

2015 President's Budget
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. 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) Packers and Stockyards Program (P&SP), (2) Grain Regulatory Program (GRP), and (3) Inspection and Weighing Services.

P&SP 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 P&SP is responsible for administering the 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's GRP, which is carried out under the authority of the United States Grain Standards Act, as amended (USGSA), and the Agricultural Marketing Act of 1946 (AMA), is currently funded through appropriations. As part of the GRP, GIPSA promotes and enforces the accurate and uniform application of the USGSA and applicable provisions of the AMA; identifies, evaluates, and implements new or improved techniques for measuring grain quality; and establishes and maintains testing and grading standards to facilitate the marketing of U.S. grain, oilseeds, and related products.

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.

GIPSA headquarters is located in Washington, D.C. GIPSA's grain-related field activities are located in 7 field offices, 1 Federal/State office, and 3 suboffices. P&SP field activities are located in 3 regional offices with 45 resident agents, 7 resident auditors, 2 market inspectors, and 3 resident agent supervisors. As of September 30, 2013, there were 577 permanent full-time employees, including 69 in the headquarters office and 508 in field offices.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Available Funds and Staff Years (SYs)

(Dollars in thousands)

Program	<u>2012 Actual</u>		<u>2013 Actual</u>		<u>2014 Estimate</u>		<u>2015 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Salaries and Expenses:								
Discretionary Appropriations.....	\$37,750	294	\$40,261	293	\$40,261	292	\$44,017	292
Rescission.....	-		-1,090					
Sequestration.....	-	-	-1,899					
Total Available.....	37,750	294	37,272	293	40,261	292	44,017	292
Lapsing Balances.....	-863	-	-996	-	-	-		-
Obligations.....	36,887	294	36,276	293	40,261	292	44,017	292
<u>Obligations under other USDA appropriations:</u>								
Ag. Marketing Service – pesticide								
sales data.....	69	-	131	-	131	1	131	1
Farm Service Agency								
for Commodity Credit Corp.....	1,006	7	-	-	-	-	-	-
Misc, reimbursable.....	34	1	90	-	34	-	34	-
Total, Other USDA.....	1,109	8	221	-	165	1	165	1
Total, Agriculture Appropriations.....	37,996	302	36,497	293	40,424	293	44,182	293
<u>Non-Federal Funds</u>								
Inspection and Weighing.....	43,967	384	51,836	359	47,089	371	50,000	371
Total, GIPSA.....	81,963	686	88,333	652	90,424	664	94,182	664

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Permanent Positions by Grade and Staff Year Summary

Item	<u>2012 Actual</u>			<u>2013 Actual</u>			<u>2014 Estimate</u>			<u>2015 Estimate</u>		
	Wash. D.C.	Field	Total	Wash. D.C.	Field	Total	Wash. D.C.	Field	Total	Wash. D.C.	Field	Total
SES.....	3	1	4	3	1	4	3	1	4	3	1	4
GS-15.....	7	3	10	7	3	10	7	3	10	7	3	10
GS-14.....	16	25	41	14	22	36	14	22	36	14	22	36
GS-13.....	28	39	67	25	34	59	25	34	59	25	34	59
GS-12.....	12	102	114	10	93	103	10	93	103	10	93	103
GS-11.....	5	73	78	3	67	70	3	67	70	3	67	70
GS-10.....	0	6	6	0	6	6	0	6	6	0	6	6
GS-9.....	2	144	146	2	132	134	2	132	134	2	132	134
GS-8.....	5	11	16	4	9	13	4	9	13	4	9	13
GS-7.....	1	42	43	1	34	35	1	34	35	1	34	35
GS-6.....	0	63	63	0	60	60	0	60	60	0	60	60
GS-5.....	0	47	47	0	43	43	0	43	43	0	43	43
GS-4.....	0	2	2	0	4	4	0	4	4	0	4	4
GS-3.....	0	1	1	0	0	0	0	0	0	0	0	0
Total Perm. Positions	79	559	638	69	508	577	69	508	577	69	508	577
Total, Perm. Full-Time Employment EOY	79	559	638	69	508	577	69	508	577	69	508	577
Staff Year Est	79	607	686	78	574	652	78	586	664	78	586	664

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Size, Composition, and Cost of Motor Vehicle Fleet

GIPSA's passenger motor vehicles 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. Leased vehicles are replaced based on the General Services Administration (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. One change to the fleet is the transition to agency-owned vehicles from leased vehicles from GSA. These replacements are due to a cost analysis which showed that owning vehicles would be more cost effective than leasing vehicles.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION
Size, Composition, and Annual Operating Costs of Vehicle Fleet

Fiscal Year	Number of Vehicles by Type *							Annual Operating Costs (\$ in 000) **	
	Sedans and Station Wagons	Light Trucks, SUVs, and Vans		Medium Duty Vehicles	Ambulances	Buses	Heavy Duty Vehicles		Total Number of Vehicles
		4x2	4x4						
2012	51	71	8	1	-	-	-	131	555
Change	-4	-3	-	-	-	-	-	-7	-9
2013	47	68	8	1	-	-	-	124	546
Change	-	-	-	-	-	-	-	-	-
2014	47	68	8	1	-	-	-	124	546
Change	-	-	-	-	-	-	-	-	-
2015	47	68	8	1	-	-	-	124	546

* Numbers include vehicles owned by the agency and leased from commercial sources or GSA.

** Excludes acquisition costs and gains from sale of vehicles as shown in FAST.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Statement of Proposed Purchase of Passenger Motor Vehicles

Fiscal Year	Net Active Fleet, SOY	Disposals	Acquisitions			Net Active Fleet, EOY
			Replacements	Additions to Fleet	Total	
2012	51	-4	0	0	0	47
2013	47	0	0	0	0	47
2014	47	0	0	0	0	47
2014	47	0	0	0	0	47
2015	47	0	0	0	0	47

Additions to fleet: for FY 2012 through FY 2015, GIPSA had no and anticipates no additions of passenger motor vehicles (i.e. sedans and station wagons).

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

The estimates include appropriation language for this item as follows:

Salaries and Expenses

For necessary expenses of the Grain Inspection, Packers and Stockyards Administration, [\$40,261,000]
\$44,017,000: 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

Lead-Off Tabular Statement
Current Law

Budget Estimate, 2015.....	\$44,017,000
2014 Enacted.....	<u>40,261,000</u>
Change in Appropriation.....	<u><u>+3,756,000</u></u>

Summary of Increases and Decreases
(Dollars in thousands)

Program	2012 Actual	2013 Change	2014 Change	2015 Change	2015 Estimate
Discretionary Appropriations:					
Packers & Stockyards Program.....	\$21,270	-\$471	+1,549	+\$1,218	\$23,566
Grain Regulatory Program.....	16,480	-7	+1,440	+2,538	20,451
Total.....	<u>37,750</u>	<u>-478</u>	<u>+2,989</u>	<u>+3,756</u>	<u>44,017</u>

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Project Statement
 Appropriation Detail and Staff Years (SYs)
 (Dollars in thousands)

Program	<u>2012 Actual</u>		<u>2013 Actual</u>		<u>2014 Estimate</u>		<u>Change</u>		<u>2015 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Appropriations:										
Packers and Stockyards....	\$21,270	165	\$20,799	164	\$22,348	164	+\$1,218	-	\$23,566	164
Grain Regulatory.....	16,480	129	16,743	129	17,913	129	+2,538	-	20,451	129
Total Adjusted Approp..	37,750	294	37,272	293	40,261	293	+3,756	-	44,017	293
Rescissions, Transfers, and Seq. (Net).....	-	-	2,989	-	-	-	-	-	-	-
Total Appropriation.....	37,750	294	40,261	293	40,261	293	+3,756	-	44,017	293
Rescission.....	-	-	-1,090	-	-	-	-	-	-	-
Sequestration.....	-	-	-1,899	-	-	-	-	-	-	-
Lapsing Balances.....	-863	-	-996	-	-	-	-	-	-	-
Total Obligations.....	36,887	294	36,276	293	40,261	293	+3,756	-	44,017	293

Project Statement
 Obligations Detail and Staff Years (SYs)
 (Dollars in thousands)

Program	<u>2012 Actual</u>		<u>2013 Actual</u>		<u>2014 Estimate</u>		<u>Change</u>		<u>2015 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Discretionary Obligations:										
Packers and Stockyards...	\$21,000	165	\$20,470	164	\$22,348	164	+\$1,218	-	\$23,566	164
Grain Regulatory.....	15,887	129	15,806	129	17,913	129	+2,538	-	20,451	129
Total Obligations.....	36,887	294	36,276	293	40,261	293	+3,756	-	44,017	293
Lapsing Balance.....	863	-	996	-	-	-	-	-	-	-
Total Available.....	37,750	294	37,272	293	40,261	293	+3,756	-	44,017	293
Rescission.....	-	-	1,090	-	-	-	-	-	-	-
Sequestration.....	-	-	1,899	-	-	-	-	-	-	-
Total Appropriation.....	37,750	294	40,261	293	40,261	293	+3,756	-	44,017	293

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Justification of Increases and Decreases

(1) An increase of \$1,218,000 for P&SP.

