in Appropriation.....	<u>+6,326,000</u>

SUMMARY OF INCREASES AND DECREASES

(On basis of adjusted appropriation)

<u>Item of Change</u>	<u>2007</u> <u>Estimated</u>	<u>Pay Costs a/</u>	<u>Program</u> <u>Changes</u>	<u>2008</u> <u>Estimated</u>
Packers & Stockyards Program.....	\$20,054,000	\$786,000	\$2,890,000	\$23,730,000
Grain Regulatory Program.....	<u>18,005,000</u>	<u>765,000</u>	<u>1,885,000</u>	<u>20,655,000</u>
Total Available	<u>38,059,000</u>	<u>1,551,000</u>	<u>4,775,000</u>	<u>44,385,000</u>

a/ Includes restoration of 2007 and 2008 pay costs.

Project Statement
(On basis of appropriation)

	<u>2006 Actual</u>		<u>2007 Estimated</u>		Increase or Decrease	<u>2008 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
1. Packers and Stockyards	\$19,884,253	161	\$20,054,000	166	+3,676,000 (1)	\$23,730,000	182
2. Grain Regulatory	17,895,654	150	18,005,000	150	+2,650,000 (2)	20,655,000	150
Unobligated Balance	<u>128,663</u>	--	--	--	--	--	--
Total Available or Estimate	<u>37,908,570</u>	<u>311</u>	<u>38,059,000</u>	<u>316</u>	<u>+6,326,000</u>	<u>44,385,000</u>	<u>332</u>
Transfer	150,000	--	--	--			
Rescission	<u>384,430</u>	--	--	--			
Total, Appropriation	<u>38,443,000</u>	<u>311</u>	<u>38,059,000</u>	<u>316</u>			

JUSTIFICATION OF INCREASES AND DECREASES

- (1) A increase of \$3,676,000 in the Packers and Stockyards Program (\$20,054,000 available in 2007) consisting of:

- (a) A total increase of \$1,551,000 for pay costs which consists of \$786,000 for Packers and Stockyards, which includes \$359,000 for fiscal year 2007 pay costs, and \$427,000 for fiscal year 2008 pay costs.

This increase will enable GIPSA to meet its objectives of facilitating the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products and promote fair and competitive trading practices for the overall benefit of consumers and American agriculture, consistent with the priorities established by the Secretary of Agriculture. This critically important increase is needed to support and maintain current staffing levels to meet the current and projected increased demand to ensure a fair, open, and competitive marketing environment for livestock, meat, and poultry; and to promote and protect the integrity of the domestic and global marketing of U.S. grain for the benefit of American agriculture. Approximately 70 percent of GIPSA's budget is in support of personnel compensation, leaving very little flexibility to absorb pay cost increases. Consequently, absorbing this increase may result in staff reductions, thereby adversely affecting the ability of GIPSA to carry out its mission.

- (b) An increase of \$2,000,000 and 16 staff years to strengthen GIPSA's enforcement of the Packers and Stockyards Act of 1921 as amended:

The Packers and Stockyards Act was enacted to maintain competition in the livestock and poultry industries. The Act contains provisions banning price discrimination and manipulation; weight manipulation of livestock or carcasses; manipulation of carcass grades; commercial bribery; misrepresentation of source, condition, or quality of livestock, in addition to other unfair and deceptive practices. GIPSA's Packers and Stockyards Program (PSP) enforces the Act through regulatory compliance reviews, investigations and enforcement actions. All activities are conducted by a cadre of specialists including economists, lawyers, accountants and agricultural marketing professionals that report to three regional offices. Staffing levels for these frontline positions have decreased 12 percent in recent years from 129 in FY 2000 to 114 in FY 2005. At the same time, the number of complaints received from livestock producers regarding potential PSP violations increased by 22 percent from 1,898 in FY 2000 to 2,315 in FY 2005. With reduced field personnel, the number of compliance audits PSP conducted has declined from 374 in FY 2000 to 252 in FY 2005, and over 40 percent of the audits in FY 2005 showed a shortage in the market account, a potential violation of the P&S Act requirements.

The proposed increase will enable GIPSA to hire 16 new employees to enhance direct compliance, investigative and enforcement activities in the field. The Agency will hire 10 new resident agents to expand compliance reviews and investigations into new, currently un-staffed territories. Other professionals will be added to each regional office to provide specialized technical expertise to support the increasingly complex investigative workload in the analysis of competition issues. The average staff year cost for these positions (GS-11/12) is approximately \$125,000 which covers salary, benefit, travel, training, and equipment costs for each new employee.

Restoring the PSP field structure to FY 2000 levels will allow the Agency to strengthen direct enforcement of the Act and promote greater voluntary compliance through an expanded presence within the industry. As a result of the Agency's increased vigilance, we estimate the percentage of repeat violations of the P&S Act to decrease from 16 percent in FY 2007 to 10 percent by 2010.

- (c) An increase of \$890,000 for eGovernment initiatives, to include developing Web-based applications that fully support the Agency's business functions and information needs, and to integrate business systems across the Agency's program areas. This includes the cost of a one-time only charge of \$400,000.

GIPSA began a sweeping, multi-year project to improve program operations and service to the public by upgrading the Agency's information systems and modernizing our business functions. GIPSA's current information management systems consist of several independent systems that have served specific purposes over the years well, but are not integrated. This has limited our ability to meet the growing demand for electronic, or web-based, delivery of our services. It also impedes our efforts to improve the cost effectiveness and efficiency of our internal business practices. The enterprise-wide system currently under development will modernize nearly every aspect of GIPSA operations and provide a great opportunity to improve current business practices and service delivery.

- (2) A net increase of \$2,650,000 in the Grain Regulatory Program (\$18,005,000 available in 2007) consisting of:

- (a) A total increase of \$1,551,000 for pay costs which consists of \$765,000 for grain regulatory activities, which includes \$354,000 for fiscal year 2007 pay costs, \$411,000 for fiscal year 2008 pay costs.

This increase will enable GIPSA to meet its objectives of facilitating the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products and promote fair and competitive trading practices for the overall benefit of consumers and American agriculture, consistent with the priorities established by the Secretary of Agriculture. This critically important increase is needed to support and maintain current staffing levels to meet the current and projected increased demand to ensure a fair, open, and competitive marketing environment for livestock, meat, and poultry; and to promote and protect the integrity of the domestic and global marketing of U.S. grain for the benefit of American agriculture. Approximately 70 percent of GIPSA's budget is in support of personnel compensation, leaving very little flexibility to absorb pay cost increases. Consequently, absorbing this increase may result in staff reductions, thereby adversely affecting the ability of GIPSA to carry out its mission.

- (b) An increase of \$1,980,000 for eGovernment initiatives, to include developing Web-based applications that fully support the Agency's business functions and information needs, and to integrate business systems across the Agency's program areas. This includes the cost of a one-time only charge of \$1,000,000.

