



**Testimony**  
**on the U.S. Grain Standards Act**  
**Before the**  
**United States Senate Committee on Agriculture, Nutrition, and Forestry**  
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**on Behalf of the**  
**North American Export Grain Association**  
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Chairman Roberts, Ranking Member Stabenow, and members of the committee, thank you for the opportunity to testify today. I am Steve Campbell, Executive Vice President and Head of Grains Platform, North America for Louis Dreyfus Commodities. In this capacity, I am responsible for Louis Dreyfus Commodities' grain businesses in North America, and work with customers from around the world to meet their grain needs. My entire 28-year career has largely focused on meeting the needs and understanding the perspectives of the grain and oilseed customers around the world. Having worked with and been in leadership positions for more than a decade with the North American Export Grain Association (NAEGA), on whose behalf I testify today, I can assure you that NAEGA works with its members, stakeholders and the U.S. government to promote, sustain and grow the development of commercial exports of grains and oilseeds and their primary products, and its findings and actions are tied very closely to understanding global markets.

Both domestic and international markets for commodities covered under the U.S. Grain Standards Act are complex and ever-changing. The commercial environment is driven by multiple factors. But ultimately, the foreign buyer makes a decision based on value. Reliability, predictability, quality, safety and regulatory compliance are key ingredients of the buyer's determination of value. The ultimate determination of the buyer's value equation is strongly influenced by price, which results from the

interrelationship between global production and demand with transportation and quality. Volatility of production and reliability of supply, in particular, are inherently important factors in buyers' decision-making. The fungibility of grains and oilseeds is a key attribute to reliably source supplies and determine value of products to meet global food security needs. My company, as well as our many competitors, evaluate and take related risks. This inherent fungibility of grains and oilseeds also empowers buyers to source from multiple suppliers. Buyers rely primarily on the commercial grain trader to serve their needs. Competition drives us to utilize best practices and constantly evolve to embrace opportunity.

The functions and services provided for by the Act and implemented by the Federal Grain Inspection Service are of great value to U.S. agriculture – exporters and their customers, in particular. The vital process of providing the market with terms and methods for quality assessments under the U.S. Grain Standards Act is key to an efficient and transparent system of price discovery for those commodities that are covered by the Act. Likewise, FGIS's assistance in problem-solving in international markets has a sound record of success, and like many of the other functions the agency performs is very important to our continued success.

Customers from around the globe are looking for ways to maximize efficiencies, increase profitability, and secure reliable sources for grain. The international market, therefore, is largely served by small, medium and large firms taking some risks, and providing time and space utility, as well as market information. Those involved in the international grain market source and act globally. Often referred to as the "trade," the nexus between supplier, risk-taker, service provider and the international buyer, many of whom are NAEGA members, is constantly seeking trading opportunity founded in the economics of comparative advantage and competing to meet customer demand. Market information, much of which is provided by USDA under the leadership of the Foreign Agricultural Service and its cooperation with commercial enterprises and non-profit organizations like NAEGA, the U.S. Grains Council, the U.S. Soybean Export Council and U.S. Wheat Associates, is essential to the trading function. A revolution in the access to timeliness and transparency of market information made possible by new information technology is a major driver of change impacting buyer decision-making.

The United States has several very significant advantages in this market: our natural resources, climate and world-leading farmer productivity are chief among them. The U.S.'s ability to reliably provide a safe supply to meet demands for various types and qualities of grains and oilseeds demanded by an ever-changing international customer is further supported by a transportation and handling infrastructure that is second to none. The U.S. sets the pace in providing for fungibility of those grains and oilseeds addressed by the Grain Standards Act. Our ability to inform all stakeholders in the supply of grains and oilseeds of quality and functionality of the U.S. supply is another important U.S. advantage. Information on

individual commercial consignments of commingled grain provided by the highly efficient and sustainable U.S. grain logistics system is central to our competitiveness, and must be reliably grounded in integrity. However, these advantages are not static or permanent, and the policies and practices that undergird them require reassessment for improvement and enhancement.

Indeed, our customers and foreign competitors are focused on improving their systems. Let me cite a few examples.

Canada, a major competitor that recently eliminated the federal monopoly grain origination state enterprise, has revised its very unique and successful approach to providing for customer value to include changes to its very expensive system of grain inspection that is largely provided by third-party independent firms working at the direction of the government. Australia has also changed its approach to marketing grain by opening up to private competition and deploying a competitive independent third-party inspection system. Brazil, along with others in South America, takes advantage of new and high integrity third parties to perform its inspections to support a rapid expansion of grain and oilseed exports.

Meanwhile, major customers like Japan have made decisions to waive U.S. official certification requirements and are expanding their requirements for additional inspections of U.S. exports from independent third parties working in U.S. export elevators. China is in the process of defining its approach to grain standards and extensively utilizes private inspection for its timely and reliable provision of services. Mexico receives a significant amount of U.S. grain by truck and rail that is not officially inspected. Korea is among several countries requiring quality examinations prior to export from the U.S. by independent third parties. Container shipments destined for many of the more than 100 countries that benefit from the U.S. supply of Grain Standards Act commodities are often successfully completed without official certification from FGIS.