Base funds will continue to fund GIPSA's P&SP activities. Continuing the base funding is crucial to ensuring the continued success of the program. P&SP enforces the P&S Act, which prohibits unfair, deceptive, and unjust discriminatory practices by market agencies, dealers, stockyards, packers, swine contractors, and live poultry dealers in the livestock, meat packing, and poultry industries. The P&S Act provides important protections for livestock producers and poultry growers in rural America. GIPSA conducts routine and ongoing regulatory inspections and audits to assess whether subject entities are operating in compliance with the P&S Act and conducts investigations of potential violations of the P&S Act identified by industry complaints, routine regulatory inspections, or market observations. A team of resident agents and auditors located throughout the country conduct initial investigative activities. Specialists in GIPSA's regional offices and in Washington, D.C., headquarters provide direction and assistance to the resident investigators. All P&SP employees utilize the P&SP Automated System (PAS) to track case work electronically from start to finish.

Base funds support GIPSA's objective to protect fair trade practices, financial integrity, and competitive livestock, meat, and poultry markets and the USDA Strategic Goal 1: "Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving." Specifically, funds will be used for maintenance of the PAS and salaries and benefits for 164 staff years, and will provide staff with the equipment, supplies, and other support expenses needed to complete their jobs.

The funding change is requested for the following items:

a. An increase of \$159,000 for pay costs (\$41,000 for annualization of the 2014 pay increase and \$118,000 for the 2015 pay increase).

This increase will enable P&SP to maintain staffing levels, which are critical to achieving GIPSA's objective of facilitating the marketing of livestock, poultry, and promoting fair and competitive trading practices for the overall benefit of consumers and American agriculture. Approximately 67 percent of GIPSA's budget is in support of personnel compensation.

b. An increase of \$742,000 to fund decentralized GSA rent payments and DHS security payments.

USDA proposes in FY 2015 the decentralization of General Services Administration (GSA) Rental Payments and Department of Homeland Security (DHS) payments. The amount shown as an increase (\$742,000) is the equivalent share of the current GSA Rent and DHS central appropriations that are based upon current space occupancy across the continental United States. The request for the central GSA rent account and the DHS payment account has been reduced accordingly.

c. An increase of \$317,000 for P&SP to purchase necessary equipment, supplies, and other support expenses.

The funds will supplement GIPSA enforcement staff with the equipment, supplies, and other support expenses needed to complete their jobs. P&SP relies on 57 resident agents, auditors, market inspectors, and resident agent supervisors, with assigned duty stations in their homes across the United States to conduct a large percentage of its front line regulatory inspections and investigations. These individuals must travel, at times long distances, in conducting regulatory and investigative field work. Travel is an essential component of allowing GIPSA's resident agents to successfully perform their job functions. Funding is also needed to provide all P&SP staff with the necessary equipment and supplies, such as computers and high speed scanners, to conduct their jobs. Without an increase in funding, the program will have to reduce staff in order to maintain sufficient resources (gas, supplies, travel, etc.) to support field activity. By providing staff with resources to travel and the tools needed to successfully conduct their work, GIPSA expects to achieve a level of 83 percent industry compliance with the P&S Act. In summary, the funds will provide staff with the equipment, supplies, and other operating expenses to effectively conduct field operations to

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maintain compliance levels in the face of increased economic pressures that have tended to increase regulated entities incentives to forego compliance with the P&S Act.

(2) An increase of \$2,538,000 for the Grain Regulatory Program.

Base funds will continue to fund GIPSA's GRP activities, which is administered by GIPSA's Federal Grain Inspection Service (FGIS). Continuing the base funding is crucial to ensuring the continued success of the program. The GRP, which is carried out under the authority of the USGSA and the AMA, promotes and enforces the accurate and uniform application of the USGSA and applicable provisions of the AMA; identifies, evaluates, and implements new or improved techniques for measuring grain quality; and establishes and maintains testing and grading standards to facilitate the marketing of U.S. grain, oilseeds, and related products.

GIPSA's GRP supports USDA Strategic Goal 1: "Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving." Specifically, funds will be used salaries and benefits for 129 staff years, and will support GIPSA's objective to provide the market with terms and methods for quality assessment of grains and related commodities and to protect the integrity of U.S. grain and related products by enforcing provisions of the USGSA and AMA.

The funding change is requested for the following items:

a. An increase of \$135,000 for pay costs (\$32,000 for annualization of the 2014 pay increase and \$103,000 for the 2015 pay increase).

This increase will enable GIPSA's GRP to maintain staffing levels, which are critical to achieving GIPSA's objective of facilitating the marketing of U.S. grain and related agricultural products for the overall benefit of consumers and American agriculture. Approximately 67 percent of GIPSA's budget is in support of personnel compensation.

b. An increase of \$2,046,000 to fund decentralized GSA rent payments and DHS security payments.

USDA proposes in FY 2015 the decentralization of GSA Rental Payments and DHS payments. The amount shown as an increase (\$2,046,000) is the equivalent share of the current GSA Rent and DHS central appropriations that are based upon current space occupancy across the continental United States. The request for the central GSA rent account and the DHS payment account has been reduced accordingly.

c. An increase of \$357,000 for GRP to purchase necessary scientific equipment.

GIPSA is continually developing and refining practicable, rapid and reproducible tests to determine specific qualities that enhance the marketability of U.S. grains, rice and pulse crops. The Agency's GRP facilitates the marketing of U.S. grains, oilseeds, and related agricultural products by providing farmers, handlers, processors, exporters, and international buyers with information that accurately and consistently describes the quality of these products. To maintain the Agency's worldwide reputation as leader in grain quality assessment, GIPSA is seeking an increase of \$357,000 for equipment needed to complete development of tests to determine key market factors for rice, and for equipment needed to refine and expand effective mycotoxin and pesticide residue testing and monitoring programs for U.S. grain exporters.

GIPSA seeks funding for equipment necessary to finalize development and implementation of objective tests for use by the rice industry. One test would measure the amount of surface lipids in rice, a factor currently measured by the rice industry but for which no standard means of determining measurement consistency is currently provided by GIPSA. The rice surface lipids factor may also be useful as an independent and objective measure of determining the degree of milling in rice, a measure for which the rice industry has expressed a strong market need. GIPSA has made major strides in the last fiscal year towards development of this test. However, implementation of the test will require FGIS to procure near infrared detectors, commonly known as NIRT detectors, to perform the test at field sites. Another test in development is a systemic process using optical scanners for determining the percentage of broken kernels in rice. Both these

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tests could replace the current process of visual assessments used to determine these conditions. Replacing visual assessment with a systemic, standardized means to assess these conditions will provide greater stability since the assessment will be based on an objective standard determined by equipment. Doing so will enhance the overall marketing environment for rice.