GIPSA began a sweeping, multi-year project to improve program operations and service to the public by upgrading the Agency's information systems and modernizing our business functions. GIPSA's current information management systems consist of several independent systems that have served specific purposes over the years well, but are not integrated. This has limited our ability to meet the growing demand for electronic, or web-based, delivery of our services. It also impedes our efforts to improve the cost effectiveness and efficiency of our internal business practices. The enterprise-wide system currently under development will modernize nearly every aspect of GIPSA operations and provide a great opportunity to improve current business practices and service delivery.

New funding provided in FY 2005 enabled GIPSA to begin the modernization process. Currently funded components of the new system will be deployed incrementally in 2006 and 2007 with the first seven applications scheduled for deployment in February 2006. There is \$1 million provided in the FY 2006 budget to support this long term initiative which is scheduled to continue through FY 2009.

When completed, GIPSA's grain customers will have online access to the information and applications they need to register as a grain exporter; request grain inspection services; receive reports on service status; see the status of their user fee account; and receive final certified results online which will, in turn, allow customers to integrate official inspection data into their own information and document management systems. Private and State inspection agencies interested in being authorized to provide official inspection services will also be able to apply for GIPSA designation and re-designation online. Once officially designated, these agencies will have direct access through the web to GIPSA's extensive quality assurance program to ensure their inspection results align with the official standards maintained by GIPSA.

This modernization effort will create synergy across GIPSA programs and data sources, allowing GIPSA to improve internal program efficiencies and effectiveness. This large multi-year initiative will deliver improved performance and reduce costs years into the future.

- (c) An increase of \$405,000 to support GIPSA's increased role in international services and trade activities.

Since FY 2002, GIPSA has placed a temporary duty officer in Asia to address immediate and long-term issues in the region, to promote a better understanding and adoption of U.S. sampling and inspection methods to minimize differences in inspection results, and to develop face-to-face relationships with customers, USDA cooperators and government officials. GIPSA's representative is the sole source for expertise relating to grain inspection and weighing since no local presence exists in the region to handle grain quality and weight issues that emerge

The program has been very successful – existing and potential grain buyers have responded positively to GIPSA's hands-on approach, and have felt that their concerns were addressed effectively. Continuing and expanding the program is crucial not only to increasing U.S. grain exports and reducing market disruptions due to technical differences in analytical methods and standards, but to increasing satisfaction and loyalty among our current customers in an extremely competitive marketplace.

Due to the program's success, GIPSA's Grain Advisory Committee recommended that the Agency explore ways to extend the collateral duty assignments. This budget request will enable GIPSA to place a permanent position in Asia. The additional funding will support the salary and benefits for one staff year and costs for housing, office space, U.S. Embassy security costs, and contracting for local help in translating and administrative services. The U.S. trade dollars saved upon the resolution of just one grain shipment complaint can far outweigh the costs associated with maintaining a GIPSA presence in Asia.

- (d) A decrease of \$500,000 in earmarked funds for the Iowa, Missouri, and Illinois Corn Growers Associations.

The IA, MO, and IL Corn Growers have used these funds to develop a model program to create a quality assured supply chain. The model program includes a manual and training materials available via the web or in classes. Now that the model program is complete, it is available to producers and others in the marketing chain to be adopted for use at their discretion.

Grain Inspection, Packers and Stockyards Administration
Salaries and Expenses

USER FEES - PROPOSED LEGISLATION

Explanation of Proposed Legislation:

This proposal would recover approximately \$21.2 million.

The Grain Inspection, Packers and Stockyards Administration (GIPSA) develops, reviews, and maintains official U.S. grain standards that describe the grain characteristics in terms of physical, sanitary, and intrinsic value at the time of inspection. These standards provide a common language for use by producers, sellers, and buyers of U.S. grain. This proposal would initiate user fees for this service. Because these standards benefit and are used almost solely by the grain trading industry, and because they facilitate the orderly marketing of grain products, it is industry that should bear the costs. Fees would be charged to those persons who benefit from such services such as persons who receive, ship, store, or process grain. Estimated receipts in FY 2008 would be \$3.4 million.

This proposal would also amend the Packers and Stockyards Act (P&S Act) to provide authority to collect license fees to cover the cost of the program. Beneficiaries of the program and activities administered under the provisions of the P&S Act are livestock market agencies, dealers, stockyards, packers, live poultry dealers, and swine contractors. These market participants benefit because they are protected from the adverse effects of anticompetitive and unfair business practices in meat and poultry marketing and distribution. Estimated receipts in FY 2008 would be \$17.8 million.

The collections that will be raised by initiating these new user fees will be used to reduce appropriations needs for 2009.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Geographic Breakdown of Obligations and Staff Years2006 Actual and Estimated 2007 and 2008

	2006		2007		2008	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Alabama	0	0	0	0	\$96,000	1
Arkansas	\$124,415	2	\$125,000	2	125,000	2
California	113,646	1	114,000	1	114,000	1
Colorado	3,538,927	48	3,793,000	50	4,053,000	52
District of Columbia	17,316,255	77	16,272,000	71	20,890,000	72
Florida	0	0	0	0	208,000	2
Georgia	3,463,241	45	3,724,000	47	4,051,000	49
Idaho	126,905	2	127,000	2	127,000	2
Iowa	3,095,001	47	3,442,000	50	3,535,000	51
Kansas	254,803	3	256,000	3	363,000	4
Kentucky	0	0	111,000	1	111,000	1
Louisiana	898,989	11	902,000	11	1,009,000	12
Maryland	250,868	4	252,000	4	252,000	4
Minnesota	496,182	6	498,000	6	498,000	6
Missouri	6,750,348	57	6,772,000	57	6,868,000	58
Nebraska	0	0	0	0	96,000	1
North Dakota	122,772	2	123,000	2	123,000	2
Ohio	191,901	4	193,000	4	193,000	4
Oregon	189,238	2	190,000	2	190,000	2
South Carolina	0	0	0	0	96,000	1
Tennessee	0	0	107,000	1	107,000	1
Texas	726,805	4	838,000	5	1,060,000	7
Utah	0	0	100,000	1	100,000	1
Washington	119,611	1	120,000	1	120,000	1
Subtotal, Available or Estimate	37,779,907	316	38,059,000	321	44,385,000	337
Unobligated balance	128,663	--	--	--	--	--
Total, Available or Estimate	37,908,570	316	38,059,000	321	44,385,000	337

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Salaries and ExpensesCLASSIFICATION BY OBJECTS2006 Actual and Estimated 2007 and 2008