Like all other aspects of our world-class U.S. grain supply system, we see the reauthorization of the Act as an opportunity to work to improve and enhance U.S. competitiveness in an effort to further burnish the existing official grain inspection and weighing system that government and industry have worked hard to establish as the “gold standard.”

As Congress assesses the sufficiency of the existing FGIS system, we urge consideration of changes that are available and needed to help maintain or improve U.S. competitiveness. We urge a focus on weighing and inspection services. The official inspection and weighing services provided for by the Act play a significant role in meeting value chain needs, and should enable the U.S. to take further strides in building its competitive advantage in the international marketplace. We need to be constantly diligent to provide for inspection and services that fit the unique advantages of the U.S. production and logistics system,

respond to current market reality, are as competitive and cost-effective as possible and are delivered with unquestioned reliability and integrity.

Our current approach to official inspection and weighing is the subject of much concern in international markets. Simply put, while we have a respected system, it is not perfect and we should not shy away from innovation. And we must not forget that when not mandatory, the official system is relatively seldom used in U.S. commerce, although it does provide for appeals of inspection results and a viable alternative for needed information. Certainly there is room for improvement, and we have recently experienced calls to make such improvements. Adapting and learning from our customers as well as competitors, is part of an ongoing process to make and keep the U.S. system state-of-the-art.

As previously mentioned, NAEGA is among many organizations seeking to constantly improve U.S. competitiveness. Recent work conducted for NAEGA that examined inspection services is enlightening. In the Annex to this testimony you will find two recent U.S. Grain and Oilseed Inspection Services Competitiveness studies. One examines customer specifications and preferences, while the other contains a collection and analysis of information about competitor systems.

As FGIS and the official weighing and grading services it provides are evaluated, it is essential that Congress keep in mind that these services ultimately represent a value equation. The question of how our system for determining grades and communicating quality creates the most value for the U.S. agricultural supply chain must remain front and center. Ultimately, while improvements should be made to the system, we should continue to provide for Federal Official Weights and Grades, as they are integral to the unique U.S. brand value. In the absence of the provision of a U.S. grade and weight certificate, our reputation and competitive advantage could sustain serious damage. Therefore, it is imperative to ensure that the federal inspection system comes with the proper controls, best practices, and best science. The paramount issue is reliability. The best inspection system in the world cannot generate sufficient value if it is not predictable and reliable. This can be achieved with any type of labor force, public or private, but it must be achieved if the United States is going to meet the demands of global customers.

The value determination that is central to international buyer decision-making includes the information that is mandatory to be provided by FGIS for most exports of U.S. grains covered by the Act. We should also note that a major attribute of competitor and customer systems is independent third-party firms that perform inspection as well as other services for the grain trade. In this regard, the global trend is toward increased utilization of these highly qualified companies to provide for inspections and related services meeting the risk management and intrinsic product value information needs of international buyers.

Many of these small, medium and large third-party firms use individuals to perform inspections that could

qualify for FGIS licensing and are already working in U.S. export elevators to perform non-U.S. official grade-determining testing services. Often requested by foreign customers and needed to meet the needs of U.S. farmers, the value chain and global markets, these additional inspections are sometimes redundant to those provided under the Grain Standards Act and are estimated to occur already on over 70% of U.S. exports. One of the annexed studies found that between 20 and 25 percent of U.S. exports of bulk grains, oilseeds and major coproducts currently are being re-inspected by these independent third-party entities in response to requests from foreign buyers. In fact, some governments have found that allowing for independent third-party firms to work under international standards, such as ISO, provides for rigorous equipment calibration inspection process controls, accuracy and inspector education and competency at a lower cost than establishing government standards. Utilizing these important human resources would further strengthen the U.S. official grain inspection system. Certainly adding the capabilities of independent third-party inspection firms to our U.S. official grain inspection system is warranted as an effective tool to improve reliability and responsiveness. We certainly would not be making this recommendation unless these entities already had earned a solid reputation and respect for professionalism and integrity from foreign customers of U.S. grains and oilseeds.

NAEGA joins many other stakeholders in the Grain Standards Act, including the National Grain and Feed Association, in seeking to create a more reliable, competitive and cost-effective official grain inspection and weighing system to facilitate the marketing of U.S. grains and oilseeds in export and domestic markets. We support a reauthorization of the Act for 5 years to provide ongoing and timely updating of the Act. We also support changes to the Act with reauthorization in 2015 that include measures to: 1) Tighten legislative language to ensure FGIS will immediately provide for mandatory official inspections if and when disruptions in service at export port locations occur; 2) Increase confidence in FGIS inspection and weighing at export by mandating that FGIS utilize its existing authority to engage in a transparent, more accountable public process to provide for official inspection and weighing services at export elevators, subject to FGIS oversight and fee setting, by States and independent qualified third-party entities; and 3) Change the methodology used by FGIS to determine export inspection user fees to be more responsive to market conditions than the current system that relies on estimates produced by FGIS.

NAEGA views the reauthorization of the U.S. Grain Standards Act as a means to improve upon our already respected system and add further value to U.S. exports. NAEGA strongly supports the testimony and recommendations provided by the National Grain and Feed Association. We look forward to working together to make trade work and we are honored you have asked us to share our views and experience.

Thank you for this opportunity, and I would be pleased to respond to any questions.