GIPSA also seeks to refine and expand effective mycotoxin testing and monitoring programs for U.S. grain exporters. These programs are essential for demonstrating that U.S. grain is wholesome and safe for consumption, thereby confirming the high value of U.S. grain commodities. Overseas governments continue to enforce stringent controls on levels of harmful mycotoxins such as aflatoxin. For example, drought conditions can further heighten concerns about the presence of aflatoxin, and increased the demand for rapid, accurate tests to determine aflatoxin. Private entities working under GIPSA's supervision perform rapid field tests to detect these mycotoxin residues, and have requested that GIPSA not only expand the number and types of rapid tests available to them, but also to implement a program that independently monitors the accuracy of these vital test results. To do so, GIPSA must test the efficacy of the rapid test kits against reference materials developed by GIPSA. Additional equipment, primarily liquid and gas chromatographs, will allow GIPSA to expand the standard reference materials against which rapid test kits developed for use in the field are compared to ensure that U.S. grain meets global mycotoxin requirements.

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SALARIES AND EXPENSES

Summary of Proposed Legislation
(Dollars in thousands)

<u>Item of Change</u>	<u>Current Law</u>	<u>Program Changes</u>	<u>President's Request</u>
Packers and Stockyards.....	\$23,566	(-\$22,824)	\$23,566
Grain Regulatory.....	20,451	(-5,000)	20,451
Total Available.....	44,017	(-27,824)	44,017

User Fees – Proposed Legislation

Summary of Proposed Legislation:

- Program: Packers and Stockyards Program
- Proposal: Amend the P&S Act to provide authority to collect license fees to cover the cost of the program, except for costs attributable to General Services Administration rental payments and Department of Homeland Security security payments.
- Rationale: This proposal would require the beneficiaries of the program (i.e., livestock market agencies, dealers, stockyards, packers, live poultry dealers, and swine contractors) to pay for the services they receive. 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.
- Goal: Transfer the cost from the American taxpayer to the beneficiaries of the program.
- Offsets: Estimated receipts in FY 2015 would be \$22,824,000.

Budget Impact: (\$ in thousands)

	2014	2015	2016	2017	2018
Discretionary Budget Authority	0	-22,824	-22,824	-23,824	-23,824
Discretionary Outlays	0	-18,584	-19,153	-20,765	-23,824

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Program: Grain Regulatory Program

Proposal: 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 a user fee for this service.

Rationale: Because these standards benefit and are used almost solely for the grain trading industry, and because they facilitate the orderly marketing of grain products, it is industry that should bear the cost.

Goal: Transfer the cost from the American taxpayer to the beneficiaries of the U.S. grading standards.

Offsets: Estimated receipts in FY 2015 would be \$5,000,000.

Budget Impact: (\$ in thousands)

	2014	2015	2016	2017	2018
Discretionary Budget Authority	0	-5,000	-5,000	-5,000	-5,000
Discretionary Outlays	0	-4,135	-4,228	-4,451	-5,000

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Geographic Breakdown of Obligations and Staff Years
(Dollars in thousands and Staff Years SYs))

State/Territory	<u>2012 Actual</u>		<u>2013 Actual</u>		<u>2014 Estimate</u>		<u>2015 Estimate</u>	
	Amount	SYs	Amount	SYs	Amount	SYs	Amount	SYs
Arkansas.....	\$81	1	\$155	1	\$172	1	\$188	1
Colorado.....	5,673	52	5,613	52	6,230	52	6,811	52
District of Columbia.....	15,000	58	13,077	53	14,514	50	15,868	50
Georgia.....	4,403	43	4,901	44	5,440	44	5,947	44
Idaho.....	178	3	-	-	-	-	-	-
Iowa.....	4,610	51	4,614	51	5,121	53	5,598	53
Louisiana.....	1,200	18	916	19	1,016	19	1,111	19
Missouri.....	4,524	54	6,207	56	6,889	57	7,533	57
North Dakota.....	80	1	109	3	121	3	132	3
Ohio.....	336	4	122	4	135	4	147	4
Oregon.....	403	5	208	5	231	5	253	5
Texas.....	276	4	212	4	235	4	257	4
Washington.....	123	1	142	1	157	1	172	1
Obligations.....	36,887	294	36,276	293	40,261	293	44,017	293
Lapsing Balance.....	863	-	996	-	-	-	-	-
Total, Available.....	37,750	294	37,272	293	40,261	293	44,017	293

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Classification by Objects

(Dollars in thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Personnel Compensation:				
Washington D.C.....	\$4,375	\$4,288	\$4,352	\$4,418
Field.....	16,949	16,007	16,247	16,491
11.0 Total personnel compensation.....	21,324	20,295	20,599	20,909
12.0 Personnel benefits.....	6,652	6,434	6,531	6,628
13.0 Benefits for former personnel.....	196	24	100	110
Total, personnel comp. and benefits.....	28,172	26,753	27,230	27,647
Other Objects:				
21.0 Travel and transportation of persons.....	732	621	880	900
22.0 Transportation of things.....	30	105	50	60
23.1 Rental payments to GSA	-	-	-	2,788
23.2 Rental payments to others.....	94	97	98	100
23.3 Communications, utilities, and misc. charges..	662	498	855	860
24.0 Printing and reproduction.....	23	17	53	53
25.2 Other services from non-Federal sources.....	906	427	600	620
25.3 Other purchases of goods and services				
from Federal sources.....	5,517	6,469	6,637	6,657
26.0 Supplies and materials.....	555	457	915	925
31.0 Equipment.....	196	830	2,943	3,407
42.0 Insurance Claims.....	0	2	0	0
Total, Other Objects.....	8,728	9,523	13,031	16,370
99.9 Total, new obligations.....	36,887	36,276	40,261	44,017
Position Data:				
Average Salary (dollars), ES Position.....	\$150,500	\$150,482	\$150,500	\$151,500
Average Salary (dollars), GS Position.....	\$62,800	\$62,338	\$62,800	\$62,900
Average Grade, GS Position.....	1.6	11.6	11.6	11.6

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Shared Funding Projects

(Dollars in thousands)

	2012	2013	2014	2015
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Working Capital Fund:				
Administration:				
Beltsville Service Center.....	\$33	\$14	\$25	\$26
Mail and Reproduction Management.....	103	132	108	118
Integrated Procurement System.....	233	144	143	148
Subtotal.....	369	290	276	292
Communications:				
Creative Media & Broadcast Center.....	-	4	10	9
Finance and Management:				
NFC/USDA.....	132	167	195	198
NFC/Non-USDA.....	-	-	-	-
Controller Operations.....	795	757	273	274
Financial Systems.....	345	346	334	330
Internal Control Support Services.....	-	-	-	-
Subtotal.....	1,272	1,270	802	802
Information Technology:				
NITC/USDA.....	163	265	210	211
International Technology Services.....	-	8	-	-
Telecommunications Services.....	264	252	161	108
Subtotal.....	427	525	370	318
Correspondence Management.....	105	40	35	42
Total, Working Capital Fund.....	2,173	2,129	1,493	1,463
Department-Wide Reimbursable Programs:				
1890's USDA Initiatives.....	21	20	19	19
Advisory Committee Liason Services.....	10	8	9	9
Continuity of Operations Planning.....	12	14	13	13
E-GOV Initiatives HSPD-12.....	42	44	43	43
E-GOV Initiatives Content Management.....	-	-	-	-
Emergency Operations Center.....	16	15	15	15
Facility and Infrastructure Review and Assessment.....	-	3	3	3
Faith-Based Initiatives and Neighborhood Partnerships.....	3	3	3	3
Federal Biobased Products Preferred Procurement Program.....	2	2	2	2
Hispanic-Serving Institutions National Program.....	14	13	13	13
Honor Awards.....	4	3	5	5
Human Resources Transformation (inc. Diversity Council)..	11	11	10	10
Intertribal Technical Assistance Network.....	13	-	-	-
Medical Services.....	4	3	4	4
Personnel and Document Security.....	63	7	8	8
Pre-authorizing Funding.....	23	23	24	24
Retirement Processor/Web Application.....	4	4	4	4

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Shared Funding Projects

(Dollars in thousands)

	2012	2013	2014	2015
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Sign Language Interpreter Services.....	11	9	11	11
TARGET Center.....	6	6	6	6
USDA 1994 Program.....	5	5	5	5
Virtual University.....	14	14	13	13
Visitor Information Center.....	5	6	6	6
Total, Department-Wide Reimbursable Programs.....	283	213	216	216
E-Gov:				
Budget Formulation and Execution Line of Business.....	1	1	1	1
Enterprise Human Resources Intigration.....	19	17	14	14
E-Rulemaking.....	3	7	7	7
E-Training.....	18	15	18	18
Human Resources Line of Business.....	2	2	2	2
Integrated Acquisition Environment - Loans and Grants.....	8	9	12	12
Integrated Acquisition Environment.....	4	5	4	4
Total, E-Gov.....	55	56	58	58
Agency Total.....	2,511	2,398	1,767	1,737

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

SALARIES AND EXPENSES STATUS OF PROGRAM

GRAIN REGULATORY PROGRAM

GIPSA's FGIS establishes quality standards for grains, oilseeds, pulses, and legumes; provides impartial inspection and weighing services through a network of Federal, State, and private entities; and monitors marketing practices to enforce compliance with the USGSA and AMA. Through these activities, FGIS facilitates the marketing of grain, oilseeds, and related products.