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Personnel Compensation:			
Washington, DC.	\$8,163,461	\$8,163,461	\$8,317,461
Field.	<u>14,446,691</u>	<u>14,938,109</u>	<u>16,044,539</u>
11 Total personnel compensation	22,610,152	23,101,570	24,362,000
12 Personnel benefits.	5,773,372	5,900,000	6,500,000
13 Benefits for former personnel. .	<u>20,743</u>	<u>21,000</u>	<u>21,000</u>
Total Personnel compensation & benefits	28,404,267	29,022,570	30,883,000
Other Objects:			
21 Travel and trans. of persons . . .	1,670,765	1,670,000	2,250,000
22 Transportation of things	85,783	86,000	155,000
23.2 Rental payments to others.	79,342	80,000	85,000
23.3 Communications, utilities and misc. charges	497,517	500,000	500,000
24 Printing and reproduction.	47,091	50,000	50,000
25.1 Advisory and assist. services . .	0	25,000	25,000
25.2 Other services	5,408,913	5,300,000	8,780,000
26 Supplies and materials	753,934	750,000	850,000
31 Equipment	<u>832,295</u>	<u>575,000</u>	<u>825,000</u>
Total other objects	<u>9,375,640</u>	<u>9,036,000</u>	<u>13,502,000</u>
Total direct obligations.	<u>37,779,907</u>	<u>38,058,570</u>	<u>44,385,000</u>
<u>Position Data:</u>			
Average Salary, ES positions.	\$157,245	\$162,000	\$162,000
Average Salary, GS positions.	\$64,995	\$67,000	\$68,000
Average Grade, GS positions	12.2	12.2	12.2

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

SALARIES AND EXPENSES

STATUS OF PROGRAM

Current Activities: Recent activities under this appropriation item are cited below by program:

Grain Regulatory Program: GIPSA promotes and enforces the accurate and uniform application of the United States Grain Standards Act (USGSA) and applicable provisions of the Agricultural Marketing Act of 1946 (AMA). GIPSA identifies, evaluates, and implements new or improved techniques for measuring grain quality. GIPSA also establishes and maintains testing and grading standards to facilitate the marketing of U.S. grain, oilseeds, and related products.

Specific areas being addressed currently include:

1. USGSA and AMA Compliance. GIPSA promotes compliance with the USGSA and AMA through a compliance program, activities include: (1) investigates alleged violations; (2) pursues enforcement; (3) conducts technical reviews of GIPSA's Federal Grain Inspection Service operations and monitors appropriate corrective action; (4) delegates State agencies and designates State and private agencies to perform official functions and monitoring their performance; (5) identifies, monitors, and exempts, where appropriate, official agency and licensee conflicts of interest; (6) licenses personnel of delegated States and designated agencies; (7) registers persons/firms engaged in buying grain for sale in foreign commerce and engaged in handling, weighing, and transporting of grain for sale in foreign commerce; and (8) maintains an international monitoring program which interacts with foreign governments and trade teams to exchange information and to respond to complaints concerning quality and quantity grain shipments.
2. Corn Fermentable Starch Reference Method. The level of fermentable starch in corn serves as a predictor of ethanol production efficiency. In FY 2006, GIPSA participated on a joint industry/government technical committee tasked with identifying an appropriate reference method as a basis for a rapid commercial test to differentiate corn hybrids based on the level of fermentable starch. Based on the committee's work, GIPSA is collaborating with industry representatives to develop a single reference method for fermentable starch in corn.
3. Method for Ochratoxin A. The European Union implemented new legislation outlining import requirements for mycotoxins. During 2006, GIPSA worked with the grain industry and identified the need for a standardized test for Ochratoxin A. All other mycotoxins covered by the new legislation are already addressed by GIPSA official testing policies. GIPSA will develop a reference method and evaluate rapid test kits for Ochratoxin A.
4. Amino Acid Reference Methods. Technology providers are developing soybeans and corn with modified amino acid profiles to address specific nutritional needs in animal feed. Accurate methods to differentiate grain based on amino acid levels would facilitate market participants' extracting the increased value of specialty grains. In FY 2006, GIPSA developed a reference method for amino acids that is faster and more efficient than existing methods. The new method is based on an existing internationally recognized method (AOAC International), but it replaces a slow detection step with newer technology. GIPSA will use this new method to support collaborative research with the United Soybean Board (USB) on soybean quality traits, and analytical measurements and marketing standards in support of USB's development of a near infrared spectroscopy (NIR) calibration for amino acids in soybeans.

5. Specialty Trait Methods. GIPSA will participate in a research project to assess the capability of NIR to measure linolenic acid concentration in soybeans. The agency also will use the reference method it developed for amino acids in FY 2006 to support the USB's development of an NIR method for determining amino acid profiles in soybeans. In the future, this method will also be used to measure amino acid profiles in specialty corn varieties.
6. Surface Lipid Content of Milled Rice. GIPSA is collaborating with the University of Arkansas' Rice Quality Laboratory (RQL) to develop procedures to measure the surface lipid content of milled rice. The RQL has investigated and refined a laboratory reference method, and developed a preliminary NIR calibration to predict surface lipids. Milled rice samples are being collected from several different rice mills that use different milling equipment and procedures, and will be used to validate the NIR calibration model. In FY 2007, GIPSA will obtain representative portions of these samples for reference laboratory comparisons, to collect spectra on GIPSA NIR equipment, and to compare surface lipid content to subjective (inspector) degree-of-milling (DOM) determinations currently used to grade rice. Surface lipid measurements have the potential to supplement and perhaps replace DOM determinations.
7. Reference Method Analyses. GIPSA maintains reference methods for protein, moisture, oil, fatty acid composition, and mycotoxins. These methods are used to maintain the accuracy of current testing in the official inspection system and to develop new rapid field methods. The protein, moisture, oil, and fatty acid reference analyses support the near infrared spectroscopy (NIR), dielectric, and nuclear magnetic resonance (NMR) instruments used for rapid inspection by the official inspection system. The mycotoxin reference analyses support the evaluation and standardization of test kits for official and commercial grain inspection, and support quality assurance programs to ensure consistent and reliable testing results. In FY 2007, GIPSA will continue to provide quality reference method analyses in support of the development of new testing methods and in the maintenance of accurate field testing for the official and commercial inspection systems.
8. IRMM Reference Materials Testing. GIPSA is working to harmonize reference materials with the European Commission's Institute for Reference Materials (IRMM) to minimize potential trade disruptions between the two markets. For more than 4 years, GIPSA has offered a Biotechnology Proficiency Program to help organizations testing for biotechnology-derived grains to improve the accuracy and reliability of testing. In addition, GIPSA is collaborating with the IRMM to determine the feasibility of using plasmids as reference materials in lieu of ground grain.
9. International Projects. GIPSA continues to operate an active outreach and development program for international trade and government teams. 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, official U.S. grain standards, the national inspection system, and enhance purchasers' confidence in U.S. grain.
10. Post Harvest Grain Quality Surveys. GIPSA initiated surveys of farm gate/first-point-of-sale quality for grain sorghum in 2006. The survey will be expanded to include soybeans in 2007, and additional grains and oilseeds in future years. These surveys will provide extensive baseline data about the quality of grain as it enters the marketing chain. The survey data, combined with the agency's inspection data, will enhance GIPSA's ability to measure changes in quality as grain moves through marketing channels and to assess the impact of potential standards changes on market participants.

