

Statement of the
American Association of Grain Inspection and Weighing Agencies (AAGIWA)
Before the
Committee on Agriculture, Nutrition and Forestry
United States Senate
On
U.S. Grain Standards Act Review
May 5, 2015

Mr. Chairman and Members of the Committee:

I am David Ayers, president of the American Association of Grain Inspection and Weighing Agencies (AAGIWA), on whose behalf I am presenting testimony today. I am the elected leader of the Association. I own and operate a designated official agency, the Champaign-Danville Grain Inspection Agency, with its headquarters in Urbana, IL. I have been in the grain inspection business for nearly 40 years.

AAGIWA is the national professional association representing the public and private agencies that are designated and delegated by USDA's Grain Inspection, Packers & Stockyards Administration (GIPSA) to weigh, inspect, and grade the Nation's grain. AAGIWA's member agencies are located throughout the United States and perform 90 percent of all of the inspections under the United States Grain Standards Act (USGSA). The official agencies employ over 2,000 dedicated individuals.

AAGIWA member agencies bring a professional unbiased third party aspect to the grading and weighing of America's grain. During the association's 67 years of service to the grain industry, it has assisted its members in performing these services through a national forum that promotes and assists professionalism, integrity, technology, and performance, while providing a constant dialog with government and industry. AAGIWA wishes to comment on the pending reauthorization of the USGSA provisions expiring on September 30, 2015. In doing so, the association wishes to support the reauthorization of the expiring provisions, and provide the following observations to the Congress:

There is an important role for a Federal regulatory and supervisory agency in the operation of an official grain inspection system. GIPSA serves to provide an objective, third party regulatory role, which assures credibility and integrity for both domestic and export grain handlers and buyers of U.S. grain. Its strict Federal standards help maintain the accuracy and consistency that the grain industry has come to expect from the Nation's official grain inspection system.

Much has changed in America's grain marketing system since the Federal Grain Inspection Service was formed by congress in 1976. Industry consolidations, transportation efficiencies, testing services, and result accuracy have all improved beyond what anyone could have envisioned 39 years ago to make the U.S. grain marketing system the world leader. Shuttle trains and export containers have replaced boxcars for moving grain. We can now test for substances in parts per billion, and electronically provide inspection and weighing results around

the world in seconds. These advancements are a result of the vision, hard work, and commitment of the grain industry and GIPSA.

What has not changed is the need for a third party inspection service that is both responsive and unbiased to provide accurate and timely results so that grain can be traded throughout the U. S. and around the world. GIPSA certificates issued by official agencies are regarded as the final word in quality by the industry trading rules and serve to resolve disputes and allow for the collection of funds when grain is traded domestically and overseas. Producers, marketers, handlers, and grain processors in the U.S. and around the world all benefit from knowing the true quality of the grain they are selling or buying.

GIPSA's ability to supervise official agencies has also evolved and improved past what was possible since 1976. Each agency now has a quality management program with internal audits that are reviewed annually by GIPSA auditors. Inspection results are now sent electronically on a daily basis to GIPSA for review so that file samples can be selected on a daily basis to monitor all aspects of inspection accuracy. These and many other enhancements implemented by GIPSA over the last 39 have greatly enhanced FGIS' ability to monitor official agency performance, and initiate corrective action in real time anytime during an agency's designation.

Official agencies have also evolved with the changing pace of the grain industry by providing on-site inspection laboratories for shuttle loaders and at container yards shipping grain. Certificates are issued electronically so customers and interested parties can see inspection results anywhere around the world in seconds. GIPSA has approved and standardized rapid testing methodologies that allow official agencies to quickly provide accurate and reliable mycotoxin, protein, and moisture results at remote locations, so shippers can make real time decisions. AAGIWA is proud of what the official agencies have accomplished and owes much of these advancements to GIPSA's willingness to change and provide more rapid and accurate testing capabilities.

Where agencies have struggled is in surviving the changing rural business economy. The number of official agencies has significantly decreased since 1976. Although still a diverse group of State and private organizations exist, much consolidation has occurred. The need for greater capital as official agencies have consolidated has increased. While GIPSA has been responsive in approving fee increases this only places a larger inspection cost burden on the grain industry.

AAGIWA is requesting that the U. S. Grain Standards Act be amended to provide GIPSA the ability to increase the maximum designation length for official agencies from 3 to 5-years.

Providing a 5-year designation would not compromise GIPSA's authority to suspend or revoke a designation already in place. GIPSA would retain the authority under the Act to suspend and revoke designations when an agency has failed to meet one or more criteria in the Act, the regulations, and instructions issued by GIPSA, or is involved in any violation of Federal law involving the handling or inspection of grain. GIPSA has used this authority in the past to protect

the integrity of the official grain inspection system and the facilitation of grain trade in export and domestic markets and AAGIWA supports the suspension and revocation of a designation when it is warranted.

Increasing the maximum designation period to 5-years would not require GIPSA to provide agencies with 5-year long designations. GIPSA can choose to establish designation termination dates for shorter duration, as they currently do when warranted under the present legislation.

AAGIWA believes this change will strengthen the official inspection system, and its direct and indirect beneficiaries. This change would allow agencies to secure more favorable financing for the purchase of new equipment and expansion of their operations to keep pace with the U.S. grain industry. Allowing GIPSA to increase designation times to 5-years would bring more stability to the over 2,000 citizens employed in mostly rural communities across the nation. These hard working citizens would know that their employer would be in business for a longer period of time and can feel more secure in their financial situation. A 5-year designation provides the official agency the opportunity to control expenses which also translates to the inspection costs incurred by the grain industry in these rural communities. Inspection costs have been reported to be a grain company's third largest cost. Keeping these costs under control contributes to the local elevator's viability, which in some cases, is the only major business in many communities.

This change would not create any additional budgetary burden on the U.S. taxpayers and it would not decrease any tax revenue to the U.S. Treasury. What it would do, is help ensure that the official inspection system remains robust so that it is able to meet the needs of the grain industry, producers, and all those supported and dependent on receiving timely, accurate, and unbiased grain inspection and weighing results.

In conclusion, AAGIWA commends GIPSA for making changes for the betterment of the official grain inspection system, for its integrity, and for its beneficial partnership with 49 state and private agencies that perform official duties at the local level. As congress moves to reauthorize the key provisions of the U.S. Grain Standards Act it is important that new technologies and efficiencies continue to be brought to the official inspection system, and that the maximum designation period be increased to 5-years so that official agencies can have the financial stability to implement them.