Current Activities:

Providing the Market with Terms and Methods for Quality Assessments

Official Moisture Measurement Technology

Moisture measurement remains one of the most important official and commercial grain inspection activities because of moisture content's impact on end-use value (dry matter content) and storability. FGIS research has resulted in the application of the Unified Grain Moisture Algorithm (UGMA) in the official grain inspection system. The UGMA is an approach to grain moisture measurement that has shown its potential to improve grain moisture measurement by: 1) yielding improved accuracy, 2) permitting multiple manufacturers to design moisture meters that can use common calibrations and give equivalent results, and 3) reducing the cost of on-going calibration maintenance. The FGIS Grain Inspection Advisory Committee consistently encouraged FGIS to proceed with implementation of the new UGMA moisture measurement technology to better serve the Agency's stakeholders. The new technology was implemented for official determination of moisture for corn, soybeans, sorghum, and sunflower seed on September 10, 2012. In 2013, FGIS finalized the calibrations for all sixty-four grains and commodities under its jurisdiction. As of May 1, 2013, all official moisture inspections were performed with UGMA technology.

Wheat Functionality – Protein Quality Assessments

The intrinsic qualities of wheat affect the quality of end products. To best determine the ability of wheat to meet specific end-use needs, accurate test methods are needed to differentiate functional qualities. These methods should also be practical, rapid, and reproducible among different laboratories to provide value transparency from the producer to the processor and provide information that better predicts appropriate end-uses, thereby enhancing the marketability of U.S. wheat. As next steps toward improving the reliability of wheat quality attribute testing, FGIS will: (1) Analyze data from a collaborative study among key commercial wheat testing labs in the United States which all used a new, automated Farinograph testing instrument. FGIS will report on the degree of improvement realized with the new model Farinograph instrument; (2) Conduct a collaborative study with key wheat quality testing labs to assess a new testing method used to determine gluten strength in wheat; and (3) continue its efforts to introduce a new quality assurance program to improve the accuracy of a test method for falling number. In FY 2013, FGIS initiated a pilot monitoring program with several laboratories as a precursor to a new quality assurance program to assess and improve the consistency of results among official inspection and testing labs. As a next step, FGIS will begin both the monitoring and check sample components of this new quality assurance program with all official falling number testing labs.

Mycotoxin and Biotechnology Rapid Test Evaluations

The grain industry needs fast, reliable tests to detect and quantify the incidence of fungal-produced mycotoxins in grain and to detect the presence of genetically-engineered (GE) traits in grains. To ensure that commercially available tests provide reliable results, FGIS offers a performance evaluation and certification program.

In FY 2013, FGIS evaluated test kits for the analysis of mycotoxins and for detection of GE events. FGIS evaluated a total of 22 rapid test kits for the analysis of mycotoxins (aflatoxins, deoxynivalenol, fumonisins, ochratoxin A, and zearalenone). Of the 22 test kits, 17 met the FGIS performance criteria and were certified. Five did not meet the

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FGIS criteria and were not certified. In addition, FGIS also evaluated and certified three test kits for detection of GE events (Alpha amylase, Vip3a, and Cry 34Ab1 proteins).

A new technology has been developed that allows for the use of water for the extraction of aflatoxins and fumonisins instead of more hazardous organic solvents. The use of water instead of organic solvents would eliminate the need for special handling of this waste, thereby reducing overall costs. It also reduces possible exposure of operators to hazardous chemicals when performing these tests. This technology has the potential of eventually extending to all mycotoxin testing services provided by FGIS. As of FY 2013, three water-based test kits have been approved for aflatoxins and one water-based test kit has been approved for fumonisins. FGIS intends to pursue the use of this new technology as soon as possible with input from industry stakeholders on the timeline for implementation.

Biotechnology

In the biotechnology arena, GIPSA provides several key services which assist in improving testing accuracy, protecting the integrity of U.S. grain and related markets, and harmonizing biotechnology reference methods.

The USDA/FGIS *Biotechnology Proficiency Program* involves 160 organizations on five continents (Africa, Asia, Europe, and North and South America), with more than 80 percent of the participants from organizations outside the United States. FGIS disseminates blind test samples to participants bi-annually and compiles and disseminates the results of tests. This program, which FGIS initiated in 2002, enables organizations to assess and improve their accuracy and precision in identifying GE events in grains and oilseeds, and it gives grain buyers and sellers confidence in the results produced by GE testing laboratories.

In recent years, a few instances of inadvertent releases of unapproved GE events into the U.S. grain handling system have occurred. When such an inadvertent release occurs, a rapid response is necessary to identify and validate methods to detect the trait and thereby protect the integrity of U.S. grain markets. The testing methods must be highly specific and sensitive to effectively maintain confidence in U.S. grain marketing systems. Current detection methods within FGIS' Biotechnology Laboratory focus on high-throughput DNA extraction methodologies which will enable FGIS to more effectively respond to inadvertently-released products. FGIS is in the initial stages of development of high throughput DNA extraction methods for corn, soybeans, and rice. FGIS assists government and private laboratories that use protein and DNA-based technologies by performing impartial third-party verification of their methods for both qualitative and quantitative detection of transgenic events in GE crops. FGIS involvement in responding to such incidents facilitates harmonization of sampling plans and of international testing for GE grains and oilseeds.

FGIS provides expertise to USDA's Animal and Plant Health Inspection Service (APHIS) when responding to inadvertent releases of unapproved GE events. For example, in May of 2013, APHIS announced that testing of volunteer wheat plants from an unidentified Oregon farm indicated the presence of GE glyphosate-resistant wheat. Further testing by GIPSA and USDA's Agricultural Marketing Service (AMS) laboratories confirmed that these plants contained the glyphosate-resistant (i.e. Roundup Ready™) trait 71800 developed by Monsanto. The APHIS announcement caught the attention of U.S. wheat producers, handlers and exporters, as well as wheat buyers around the world. APHIS launched a formal investigation of this inadvertent release. The GIPSA Biotechnology Laboratory provided extensive technical support throughout the investigation and conducted method validation to successfully restore U.S. trading partners' confidence in the integrity of U.S. wheat.

There is a need for highly specific and accurate tests for the various GE crops grown in the United States. FGIS has developed intra-laboratory-validated real-time polymerase chain reaction methods and has evaluated the accuracy, reliability, and proficiency of publicly available methods used to detect and identify GE grains and oilseeds. FGIS participated on a scientific panel of experts engaging U.S. stakeholders and influencing outcomes on issues related to testing of GE traits in grains with the goal of developing global scientific consensus regarding the analysis of transgenic events. FGIS continues to collaborate with international organizations such as Codex Alimentarius, International Organization for Standardization, American Association of Cereal Chemists, American Oil Chemists' Society, Institute for Reference Materials and Measurements, and the Canadian Grain Commission to harmonize testing technologies for GE grains and oilseeds.

Standardizing Commercial Grain Inspection Equipment

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In 2013, FGIS continued the cooperative effort among FGIS, the National Conference on Weights and Measures (NCWM) and the National Institute for Standards and Technology to standardize commercial inspection equipment including moisture meters, near-infrared analyzers (for protein, oil, and starch), and test weight modules contained within moisture meters and near-infrared analyzers. As a next step, FGIS will collect grain moisture meter calibration data for six NTEP models and will conduct NTEP testing for new grain inspection equipment models upon request.