11. Multi-Functional Equipment. GIPSA is evaluating the impact of standardizing all instrument-based quality measurements on cleaned grain samples. Standardizing on a cleaned or “dockage-free” basis for all instrument-derived measurements would provide opportunities to improve testing efficiency through the introduction of multifunctional instruments, and might reduce the variability of test results. In FY 2007, GIPSA will ascertain how sample results would change due to the use of dockage-free samples, how grain handlers and end-users measure various grain attributes, and why and how any potential change could impact these various market segments.
12. Wheat Functionality Protein Quality Assessments. The market needs accurate test methods to differentiate the intrinsic functional qualities of wheat that impact the end products made from it. By providing that information, GIPSA will enhance the value and marketability of U.S. wheat by optimizing the use of U.S. wheat for specific end uses, and providing value transparency from the producer to the processor. In FY 2007, GIPSA plans to improve standardization of Farinograph tests. The market lacks a clear definition of gluten strength, one of the most important aspects of wheat functionality. In FY 2007, GIPSA will cooperate with the USDA Agricultural Research Service, universities, and other entities to develop standardized methods for describing the viscous and elastic properties of gluten more precisely and reproducibly.
13. Standardizing Commercial Grain Inspection Equipment. In FY 2007, GIPSA will continue to collect grain moisture meter calibration data for six National Type Evaluation Program (NTEP) models, and plans to finalize NTEP testing for the test weight feature on a current NTEP grain moisture meter model and one grain moisture meter model that also would measure test weight. GIPSA testing activities will be expanded as needed to address new applications for NTEP evaluation.
14. Enterprise Architecture. GIPSA continues to modernize its entire application portfolio, based upon results of its Enterprise Architecture effort to improve the efficiency and effectiveness of service delivery by streamlining business practices and improving customer service, meeting the Federal government’s eGov requirements, as well as USDA initiatives. The name of this program is the GIPSA Application Modernization (GAM). During FY 2006, GIPSA deployed seven (7) applications that are Web based and will be accessible by the public. Further enhancements were being addressed for Federal Grain Inspection Services Inspection Data Warehouse and Certificates applications which are now scheduled to be deployed in the future. One of the more recent deployments this year was GIPSA Delegation, Designation, and Export Registration, where state agencies and private companies can apply to inspect grain under the name of USDA. In FY 2007, GIPSA plans to modernize its Inspection, Testing, and Weighing, Service Offerings, Service Requests, Field Test Equipment, and Equipment Capability Testing applications.
15. Pilot and Exception Programs. During FY 2006, GIPSA continued to operate three exception programs to gather information on the effect of allowing more than one designated official agency to inspect or weigh grain in a single geographic area. The timeliness-of-service exception 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 2006, one facility used the timeliness-of-service exception. The nonuse-of-service exception program allows official agencies to offer their service to facilities outside their assigned area if no official service has been provided during the previous 3 months. During FY 2006, 98 facilities received 232,024 inspections under this program. This included 441 for barges, 64,264 for railcars, and 167,319 other inspections (e.g., trucks, containers, and Starlink™ testing). The barge exception program allows customers shipping grain in barges to select any official agency to probe-sample and inspect the grain. During FY 2006, one facility received 23 barge inspections under this program.

Packers and Stockyards Program: GIPSA's Packers and Stockyards Program (P&SP) is responsible for administering the Packers and Stockyards Act (P&S Act), which prohibits unfair, deceptive, and fraudulent practices by market agencies, dealers, packers, swine contractors, and live poultry dealers in the livestock, poultry, and meatpacking industries. The P&S Act makes it unlawful for a regulated entity to engage in unfair, unjustly discriminatory, or deceptive practices. Packers, live poultry dealers, and swine contractors are also prohibited from engaging in specific anti-competitive practices. P&SP conducts two broad types of activities—regulatory and investigative—in its administration and enforcement of the P&S Act. P&SP activities cover two general areas: Business Practices and Financial Protection. Business Practices are further divided into Competition and Trade Practices.

Specific areas being addressed currently include:

1. **Regulatory Activities.** Regulatory activities assess whether a subject entity is operating in compliance with the Act. These are activities conducted when GIPSA has no reason to believe a violation has occurred. Examples of compliance activities include, but are not limited to, sending letters requesting business-specific information or informing a subject entity that it must increase or may decrease its bond coverage; sending letters reminding a subject entity that its annual report is due or past due; check-weighing activity; procurement and marketing business practice reviews; registering market agencies, dealers, and packer buyers who operate subject to the P&S Act; analyzing trust and bond claims and assisting producers with filing bond and trust claims; and presenting new market/packer orientations. Regulatory activities also include market level monitoring, which is generally conducted using data that are available in the public domain.
2. **Investigations.** GIPSA uses its statutory authority to investigate alleged violations of the P&S Act and regulations, and prosecutes violations detected through those investigations, either directly through administrative actions prosecuted by USDA's Office of the General Counsel or through referrals to the Department of Justice. Investigations consist of activities at a firm level that may be a follow-up on previously identified violations of the Act, activities conducted in response to industry-driven complaints, and activities conducted in response to possible violations found pursuant to compliance or monitoring activities. Investigations may be conducted as Rapid Response Investigations to prevent irreparable harm to the regulated industries.
3. **Business Practices.** Business Practices activities include monitoring concentration, competition, and trade practices in the industry. GIPSA monitors markets and conducts compliance reviews to identify possible violations of the P&S Act, and to keep abreast of constantly evolving pricing and procurement practices. In addition, the agency investigates all complaints alleging anticompetitive behavior prohibited by the P&S Act. One of GIPSA's responsibilities under the P&S Act is to promote fair business practices in the marketing and procurement of livestock, meat, and poultry, and to determine if unfair or deceptive practices are occurring. GIPSA conducts trade practice investigations of alleged unfair trade practices at auction markets, livestock dealers and order buyers, slaughtering packers, live poultry dealers, and meat dealers and brokers.
4. **Financial Protection.** GIPSA supports the financial integrity and stability of the livestock, poultry, and meatpacking industries by administering the P&S Act and regulations. Financial investigations address solvency issues, payment to livestock sellers and poultry growers, bond claims, trust claims, and maintenance of custodial accounts. When GIPSA determines that a potentially serious situation exists that may cause imminent harm to livestock producers, rapid-response teams are deployed to investigate the matter.

Selected Examples of Recent Progress: Recent accomplishments under this appropriation item are cited below by program:

Grain Regulatory Program:

1. Compliance Reviews. Compliance reviews of GIPSA's grain inspection and weighing field operations, which includes Federal field offices and suboffices, and State and private agencies (official agencies). During FY 2006, GIPSA personnel conducted on-site compliance reviews of 3 GIPSA field offices, 2 State departments of agriculture, and 21 official agencies. Review teams evaluated a range of parameters, including customer satisfaction (including potential service delivery discrimination), management effectiveness and efficiency, and procedural compliance. During the on-site reviews, GIPSA found no instances of service delivery discrimination. All identified noncompliance items were corrected. None of the findings during the on-site compliance reviews appear to have affected the overall integrity of GIPSA's mission or programs.