Rice

Some segments of the rice industry believe that surface lipid (oil) measurements of milled rice have the potential to supplement or replace official degree of milling determinations. In 2012, FGIS developed a preliminary near-infrared (NIR) calibration to rapidly predict rice surface lipid content (SLC). In 2013, FGIS conducted a pilot test of the preliminary NIR rice SLC calibration to validate the calibration and assess its usefulness in describing the extent of bran removal for commercially milled rice. The pilot test included the FGIS Field Office in Stuttgart, Arkansas and four industry stakeholders. Participants collected samples and data to evaluate the performance of the calibration and the relationship between the NIR SLC, reference SLC, and degree of milling determinations. As a next step, FGIS plans to further its work with the rice industry to validate the preliminary NIR rice SLC calibration and assess its usefulness in describing the extent of bran removal for commercially milled rice.

In 2013, FGIS also began the development of a flatbed scanner system to determine the percent of broken kernels in rice samples. The imaging instrument currently used to officially determine broken rice kernels in California is no longer manufactured or supported. The goals of this project are to create freely distributable software that is compatible with a wide range of inexpensive commercially available scanners and to develop mathematical algorithms that are specifically applicable to all U.S. rice types and varieties for assessing the percentage of broken rice kernels. As a next step, FGIS plans to complete the development of the flatbed scanner and prepare for a pilot test of the system.

Promoting U.S. Grain to International Customers

FGIS personnel frequently meet at the National Grain Center (NGC) 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 FGIS' mission. During 2013, FGIS personnel met with 47 teams from 23 countries. Briefings at the NGC are tailored to address each group's interests and concerns. Presentations include explanations of the various services available from FGIS, 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. Often the group receives training on analytical testing procedures and grain inspection methods and procedures. These briefings foster a better understanding of the entire U.S. grain marketing system and serves to enhance purchasers' confidence in U.S. grain. Ultimately, these efforts help move our nation's harvest to end-users around the globe.

Soybeans to China

The U.S./China Memorandum of Understanding (MOU), which addresses China's concerns over soybean quality, plant health, and food safety of soybeans was signed in December 2010. Stemming from the MOU, officials from China's Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) and the U.S. agreed to undertake a joint survey of four U.S. soybean vessels to address China's concerns regarding treated soybean seeds and other quality factors. Representatives from FGIS, the Animal and Plant Health Inspection Service (APHIS), Foreign Agricultural Service (FAS), North American Export Grain Association (NAEGA), and U.S. Soybean Export Council are participating. The study began with the first vessel in February 2013 at TEMCO Elevator in Tacoma, Washington. The study is ongoing with the expectation that the second and third vessels will be completed in FY 2014. For several years, China has reported finding treated soybeans in their commodity shipments; however, since the successful collaboration, they have not reported any such findings since FY 2011.

Protecting the Integrity of U.S. Grain and Related Markets

Domestic Grain Inspection

FGIS oversees 53 official State and private agencies that provide official services under the USGSA. The USGSA requires that the designations for each official State and private agency be renewed every three years. In fiscal year

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2013, FGIS renewed 19 official agencies for full three-year designations including 15 private and 4 State agencies. In addition, FGIS designated two private official agencies for weighing; approved an official private agency sale; cancelled one official private agency's designation; and partially cancelled one private agency's designation.

Resolution of Issues Raised by International Customers

FGIS administers a formal process for investigating grain quality and weight discrepancies. When an importer of U.S. grain submits a claim regarding quality or weight, FGIS analyzes samples retained on file from the original inspection and analyzes samples submitted from the complainant (if the buyer chooses to submit them) and evaluates the accuracy of the initial inspection. This process allows FGIS to verify whether the original inspection and weighing service provided at the time of loading was correct, based on all available information. FGIS then issues a report outlining its findings.

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, FGIS may conduct collaborative sample studies or joint monitoring activities to address the discrepancy in a more comprehensive manner.

In FY 2013, FGIS received one quality complaint and no weight complaints from importers on grains inspected under the U.S. Grain Standards Act, as amended. The complaint involved 58,770 metric tons, or less than 0.1 percent by weight, of the total amount of grain exported during the year. The complainant, China, reported that a shipment contained excessive off-color soybeans. This is the fewest number of complaints FGIS has received in its history.

Table 1: Summary of Complaints Reported by Importers on Inspection and Weighing, FY 2013

Complainant	Country	Grain	No. of Complaints	Nature of Complaint
Asia	China	Soybeans	1	Damaged kernels

PACKERS AND STOCKYARDS PROGRAM

GIPSA's P&SP is responsible for administering the P&S Act. The P&S Act prohibits unfair, deceptive, and fraudulent practices by market agencies, dealers, packers, swine contractors, and live poultry dealers in the livestock, poultry, and certain meatpacking industries, as well as affording livestock sellers and poultry growers specified financial protections. 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. Program activities cover two general areas: Business Practices and Financial Protection.

Regulatory and investigative actions frequently find that entities are in compliance with the P&S Act. When violations are discovered, GIPSA assesses fines for admitted violations or pursues administrative or civil litigation with the USDA Office of the General Counsel (OGC) before a USDA Administrative Law Judge or through the Department of Justice (DOJ). Litigation may also result in a fine against the offending entity (Table 2) or a suspension of a registration required under the P&S Act to conduct regulated activity.

Table 2: Penalties Levied for P&S Act Violations, 2009-2013

Type Judgment	2009	2010	2011	2012	2013
Stipulations (\$)	\$30,775	\$127,787	\$364,800	\$305,390	\$106,387
Administrative Penalties (\$)	364,700	341,027	662,470	1,473,093	2,998,614
DOJ Civil Penalties (\$)	59,580	346,705	70,480	425,540	84,900

GIPSA maintains a toll-free telephone number and a dedicated e-mail address to allow members of the grain, livestock, and poultry industries and the public to report complaints and share concerns. Individuals or firms

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with complaints about the industries are encouraged to call the appropriate regional office to discuss their concerns, anonymously if desired. GIPSA responds to all of these complaints and sources of information.

GIPSA may also initiate investigations independently, for example, as a result of information obtained from monitoring industry behavior.

Current Activities:

Business Practices

The Business Practices Units include lawyers, economists, and marketing specialists who focus on competition and trade practice issues. These units are supported by resident agents that are remotely located throughout the country. The Business Practices Units conduct regulatory reviews and investigations to identify alleged unfair trade practices at auction markets, livestock dealers and order buyers, slaughtering packers, live poultry dealers, and meat dealers and brokers, and monitors market and firm prices for indications of anti-competitive firm behavior.

Competition and Trade Practices

To obtain compliance with the P&S Act, GIPSA undertakes investigative and regulatory activities. These are identified as either competitive or trade practices activities. Investigations are enforcement actions conducted when there is reason to believe a violation of the P&S Act is occurring. Investigations at a firm-level may be a follow-up to previously identified violations, in response to industry-driven complaints, and in response to possible violations found while conducting regulatory activities on a business' premises, or through other monitoring activities. Investigations may be conducted as rapid response actions to prevent irreparable harm to the regulated industries. In FY 2013, P&SP opened 2,481 investigations, of which 2,456 were alleged violations for financial or trade practice behaviors. During FY 2013, P&SP closed 2,272 cases without referring them to OGC.

Investigations resolved by P&SP are closed either through a finding of no violation, a Notice of Violation letter issued to the entity, or a stipulation settlement in which the respondent admits the violation and voluntarily agrees to a penalty. P&SP closes cases that are not referred to OGC or DOJ in an average of 87 days. This is significantly shorter than cases that enter into the enforcement channel for a hearing before an Administrative Law Judge or a Federal Court, as would be expected.

Another 133 cases were resolved that had been referred to OGC, including 12 that had been referred further to DOJ. Cases are referred to OGC when P&SP determines that the investigation requires cooperation with OGC. Frequently in competition and cases involving large financial failures, OGC and P&SP continue to develop evidence with the goal of filing a complaint.

The average number of days for cases referred to OGC is calculated based on whether the cases were referred to DOJ for prosecution. Cases not referred to DOJ required an average of 257 days in P&SP; cases referred to DOJ required an average of 249 days in P&SP.

Regulatory activities, on the other hand, are activities undertaken to determine if a regulated entity is complying with the P&S Act. Two examples of regulatory activities are scale and weighing inspections and audits of custodial bank accounts maintained by market agencies for seller proceeds. In FY 2013, 897 scale and weighing checks were conducted, finding 153 violations; and 423 custodial account audits resulted in account corrections worth approximately \$3.4 million. Regulatory activities also include market level monitoring, which is generally conducted using data that are available in the public domain. Examples include, but are not limited to, monitoring fed cattle and hog prices, and structural changes in the livestock, meat, and poultry industries. Monitoring activities have led to firm-level investigations.

Financial Protection

The Financial Units have the primary responsibility to enforce the financial provisions of the P&S Act and regulations. These enforcement actions assist in maintaining the financial integrity and stability of the livestock, poultry, and meatpacking industries. Enforcement is carried out through review of annual and special reports, and by on-site financial compliance reviews and investigations. When GIPSA determines a potentially serious financial situation exists that may cause imminent and irreparable harm to livestock producers, rapid response teams are

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deployed to investigate the problem. Under the P&S Act, regulated businesses must be solvent (current assets must exceed current liabilities). GIPSA requires special reports from firms whose annual reports disclose insolvencies. In addition, on-site financial investigations are conducted to follow up on reported insolvencies or other financial issues.

Trusts and Bonds

The P&S Act also establishes a statutory trust on certain assets of packers and live poultry dealers for the benefit of unpaid cash sellers of livestock, and unpaid cash sellers or contract growers of live poultry grown for slaughter. When a trust claim is filed, GIPSA analyzes the claim to determine if the claim appears to be timely and supported by adequate documentation. Additionally, all market agencies, dealers, and slaughtering packers purchasing over \$500,000 of livestock annually are required to file and maintain bonds or bond equivalents for the protection of livestock sellers. When a seller fails to receive payment on a transaction, they must file a bond claim within 60 days of the transaction. Both trustees and bond sureties receive GIPSA’s analysis as a courtesy. GIPSA does not pay trust or bond claims and cannot compel payments. In 2013, 5 dealer, 2 market, and no packer failure cases were closed. For the closed cases, consigners received restitution of 9 and 76 percent, respectively.

Failures and Restitution

Since 2007, an average of 15 dealer failures closed each year, ranging from 3 to 31 failures per year. During that same time period, producers on average received 26 percent payment of amounts owed to them, with recovery ranging from 9 to 56 percent (Table 3). In 2013, auction markets were especially vulnerable to a domino-like effect from dealer failures, since many dealers purchase livestock from auction markets. Since 2007, about 5 auction markets failed per year, with consignors receiving an average restitution of 47 percent. In 2013, the average restitution for auction markets was 76 percent (Table 4).

Table 3: Total Dealer Financial Failures and Restitution, 2007-2013

Fiscal Year	No. of Failures Closed	Closed, Owed For Livestock (\$)	Closed, Restitution		Closed Recovery (%)
			From Bonds (\$)	From Other Sources (\$)	
2007	31	6,941,930	257,634	549,303	12
2008	20	2,054,647	843,682	301,916	56
2009	25	3,134,145	348,018	411,133	24
2010	7	213,332	20,000	0	9
2011	14	878,620	407,105	4,479	47
2012	3	512,255	100,000	40,600	27
2013	5	3,072,939	274,629	1,128	9
Ave.	15	2,401,124	321,581	186,937	26

Table 4: Total Auction Market Financial Failures and Restitution, 2007-2013

Fiscal Year	No. of Failures Closed	Closed, Owed Consignors (\$)	Closed, Restitution		Closed Recovery (%)
			From Bonds (\$)	From Other Sources (\$)	
2007	11	511,704	37,252	155,890	38
2008	6	602,100	237,734	352,111	98
2009	7	981,189	261,498	1,365	27
2010	4	20,901	4,547	0	22
2011	4	158,279	0	89,586	57
2012	4	328,264	25,000	0	8
2013	2	109,492	82,953	0	76
Ave.	4	387,418	92,712	85,565	47

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Since 2007, an average of 14 packers suffered financial failures each year, owing livestock sellers about \$4,275,011 per year, with an average restitution rate of 42 percent (Table 5).

Table 5. Total Packer Financial Failures, Bond Payout, and Payout From Other Sources, 2007-2013

Fiscal Year	No. of Failures Closed	Closed, Owed (\$)	Closed, Restitution		Closed Recovery (%)
			From Bonds (\$)	From Other Sources (\$)	
2007	31	4,118,456	40,000	4,083,946	100
2008	20	3,498,895	0	1,588,620	45
2009	25	15,676,349	196,208	9,999,228	65
2010	7	5,960,684	748,435	3,825,518	77
2011	10	647,986	0	62,195	10
2012	2	22,706	0	0	0
2013	0	0	0	0	0
Ave.	14	4,275,011	140,663	2,794,215	42

Performance Measurement

P&SP measures its overall performance by annually measuring the regulated entities' compliance with the P&S Act. The performance measure encompasses activities P&SP conducts that directly or indirectly influence industry compliance. P&SP's overall performance rate is a composite index of five program-wide audit and inspection activities based on a scientifically-drawn random sample of subject entities. Note that this sampling approach provides estimates of industry-wide compliance among all subject entities, which will generally differ from simple ratios of number of violations found to number of entities investigated or inspected.

In 2013 the index included: 1) the financial components of poultry contract compliance; 2) financial reviews of custodial accounts; 3) financial reviews of prompt payments of a random sample of entities; 4) inspection of scales and weighing practices at markets, dealers, and poultry integrators, and 5) inspection of all carcass evaluation devices and carcass evaluation practices for packing plants purchasing more than 1,000 head per year.

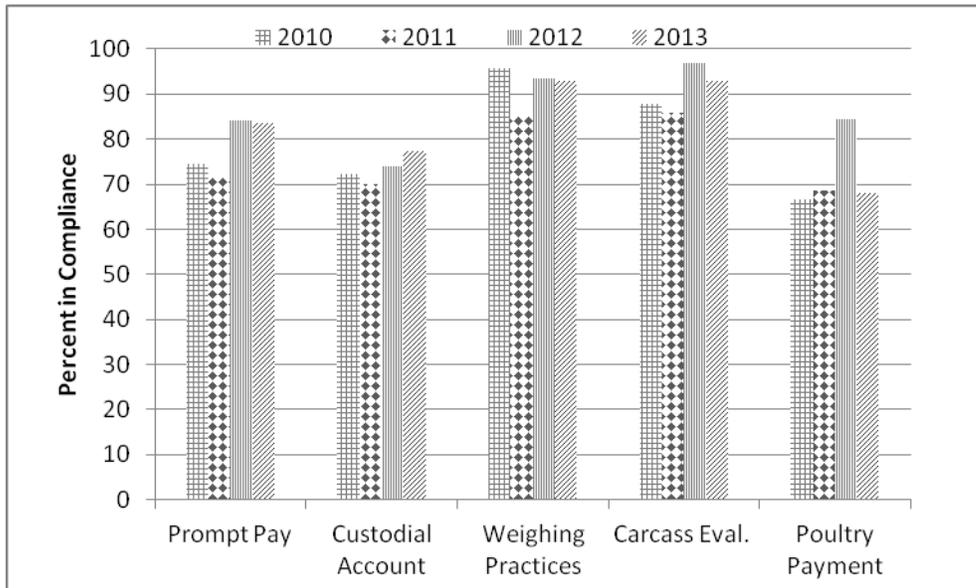
Financial reviews are conducted and overseen by P&SP staff auditors and supervisors, many of whom are licensed Certified Public Accountants. The reviews are carried out in accordance with general accounting standards. Business practice inspections of scales and weighing practices are conducted based on standards established by the National Institute of Standards and Technology and supervised by staff trained in inspection procedures. P&SP validates reviews and inspections through internal compliance reviews, which were designed in conjunction with a private consultant, and adhere to the P&SP Standard Operating Procedures.