2. Alleged Violations. At the beginning of FY 2006, 10 cases involving alleged violations of the USGSA and the AMA were pending further GIPSA action. During FY 2006, GIPSA opened nine new cases related to numerous alleged violations, including: improper procedures, improper use of an FGIS license (false impersonation), attempting to cause the issuance of false official inspection certificates, deceptive loading, altering an official document, false or misleading export loading instructions, exporting corn without official aflatoxin testing service, and requesting official inspection services improperly. GIPSA took administrative action (informational letters) to close six cases during the year and closed a seventh case by issuing a cautionary letter due to insufficient evidence of a violation. Twelve cases were pending at the end of the fiscal year.

3. Delegation/Designation Programs. GIPSA currently oversees 55 official agencies that are designated under the USGSA, as amended, to provide permissive official inspection and/or weighing services at domestic locations. Four of these are States that are also delegated to provide mandatory official inspection and weighing services at export locations. Two additional States are delegated but are not designated. Delegations are permanent unless GIPSA or the State decides to terminate the agreement. During FY 2006, one State voluntarily canceled its designation due to financial considerations.

Through a competitive process, GIPSA selected one new and six existing private official agencies to provide domestic services within the State. Under the triennial renewal process, 18 official agency designations automatically terminated in FY 2006. GIPSA renewed 14 of the 18 for full 3-year terms after reviewing their performance. Two official agencies were designated for 1 year due to repeat noncompliances, and 2 new official agencies were designated for 18 months. GIPSA designated an official agency in a previously unassigned area where a need for official services was demonstrated.

4. International Projects. During fiscal year 2006, GIPSA helped install and checktest laboratory equipment to inspect and grade wheat at three locations in Egypt; conducted grain grading and inspection seminars in Mexico, Peru, Taiwan, and China; worked with several USDA Agencies to facilitate U.S. grain and legume exports to Kenya, Uganda, and Tanzania; and met with Indian officials to attempt to resolve technical contract specifications to permit U.S. exporters to bid on wheat tenders. GIPSA also worked with the U.S. grain industry and several USDA Agencies to address concerns of the Japanese Ministry of Health, Labor, and Welfare about U.S. corn shipments that exceeded Japan's limit of 10 parts per billion aflatoxin; addressed Asian soybean buyer concerns about the quality of post-Katrina soybean exports; participated in seminars in

Japan to address concerns about the safety of U.S. grain exports; participated in several international biotech meetings related to the Biosafety Protocol; and continued to work with other countries on biotechnology and the Biosafety Protocol, and their impact on trade.

On two occasions, a GIPSA technical specialist monitored and provided on-site technical inspection expertise for U.S. wheat shipments from the point of departure in the United States to arrival in Syria and final destination in Baghdad. GIPSA observed destination sampling and provided technical assistance to the Grain Board of Iraq (GBI). Safety concerns prevented continued travel to Iraq, but GIPSA's technical expert traveled to Syria 5 additional times to witness sampling activities on 12 arriving shipments of U.S. wheat. In all instances, GBI authorities cleared arriving wheat cargoes thanks to GIPSA's efforts and ability to develop and nurture close working relationships. This work enhanced our reputation in the region, instilled confidence in GIPSA's services, and helped U.S. exporters begin the process of regaining a \$1 billion export market.

Finally, GIPSA, with assistance from the American Association of Grain Inspection and Weighing Agencies and USDA cooperators, conducted 1-day seminars at three major grain importing locations in Mexico to promote the official inspection system and educate buyers on grain contracting, U.S. grain standards, sampling, and inspection procedures.

5. Specialty Traits Methods. Life science organizations and breeders are developing new grains that are designed to meet new labeling requirements, and be more nutritious for human and animal consumption. For example, soybeans with lower linolenic acid levels produce oil that has half the linolenic acid level of commodity soybean oil, making it more stable and reducing or precluding the need for hydrogenation – the process that creates unhealthy trans fats in foods. The market needs standardized quality assessment methods to capture the value of the new specialty trait grain varieties. GIPSA is partnering with the United Soybean Board, U.S. Wheat Associates, and the National Corn Growers Association to ensure that standardized methods are available as new specialty trait varieties come to market.
6. Wheat Functionality Protein Quality Assessments. The market needs accurate test methods to differentiate the intrinsic functional qualities of wheat that impact the end products made from it. By providing that information, GIPSA will enhance the value and marketability of U.S. wheat by optimizing the use of U.S. wheat for specific end uses, and providing value transparency from the producer to the processor. In FY 2006, GIPSA developed and implemented a rapid wet gluten test for wheat. This test adds a protein-based calibration to determine wet gluten content for Hard Red Winter and Hard Red Spring wheat to existing near-infrared transmittance instruments. During FY 2006, GIPSA studied the Farinograph method as a means of assessing various aspects of protein quality in wheat and found significant differences in results among laboratories.
7. LL601 Rice. In August 2006 GIPSA was notified that an unapproved transgenic rice variety, Liberty-Link (LL) 601, had been found in long-grain rice in commercial markets. GIPSA quickly verified the performance of a method to detect this event. In a short time, GIPSA verified two Polymerase Chain Reaction (PCR) methods – one detects the DNA sequence found in LLRICE and the other detects the sequence specific to the LLRICE 601 trait. GIPSA also verified two rapid strip test kits that quickly detect the protein produced in Liberty-Link events. GIPSA continues to work closely with other USDA agencies, the European Union's Institute for Reference Materials and Measurements (IRMM), and the rice industry to share information on sampling, testing methodology, and procedures to minimize market impact.