The results of the individual component inspections and audits that comprise the aggregate index showed mixed results in 2013 compared to 2012, with prompt payment and weighing practice compliance nearly the same in 2013 as in 2012, custodial account compliance improving slightly, but carcass evaluation accuracy and poultry payment compliance declining.

While there has been additional focus on activities to achieve industry compliance, general economic conditions within the industry also affect year-to-year compliance. Weak economic conditions may increase the incentive for industry non-compliance in the financial components to a larger degree than in the business practice enforcement areas. The full effect of these external conditions on the compliance rate are not known, and to the degree that this measure only has a 5-year history, understanding the interaction of these variables on the overall compliance rate will be a challenge GIPSA confronts in future years. Additionally, GIPSA is just beginning to use the data to make internal adjustments to ensure resources are effectively deployed to meet changing industry conditions that result from external factors.

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FIGURE 1: Performance Measure Component Compliance Rates, 2009-2012



GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Limitation on Inspection and Weighing Services Expenses:

Not to exceed \$50,000,000 (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.

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LIMITATION ON INSPECTION AND WEIGHING SERVICES

Lead-Off Tabular Statement

Budget Estimate, 2015.....	\$50,000,000
2014 Enacted.....	<u>47,089,000</u>
Change in Appropriation	<u>2,911,000</u>

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Project Statement
 (On basis of appropriation)
 (Dollars in thousands)

Program	<u>2012 Actual</u>		<u>2013 Actual</u>		<u>2014 Estimate</u>		<u>Change</u>		<u>2015 Estimate</u>	
	Staff		Staff		Staff		Staff		Staff	
	Amount	Years	Amount	Years	Amount	Years	Amount	Years	Amount	Years
Total Obligations:										
Inspection and Weighing Activities..	\$43,967	384	\$51,836	359	\$47,089	371	-	-	\$50,000	371
Bal. Available, SOY.	-17,687	-	-13,300		-12,406	-	-	-	-11,550	-
Transfers In.....	-	-	-	-	-	-	-	-	-	-
Bal. Available, EOY.	13,300	-	12,406	-	11,550	-	-	-	11,550	-
Total Collected.....	<u>50,000</u>	<u>384</u>	<u>50,000</u>	<u>359</u>	<u>47,089</u>	<u>371</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>371</u>

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Inspection and Weighing Services

Geographic Breakdown of Obligations and Staff Years
(Dollars in thousands)

State/Territory	<u>2012 Actual</u>		<u>2013 Actual</u>		<u>2014 Estimate</u>		<u>2015 Estimate</u>	
	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years	Amount	Staff Years
Arkansas.....	\$2,197	19	\$2,308	17	\$2,122	16	\$2,253	16
District of Columbia.....	10,326	50	17,867	35	15,916	30	16,900	26
Idaho.....	256	2	-	-	-	-	-	-
Iowa.....	274	1	415	1	391	1	415	1
Louisiana.....	13,788	170	16,415	173	15,459	183	16,415	185
Missouri.....	240	2	1,189	6	1,120	6	1,189	6
North Dakota.....	1,661	9	1,375	6	1,295	8	1,375	8
Ohio.....	2,561	16	1,950	12	1,695	15	1,800	15
Oregon.....	4,320	36	3,348	33	2,967	35	3,150	35
Texas.....	8,263	78	6,866	75	6,027	76	6,400	78
Washington.....	81	1	103	1	97	1	103	1
Total, Obligations.....	<u>43,967</u>	<u>384</u>	<u>51,836</u>	<u>359</u>	<u>47,089</u>	<u>371</u>	<u>50,000</u>	<u>371</u>

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Classification by Objects

(Dollars in thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
	<u>Actual</u>	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
Personnel Compensation:				
Washington D.C.....	\$6,001	\$5,786	\$5,651	\$6,000
Field.....	24,574	24,739	23,140	24,570
11.0 Total personnel compensation.....	30,575	30,525	28,790	30,570
12.0 Personnel benefits.....	8,291	8,247	7,723	8,200
13.0 Benefits for former personnel.....	159	32	64	68
Total, personnel comp. and benefits.....	39,025	38,805	36,577	38,748
Other Objects:				
21.0 Travel and transportation of persons.....	894	1,041	1,318	1,400
22.0 Transportation of things.....	111	45	104	112
23.2 Rental payments to others.....	716	1,215	676	720
23.3 Communications, utilities, and misc. charges..	775	649	1,579	1,677
24.0 Printing and reproduction.....	48	7	47	50
25.2 Other services from non-Federal sources.....	1,453	1,466	3,545	3,764
25.3 Other purchases of goods and services from Federal sources.....	-	7,713	2,661	2,912
26.0 Supplies and materials.....	486	471	391	415
31.0 Equipment.....	451	424	190	202
42.0 Insurance and indemnities.....	8	0	0	0
Total, Other Objects.....	4,942	13,031	10,512	11,252
99.9 Total, new obligations.....	43,967	51,836	47,089	50,000
Position Data:				
Average Salary (dollars), ES Position.....	\$150,000	\$150,000	\$150,000	\$150,000
Average Salary (dollars), GS Position.....	\$58,700	\$58,700	\$59,000	\$59,500
Average Grade, GS Position.....	10.7	10.7	10.7	10.7

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

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GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

INSPECTION AND WEIGHING SERVICES

STATUS OF PROGRAM

INSPECTION AND WEIGHING SERVICES

Providing Official Grain Inspection and Weighing Services

The USGSA 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. Services under the USGSA are performed on a fee basis for both export and domestic grain shipments. Official inspection and weighing of U.S. grain in domestic commerce are performed upon request. Table 6, on the next page, displays an overview of GIPSA's inspection and weighing program activity.

Current Activities:

Partnerships with States and Private Entities

GIPSA manages the national inspection and weighing system through a unique network of approximately 2,000 staff members at Federal, State, and private laboratories that serve grain producers, handlers, processors, and exporters across the country. GIPSA's State and private partners are authorized to provide official services on GIPSA's behalf under the authority of the USGSA and the AMA. GIPSA delegates States to provide official inspection and weighing of U.S. grain at export port locations and designates States and private agencies to provide official inspection and weighing services in the domestic market. GIPSA has 41 agreements with States and private agencies to provide sampling or inspection services for miscellaneous processed commodities, graded commodities, or rice under the AMA.

Service Delivery Modernization

FGIS*online* is a portfolio of online business applications that modernizes the delivery of GIPSA official inspection and weighing services. The online applications provide customers with fast, accurate services and access to a wealth of official inspection and weighing data. Some accomplishments for 2013 were:

- Moved the FGIS*online* suite of applications from our offices in DC to the National Information Technology Center (NITC) in Kansas City.
- Retired the HP3000 computer system that housed the Export Grain Information System and the Grain Inspection and Weighing Information System databases. The data was moved to FGIS*online*. The HP3000 retirement results in an annual cost savings of \$200,000 to GIPSA.
- As a part of the HP3000 retirement and the data move to FGIS*online*, GIPSA released the Domestic and Export Counts (DEC) application. It allows the users to directly enter volume information and interfaces with the GIPSA Billing application (GBA). This interface allows for more cost savings by automating the billing for tonnage.
- Completed GBA reports phase. This allows the billing application to generate valuable reports for tracking and analyzing billing activities to ensure FGIS charges properly for all inspection and weighing activities.
- Completed the Process Mapping and Design project, which provides a road map to move forward with changes to improve the FGIS*online* applications and align business processes with the technology.