8. Mycotoxin and Biotechnology Test Kit Approvals. The grain industry needs fast, reliable tests to detect the presence of biotechnology-derived grains and oilseeds and mycotoxin-contaminated grain. To ensure that reliable, rapid tests are commercially available, GIPSA provides a test kit performance verification/approval program. In FY 2006, GIPSA evaluated 21 mycotoxin rapid test kits including 9 qualitative and 6 quantitative aflatoxin rapid test kits; and 4 qualitative and 2 quantitative deoxynivalenol rapid tests kits. Seven of the qualitative and five of the quantitative aflatoxin test kits, and four of the qualitative and two quantitative deoxynivalenol test kits met performance criteria and received GIPSA Certificates of Performance. Two biotechnology rapid test kits, one for glyphosate-tolerant corn and one for glyphosate-tolerant soybeans, were evaluated. The test kit for glyphosate-tolerant soybeans met performance criteria and received a Certificate of Performance. The test kit for glyphosate-tolerant corn did not meet performance criteria.
9. Standardizing Commercial Grain Inspection Equipment. In FY 2006, GIPSA continued to participate in an ongoing cooperative effort among GIPSA, NCWM, Inc., and the National Institute for Standards and Technology (NIST) to standardize commercial inspection equipment by serving as the sole evaluation laboratory for grain inspection equipment under the National Conference on Weights and Measures (NCWM), Inc.'s National Type Evaluation Program (NTEP). In FY 2006, GIPSA collected grain moisture meter calibration data for five instrument models as part of the NTEP ongoing calibration program. Calibrations developed in this program provide traceability back to the official GIPSA moisture program and air oven reference method, and can be used in the majority of commercial transactions throughout the United States. The NTEP laboratory completed an evaluation of one grain moisture meter and a near-infrared protein and oil analyzer.
10. U.S. Standards for Feed Peas. Effective July 7, 2006, GIPSA established official U.S. Standards for Feed Peas under authority of the U.S. Agricultural Marketing Act of 1946, as amended. The previous U.S. Standards for Whole Dry Peas and Split Peas reflected the needs of the edible dry pea market, but not those of the growing market for peas used in animal feed. Establishing this new standard provides uniform standards and facilitates the marketing of feed peas.
11. U.S. Standards for Soybeans. On September 6, 2006 (*Federal Register* (71 FR 52403)), GIPSA announced its decision to revise the U.S. Standards for Soybeans to change the minimum test weight per bushel (TW) from a grade determining factor to an informational factor. As an informational factor, TW will be reported on official certificates unless requested otherwise. GIPSA also changed the reporting requirement for TW in soybeans from whole and half pounds with a fraction of a half pound disregarded to reporting to the nearest tenth of a pound. These changes will further help to ensure market-relevant standards and grades and clarify reporting requirements. The changes become effective on September 1, 2007.
12. U.S. Standards for Wheat. Effective May 1, 2006, GIPSA amended the wheat standards and modified the classification policy for Hard White wheat to ensure the purity of both the Hard White and the Hard Red classes. This will help American wheat producers market Hard White wheat to those making high-quality wheat products for consumers around the world.

Packers and Stockyards Program:

1. Investigations. In FY 2006, GIPSA opened 617 investigations, 553 related to livestock and 64 related to poultry. GIPSA closed approximately 66% (411) of the investigations opened in FY 2006.
2. Regulatory Activities. In FY 2006, GIPSA conducted 1,371 regulatory activities. Regulatory activities assess whether a subject entity is operating in compliance with the Act. These are activities conducted when GIPSA has no reason to believe a violation has occurred.
3. Business Practices. GIPSA collected information on current procurement methods in the cattle, hog, lamb/sheep, and poultry industries, and with beef, pork, and lamb/sheep packers and live poultry dealers to remain abreast of current practices and increase the industry's understanding of the P&S Act and regulations. GIPSA also performed statistical analyses necessary to produce the agency's annual Packers and Stockyards Statistical Report, which documents changes in structure and business practices in the industry over time. GIPSA is also conducting the Livestock and Meat Marketing Study, a congressionally mandated study of issues surrounding the use of packer feeding and other marketing arrangements in the livestock and meat packing industries that is described in the "Reports, Research, and Other Initiatives and Activities" section of this report. In addition, GIPSA uses research and analysis, and other tools to assess the economic, competitive, and trade practice implications of structural and behavioral changes. To determine if unfair or deceptive trade practices in violation of the P&S Act are occurring in the procurement of livestock, meat, and poultry, GIPSA conducts procurement compliance reviews of subject firms. The reviews cover pricing methods; payment practices; weighing of livestock, carcasses, and poultry; carcass grades used for payment; and accountings issued to sellers.

Market agencies, dealers, packers, and live poultry dealers are required to maintain their scales in an accurate condition. The P&S Act and regulations require these entities to test their scales at least semi-annually at intervals of approximately 6 months, by competent persons, and file the scale test reports with GIPSA. Scales that are inaccurate are taken out of use until they are repaired and pass the scale test. GIPSA and state and private companies test scales. GIPSA also conducts check-weigh and other investigations to determine if scale operators and firms subject to the P&S Act are properly using their scales and properly recording weights in the purchase and sale of livestock and poultry.

4. Financial Protection. Market agencies selling livestock on commission (auction markets) must establish and maintain a bank account entitled "custodial account for shipper's proceeds," commonly referred to as a custodial account, for proceeds from the sale of consigned livestock. Auction markets have a fiduciary responsibility to safeguard the account and make timely distribution from it to livestock sellers. Auction markets are required to maintain this account in balance at all times. GIPSA monitors custodial accounts by reviewing annual reports from market agencies, special custodial account report analysis, and on-site audits of the custodial accounts. When the monitoring reveals shortages, steps are taken to restore the funds and, if possible, bring the accounts up to the required level.

In FY 2006, GIPSA conducted 347 markets audits, of which 140 markets were found to have custodial account shortages. From these shortages, GIPSA worked with the noncompliant markets to restore approximately \$7.3 million in financial protection to the industry. In addition, GIPSA monitors markets and packers for compliance with the prompt payment requirements and works with producers and other livestock sellers in the event of a dealer, market or packer failure to facilitate the financial claims against the failed entity.

PART Assessments

GIPSA's Packers and Stockyards Program underwent a PART assessment for the FY 2008 budget, and the overall program rating was "Results Not Demonstrated." Specifically, the findings of the assessment concluded the program had a clear purpose and design but is weak in the areas of strategic planning, program results and accountability. GIPSA is carrying out a business processes reengineering project to streamline and standardize business processes across the organization, assign accountability and implement performance measures to track program results.

A USDA Office of Inspector General (OIG) audit titled, "GIPSA's Management and Oversight of the Packers and Stockyards Programs" contained 10 recommendations relating to deficiencies including: inaccurate and incomplete tracking systems, inadequate processes for managing investigations, policy decisions not being made, and previous audit findings designed to strengthen program operations not being fully implemented. GIPSA has implemented 9 of the 10 OIG recommendations and is aggressively working to implement an internal control system that will address the remaining recommendation.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Limitation on Inspection and Weighing Services Expenses:

Not to exceed \$42,463,000 (from fees collected) shall be obligated during the current fiscal year for inspection and weighing services: Provided, That if grain export activities require additional supervision and oversight, or other uncontrollable factors occur, this limitation may be exceeded by up to 10 percent with notification to the Committees on Appropriations of both Houses of Congress.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

INSPECTION AND WEIGHING SERVICES

Estimate, 2007	\$42,463,000
Budget Estimate, 2008	<u>42,463,000</u>
Increase in Appropriation	<u> --</u>

LIMITATION ON INSPECTION AND WEIGHING SERVICES

Estimate, 2007	\$42,463,000
Change in Limitation	<u> --</u>
Budget Estimate, 2008	<u>42,463,000</u>

Project Statement
(On basis of appropriation)

	<u>2006 Actual</u>		<u>2007 Estimated</u>		Increase or Decrease	<u>2008 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
Inspection and Weighing Activities	\$37,417,000	329	\$42,463,000	353	--	\$42,463,000	353
Unobligated Balance Start of Period	-3,817,000	--	-5,546,000	--	--	-5,546,000	--
Unobligated Balance End of Period	<u>5,546,000</u>	--	<u>5,546,000</u>	--	--	<u>5,546,000</u>	--
Collections	<u>39,146,000</u>	<u>329</u>	<u>42,463,000</u>	<u>353</u>	--	<u>42,463,000</u>	<u>353</u>

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Geographic Breakdown of Obligations and Staff Years
2006 Actual and Estimated 2007 and 2008

	2006		2007		2008	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Arkansas.....	\$2,201,476	31	\$2,874,000	32	\$2,874,000	32
District of Columbia.....	8,059,397	20	9,452,000	32	9,452,000	32
Idaho	199,640	3	260,000	3	260,000	3
Iowa	164,982	2	313,000	2	313,000	2
Kansas	594,992	6	616,000	6	616,000	6
Louisiana.....	13,305,607	144	16,109,000	154	16,109,000	154
Minnesota.....	199,017	2	227,000	2	227,000	2
Missouri	408,572	15	1,311,000	15	1,311,000	15
North Dakota.....	825,962	10	769,000	10	769,000	10
Ohio	1,610,592	15	1,734,000	15	1,734,000	15
Oregon	3,636,434	33	3,177,000	34	3,177,000	34
Texas.....	5,984,287	47	5,307,000	47	5,307,000	47
Washington	77,044	1	69,000	1	69,000	1
Subtotal, Available or Estimate.....	37,268,002	329	42,218,000	353	42,218,000	353
Canada	148,998	0	245,000	0	245,000	0
Total, Available or Estimate	37,417,000	329	42,463,000	353	42,463,000	353

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

INSPECTION AND WEIGHING

STATUS OF PROGRAM

Current Activities: Recent activities under this appropriation item are cited below:

Inspection and Weighing: The official grain inspection and weighing system--a unique mix of Federal, State, and private inspection agencies--served the industry by providing over 2.9 million inspections in FY 2006, representing an estimated 286 million metric tons (mmt) of grains and oilseeds.

Selected Examples of Recent Progress: Recent accomplishments under this appropriation item are cited below by program:

1. Registration. The U.S. Grain Standards Act (USGSA) requires that all persons who buy, handle, weigh, or transport grain for sale in international commerce register with GIPSA. During calendar year 2006, GIPSA issued 88 Certificates of Registration to individuals and firms involved in the foreign commerce grain business.
2. Wet Gluten Test for Wheat. On May 1, 2006, GIPSA began providing an official wet gluten content testing service for Hard Red Winter (HRW) wheat and Hard Red Spring (HRS) wheat using a protein-based calibration on official near-infrared transmittance (NIRT) instruments. Buyers of U.S. wheat often ask for analysis of functional characteristics of the commodity being purchased. This new service is providing the market with information on the functional characteristics of wheat and specifically the ability of milled wheat to produce bread, pasta, and noodle products. GIPSA provides wet gluten content determination as official criteria under the authority of the USGSA.
3. Contracting. The USGSA authorizes the Secretary of Agriculture to contract with private persons or entities to perform inspection and weighing services at export port locations (7 U.S.C. 79(e)(I), 84(a)(3)). GIPSA is undertaking a 2-year pilot test to assess the cost-effectiveness and impact on the official system of contracting with private entities to provide mandatory inspection and weighing services in four export locations. GIPSA will contract for both personnel to supplement the Federal workforce, and for persons or entities to provide full official inspection service delivery. Contracts will be implemented only if their use improves the cost effectiveness of service delivery and maintains the official inspection system's high level of integrity. GIPSA began the contracting pilot test on May 28, 2006.
4. Customer Service. Provided timely and accurate service for 103 million metric tons (mmt) of export and 138 mmt marketed domestically standardized and non-standardized grain. In FY 2006, GIPSA received nine quality complaints and no weight complaints from importers on grains inspected under the USGSA. These complaints involved 290,768 metric tons, or about 0.3 percent by weight, of the total amount of grain exported during the year. This compares to 10 quality and 1 weight complaints received in FY 2005, representing about 0.4 percent of grain exports by weight. In the preceding 5 years, GIPSA received an average of 11.2 complaints per year, representing about 0.3 percent of U.S. grain exports by weight. Fifteen years ago (1985 to 1989), GIPSA received an average of 47.8 complaints per year, or about 1.9 percent of U.S. grain exports by weight.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

STRATEGIC OBJECTIVE 1.1: Expand and Maintain International Export Opportunities.

STRATEGIC OBJECTIVE 2.2: Increase the Efficiency of Domestic Agricultural Production and Marketing Systems.

Strategic Objective and Funding Matrix
(On basis of appropriation)

	<u>2006 Actual</u>		<u>2007 Budget</u>		<u>Increase or Decrease</u>	<u>2008 Estimated</u>	
	<u>Amount</u>	<u>Staff Years</u>	<u>Amount</u>	<u>Staff Years</u>		<u>Amount</u>	<u>Staff Years</u>
<u>Strategic Objective 1.1</u>							
Grain Regulatory Program	8,232,000	69	8,282,000	69	+1,219,000	9,503,000	69
<u>Strategic Objective 2.2</u>							
Packers and Stockyards Program	19,884,000	161	20,054,000	166	+3,636,000	23,730,000	182
Grain Regulatory Program	9,664,000	81	9,723,000	86	+1,430,000	11,152,000	86
Total, Strategic Objective 2.2	29,548,000	242	29,777,000	252	+5,066,000	34,882,000	268
Total, Available	37,780,000	311	38,059,000	321	+6,246,000	44,385,000	337

Selected Accomplishments Expected at the FY 2008 Proposed Resource Level:

During fiscal year 2008, GIPSA will proceed with its Application Modernization (GAM) project, a multi-year, enterprise-wide effort to replace outdated, stove-piped, multi-platform systems that are in place today with modernized, integrated, web-based applications that will allow GIPSA to achieve 100% GPEA compliance and meet Presidential Initiatives. Twenty-seven (27) applications support the mission of GIPSA in one of three systems: Federal Grain Inspection & Weighing System, the Packers & Stockyards Regulatory System, and the GIPSA Common Applications System. The projects planned for FY 2008 are:

The Federal Grain Inspection Service Official Agency Personnel Licensing application will allow Official Agencies performing inspection and weighing services for GIPSA to be tested and licensed electronically, eliminating many paper forms. GIPSA issues licenses for testing or inspecting specific commodity types. The licensing application will allow GIPSA to validate that individuals performing specific official tests are qualified and appropriately licensed to do so, and maintain historical information on licensees and their performance.

The GIPSA Investigation Data Warehouse application will summarize Investigation information, allowing both P&SP and FGIS to better monitor its Investigation, Audit, and Compliance Review areas. Data captured by the warehouse will allow GIPSA to assess the types and categories of investigations carried out, average time to complete, average cost, and personnel workforce needs.