Distiller's Grains

As the production of grain-based ethanol has increased in recent years, so too have distiller's grains, the co-products of ethanol production. GIPSA facilitates the marketing of distiller's grains by providing inspection for insects prohibited by importing nations and testing for various mycotoxins. During FY 2013, GIPSA sampled nearly 66 percent of all exported distiller's grains.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Table 6: Inspection and Weighing Program Overview, Fiscal Years 2011-2013

Item	Fiscal Years		
	2011	2012	2013
<i>Inspection Program</i>			
Quantity of Grain Produced ¹ (Mmt) ²	464	462	540
Quantity of Standardized Grain Officially Inspected (Mmt) ³			
Domestic	187	175	144
Export by GIPSA	81	64	58
by Delegated States	30	28	19
by Designated Agencies	<u>12</u>	<u>13</u>	<u>9</u>
Total	310	280	230
<i>Weighing Program</i>			
Official Weight Certificates Issued			
GIPSA	75,473	59,900	60,930
Delegated States/Official Agencies	265,686	253,960	237,083
Exported Grain Weighed (Mmt)			
GIPSA	80	63	57
Delegated States	<u>29</u>	<u>27</u>	<u>19</u>
Total ⁴	109	91	77

¹ Source: USDA-National Agricultural Statistics Service, Quick Stats. This figure includes production of wheat, corn, sorghum, barley, oats, and soybeans.

² Million metric tons.

³ Includes grain for which GIPSA maintains official standards.

⁴ Totals may appear to not add up due to rounding.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Summary of Budget and Performance
Statement of Department Goals and Objectives

GIPSA was established on October 20, 1994, under the authority of the Agriculture Reorganization Act of 1994 (P.L. 103-354), to administer the programs and functions of FGIS and P&SP. 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.

The GIPSA has two strategic goals and four strategic objectives that contribute to one of the Secretary’s Strategic Goals.

USDA Strategic Goal: Assist rural communities to create prosperity so they are self-sustaining, repopulating, and economically thriving.

Objective 1.2: Increase Agricultural Opportunities by Ensuring a Robust Safety Net, Creating New Markets, and Supporting a Competitive Agricultural System.

Agency Strategic Goals	Agency Objectives	Programs that Contribute	Key Outcomes
Promote fair and competitive marketing of livestock, meat, and poultry.	Protect fair trade practices, financial integrity, and competitive livestock, meat, and poultry markets.	Packers and Stockyards Program (P&SP)	Maintain a fair and competitive marketplace for buying and selling U.S. livestock, meat, and poultry.
Facilitate the marketing of U.S. grain and related agricultural products.	Provide the market with terms and methods for quality assessment.	Grain Regulatory Program (GRP)	Provide buyers and sellers of U.S. grain with an efficient, accurate, and reliable means to determine the value of the product being sold or purchased, thereby facilitating the marketing of America’s grain domestically and around the world.

Key Performance Measures and Targets:

GIPSA measures the overall performance of the P&SP by annually measuring the regulated entities’ compliance with the P&S Act. The performance measure encompasses activities P&SP conducts that directly or indirectly influence industry compliance. P&SP’s overall performance rate is a composite index of five program-wide audit and inspection activities based on a scientifically-drawn random sample of subject entities. In 2013 the index included: 1) the financial components of poultry contract compliance; 2) financial reviews of custodial accounts; 3) financial reviews of prompt payments of a random sample of entities; 4) inspection of scales and weighing practices at markets, dealers, and poultry integrators, and 5) inspection of all carcass evaluation devices and carcass evaluation practices for packing plants purchasing more than 1,000 head per year.

The following table presents the percent of industry compliance with the P&S Act annually and GIPSA’s annual cost of operating P&SP.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Percent of industry compliance with the Packers and Stockyards Act							
Measure	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2015 Target
Percent	80	80	76	87	83	83	83
Dollars (in thousands)	\$20,400	\$23,157	\$22,467	\$21,270	\$20,799	\$22,348	\$23,566

Selected Past Accomplishments toward Achievement of the Key Outcome:

- In FY 2012, GIPSA was able to realize an 87 percent level of industry compliance, exceeding its goal of 81 percent industry compliance.
- In FY 2013, GIPSA realized an 83 percent level of industry compliance, exceeding its goal of 81 percent industry compliance.

Selected Accomplishments Expected at the FY 2015 Proposed Resource Level:

- 83 percent remains a realistic goal for FY 2014 and FY 2015, which was the level achieved in FY 2013. These goals are realistic for industry compliance given current economic conditions in the industry.

GIPSA measures the overall performance of the GRP by annually measuring the percent of market-identified quality attributes needed for trading for which GIPSA has provided standardization. GIPSA addresses market needs by ensuring the market relevance and value of the official standards and procedures for grains, and by developing new tests that measure market-relevant grain quality attributes.

Percent of market-identified quality attributes needed for trading for which GIPSA has provided standardization							
Performance Measure	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Target	2015 Target
Percent	98.6	85.0[1]	86.8	88.7	92.7	95.4	97.0
Dollars (in thousands)	\$17,930[2]	\$18,272	\$17,794	\$16,480	\$16,473	\$17,913	\$20,451

[1] In FY 2010 GIPSA recalculated its assessment of market needs based on input from domestic and international customers, producers, and trade associations representing all segments of the grain and related commodity markets. As a result, the target performance levels for the fiscal years 2010 and beyond were adjusted.

[2] In preparing its FY 2015 budget request, GIPSA reassessed how much of its appropriated funding supports achievement of this performance goal. GIPSA determined that all funding appropriated to the Grain Regulatory Program is devoted to activities which support achievement of this performance goal. As a result, the funding levels for the fiscal years 2009 and beyond were adjusted.

Selected Past Accomplishments toward Achievement of the Key Outcome:

- In FY 2009, the GIPSA Market Opportunities Team evaluated its master list of market needs, in cooperation with entities representing all segments of the grain and related commodities markets, and correspondingly recalculated target levels of performance for FY 2010 and beyond. GIPSA was able to provide standardization for 98.6 percent of market identified attributes, prior to the recalculation.
- In FY 2013, GIPSA was able to provide standardization for 92.7 percent of market identified attributes.

Selected Accomplishments Expected at the FY 2015 Proposed Resource Level:

- In FY 2015, GIPSA anticipates providing standardization for 97 percent of market identified attributes.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Strategic Goal and Objectives Funding Matrix
(Dollars in thousands)

<u>Program / Program Items</u>	<u>2012</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>	<u>2014</u> <u>Estimate</u>	<u>Increase</u> <u>or</u> <u>Decrease</u>	<u>2015</u> <u>Estimate</u>
Department Strategic Goal: Assist Rural Communities to Create Prosperity So They Are Self-Sustaining, Repopulating, and Economically Thriving.					
Strategic Objective 1.2: Increase agricultural opportunities by ensuring a robust safety net, creating new markets, and supporting a competitive agricultural system					
Packers and Stockyards.....	\$21,270	\$20,799	\$22,348	+\$1,218	\$23,566
Staff Years.....	165	164	164	-	164
Grain Regulatory.....	16,480	16,473	17,913	+2,538	20,451
Staff Years.....	129	129	129	-	129
Total Costs, Strategic Goals..	37,750	37,272	40,261	+3,756	44,017
Total FTEs, Strategic Goals..	294	293	293	-	293

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Full Cost by Department Strategic Goal
(Dollars in thousands)

Department Strategic Goal: Assist Rural Communities to Create Prosperity So They Are Self-Sustaining, Repopulating, and Economically Thriving

<u>Program / Program Items</u>	<u>2012</u> <u>Actual</u>	<u>2013</u> <u>Actual</u>	<u>2014</u> <u>Estimate</u>	<u>2015</u> <u>Estimate</u>
<u>Packers and Stockyards Program</u>				
Packers and Stockyards Program.....	\$18,679	\$18,265	\$19,625	\$20,696
Indirect costs.....	2,591	2,534	2,723	2,870
Total Costs.....	21,270	20,799	22,348	23,566
Staff Years.....	165	164	164	164
Performance Measure:				
Rate of industry compliance with the P&S Act (%).....	87	83	83	83
<u>Grain Regulatory Program</u>				
Grain Regulatory Program.....	11,829	11,824	12,857	14,680
Indirect costs.....	4,651	4,649	5,056	5,771
Total Costs.....	16,480	16,473	17,913	20,451
Staff Years.....	129	129	129	129
Performance Measure:				
Percent of market-quality attributes for which GIPSA has provided standardization (%).....	89	93	95	97
Total Costs, All Strategic Goals.....	37,750	37,272	40,261	44,017
Total Staff Years, All Strategic Goals.....	294	293	293	293