The FGIS Reference Methods application will record all information needed for analyzing and approving new Reference Methods. This, in turn, will provide access to planned and current Reference Methods via GIPSA's web site, eliminating the current need to publish Reference Methods in printed directives and procedural manuals, and mail notices of change. Reference Methods are used to validate tests methods and products used to assess the quality of grains, rice, and pulses.

The FGIS Calibration Testing & Evaluation application will automate the calibration and evaluation of all equipment used for testing the quality of grain, rice, and pulses in the official inspection system. Currently, all changes must be input manually to the equipment, and FGIS must publish machine calibration settings in printed directives and procedures manuals, and mail notices of change. Calibration testing, evaluation, and settings will also be available on a public website.

Packers and Stockyards Program -

A recent audit completed by the USDA Office of Inspector General (OIG) found that GIPSA needed to develop and implement a well-defined process for instituting and completing investigations. The OIA report called for timely identifying the work to be performed, preparing and approving work plans, performing the fieldwork and analysis, and reporting on the results. OIG specified that this should include controls for conducting preliminary investigations to obtain sufficient facts to decide whether to proceed with further investigation. The audit found GIPSA unable to sufficiently adjust investigative and regulatory priorities. GIPSA is taking aggressive action to implement the OIG recommendations: policy directives have been implemented, and GIPSA continues to respond to all of OIG's recommendations on a disciplined schedule.

During fiscal year 2008, the proposed increase will enable GIPSA to hire 16 new employees to enhance direct compliance, investigative, and enforcement activities in the field. The Agency will hire 10 new resident agents to expand compliance reviews and investigations in currently un-staffed territories. Other professionals will be added to each regional office to provide specialized technical expertise to support the increasingly complex investigative workload and analysis of competition issues. The average staff year cost for these positions (GS-11/12) is approximately \$125,000 which covers salary, benefit, travel, training, and equipment costs for each new employee.

Restoring the PSP field staffing level to FY 2000 levels will allow the Agency to strengthen direct enforcement of the Packers and Stockyards Act and promote greater voluntary compliance through an expanded presence within the industry. As a result of the Agency's increased vigilance, we estimate the percentage of repeat violations of the P&S Act to decrease from 16 percent in FY 2007 to 10 percent by 2010.

Grain Regulatory Program -

During fiscal year 2008, GIPSA anticipates continued success in facilitating the marketing of U.S. grain and related agricultural products through the establishment of standards for quality assessments, regulation of handling practices, and management of a network of Federal, State, and private laboratories that provide impartial, user fee funded official inspection and weighing services. GIPSA will provide the market with quality assessment terms and methods that reflect the evolving market needs, including direct product testing and documentation of specific production or processing methods, to help the market

differentiate its diverse products. To protect the integrity of U.S. grain and related markets, GIPSA will maintain regulatory requirements for grain handling, marketing, and the performance of laboratories authorized to provide official grain quality assessments that promote fair marketing. The agency also will continue to provide official grain inspection and weighing services to American agriculture through the official national system, a network of Federal, State, and private service providers.

PART Findings

GIPSA's Packers and Stockyards Program underwent a PART assessment for the FY 2008 budget, and the overall program rating was "Results Not Demonstrated." Specifically, the findings of the assessment concluded the program had a clear purpose and design but is weak in the areas of strategic planning, program results and accountability. GIPSA is carrying out a business processes reengineering project to streamline and standardize business processes across the organization, assign accountability and implement performance measures to track program results.

A USDA Office of Inspector General (OIG) audit titled, "GIPSA's Management and Oversight of the Packers and Stockyards Programs" contained 10 recommendations relating to deficiencies including: inaccurate and incomplete tracking systems, inadequate processes for managing investigations, policy decisions not being made, and previous audit findings designed to strengthen program operations not being fully implemented. GIPSA has implemented 9 of the 10 OIG recommendations and is aggressively working to implement an internal control system that will address the remaining recommendation.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Summary of Budget and Performance
Key Performance Outcomes and Measures

Goal 1: Promote fair and competitive marketing in livestock, meat, and poultry.

Explanation of Key Outcome 1: GIPSA will reduce violations of the Act by the industry. This measure will target the reduction of repeat violations found by Agency personnel. As GIPSA emphasizes educating, regulating and investigating efforts to reduce repeat violations in the industry, additional violations will also be deterred. GIPSA's goal is to reduce the number of repeat violations 1% per year.

Goal 2: Facilitate the marketing of U.S. grain and related agricultural products.

Explanation of Key Outcome 2: GIPSA will provide methods and additional intrinsic quality standard assessments that the market needs to expand trade in U.S. grain and related products. GIPSA will provide methods for 96 percent of market-identified quality attributes in FY 2008 and 100% by 2010.

Key Performance Measures:

Measure #1: Reduce the percent of repeat violations of the P&S Act.

Measure #2: Percent of market-identified quality attributes for which GIPSA has provided standardization.

Key Performance Targets:

Performance Measure	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Target	2008 Target
Reduce the percent of repeat violations of the P&S Act						
a. Per cent	N/A	16%	20%	14%	13%	12%
b. Dollars (in Millions)	\$ N/A	\$ 18.8	\$ 18.9	\$19.9	\$20.1	\$23.7
Percent of market-identified quality attributes for which GIPSA has provided standardization						
a. Per cent	N/A	97.5%	96.7%	94%	94%	96%
b. Dollars (in Millions)	\$ N/A	\$ 10.7	\$ 11.5	\$11.5	\$11.5	\$12.8

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Full Cost by Strategic Goal				
Strategic Objective 1.1: Expand and Maintain International Export Opportunities				
PROGRAM	PROGRAM ITEMS	2006 AMOUNT (\$000)	2007 AMOUNT (\$000)	2008 AMOUNT (\$000)
Grain Regulatory Program				
	Grain Regulatory Program	7,656	7,702	9,110
	Indirect costs	576	580	393
	Total Costs	8,232	8,282	9,503
	FTEs	69	69	69
Total for Strategic Objective 1.1				
	<i>Total Costs (program, direct, indirect)</i>	8,232	8,282	9,503
	<i>FTEs</i>	69	69	69
Strategic Objective 2.2: Increase the Efficiency of Domestic Agricultural Production and Marketing Systems				
Packers and Stockyards Program				
	Packers and Stockyards Program	15,136	15,306	18,120
	Indirect costs	4,748	4,748	5,610
	Total Costs	19,884	20,054	23,730
	FTEs	161	166	182
	Performance measure: Percent of repeat violations of the P&S Act (%)			
	2008 Performance	14%	13%	12%
Grain Regulatory Program				
	Grain Regulatory Program	8,988	8,499	9,777
	Indirect costs	676	1,224	1,375
	Total Costs	9,664	9,723	11,152
	FTEs	81	86	86
	Performance measure: Percent of market-identified quality attributes for which GIPSA has provided standardization. (%)			
	2008 Performance	94%	94%	96%
Total for Strategic Objective 2.2				
	<i>Total Costs (program, direct, indirect)</i>	29,548	29,777	34,882
	<i>FTEs</i>	242	252	268