

Statement on Reauthorization of the U.S. Grain Standards Act

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before the

Senate Committee on Agriculture, Nutrition and Forestry

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Thank you, Mr. Chairman and Members of the Committee. I am Bill Gordon, a soybean farmer from Worthington, Minnesota, and a member of the Board of Directors of the American Soybean Association. ASA represents and advocates for U.S. soybean producers on domestic and international issues, and is supported through voluntary dues by its 23,500 producer members.

Our statement today is supported by the American Farm Bureau Federation, the National Corn Growers Association, the National Association of Wheat Growers, and the National Barley Growers Association. We commend you for holding this timely hearing on reauthorization of the U.S. Grain Standards Act, and thank you for the opportunity to testify today.

Soybeans and soy products are the most valuable U.S. agricultural export. In 2014, the U.S. exported roughly \$28 billion in soybeans, soybean meal and soybean oil, representing 56 percent of U.S. production.

Moreover, the export share of annual U.S. soy production has grown steadily over the last 15 years. In the early 2000s, the value of U.S. oilseed and product exports averaged over \$9 billion, nearly half the farm-level value of production. By the late 2000s, the value of oilseed and product exports doubled to over \$20 billion. So our industry and our foreign customers are highly dependent on having a reliable and transparent export inspection and marketing system.

Key to the growth in exports of soy, other oilseeds, and grains over the last 40 years has been the reliability of the official U.S. inspection and weighing system. The role and oversight responsibilities vested in the Federal Grain Inspection Service (FGIS) under the Grain Standards Act of 1976 has been the gold standard for assuring foreign buyers that they are receiving the quality and volume of products for which they have contracted. According to the Congressional

Research Service, an average of 56 percent of the grain produced in the U.S. in 2011-2013 received official inspection, either for export or for domestic shipment.

It is critical that the requirement for mandatory official inspection of exported grains and oilseeds under the Grain Standards Act be maintained. In addition, there must be no question that, in the event of a disruption of services, FGIS will continue to be required to step in to ensure the reliability and reputation of the U.S. inspection and weighing system. It is also important for Congress to act on several authorities under the Act that will otherwise expire at the end of the current fiscal year in September.

Most of the authorities in the Grain Standards Act due to expire should not be controversial. There is broad support for reauthorizing Congressional appropriations to fund FGIS operations and for FGIS to charge fees for supervising delegated state agencies. In addition, the grain trade has recommended the cap to cover FGIS administrative and supervisory costs in user fees, currently set at 30 percent, be replaced by a rolling average based on export volumes and inspections. Provided this approach will generate fees sufficient to cover costs, we see no reason not to include it in reauthorization. Finally, we ask the Committee to renew the charter for the Federal Grain Advisory Committee.

One issue has raised serious concerns among producers, the grain trade, and foreign buyers was the interruption in inspection services that occurred last July and August when the Washington State Department of Agriculture, one of five officially-delegated state agencies, refused to have its employees cross the picket lines of longshoremen at the Port of Vancouver. This refusal was followed by a 36-day delay before FGIS was willing to have its own employees take over inspections at affected grain export terminals, an action which was not taken after the dispute was settled in August and state inspections resumed.

Under the Grain Standards Act, official inspections are required for all export shipments, either directly by FGIS or by delegated state agencies. In the event services provided by a state agency are disrupted, the Act requires FGIS to step in. However, there is no fixed timeline established for FGIS action, and the Secretary is given undefined discretion to decide whether an interruption represents an emergency requiring FGIS to intervene.

In the situation at the Port of Vancouver, USDA had ample warning it could be required to act. In October 2013, after several work slowdowns and stoppages at the Port, ASA and other farm and industry organizations sent a letter to the Department of Agriculture urging FGIS to be prepared to step in to ensure the continuation of services. The groups met later in the month with the GIPSA Administrator to underscore the importance of developing a contingency plan to respond to any disruption. We did not receive a response to our letter from the Department or any assurance that a contingency plan would be prepared.

After the Washington State Department of Agriculture advised it was withdrawing services last July, 22 farm and industry organizations sent a second letter to USDA asking the Department to take immediate action to meet its statutory obligations. USDA replied that it was withholding

services due to concerns about whether its employees would have safe access to the port facility. Subsequent to resolution of the dispute in August, we are not aware that the Department has taken any action to ensure such a situation will not reoccur.

Under the circumstances, we encourage the Committee to engage the Department on whether it has discretion under the Grain Standards Act or other statutory authorities to clarify when and how it will act to resolve a disruption of export inspection services by delegated state agencies. If this discussion is in any way inconclusive, we recommend the Committee strengthen the language in the Act requiring FGIS to take action according to a fixed timetable based on a number of hours rather than days or weeks. We further recommend that any state agency that withdraws services be suspended until the Department completes a review that confirms the agency is capable of resuming services without further interruption.

As I stated earlier, our grain inspection and weighing system is a fundamental guarantee to our foreign customers that supplies of U.S. grains and oilseeds will be officially inspected and not be disrupted. Reauthorization of the Grain Standards Act presents an opportunity to correct the uncertainties in the system that have come to light in the last two years, if they cannot be clearly resolved through regulatory changes by the Department. In either event, the changes needed to address these concerns must be agreed to well in advance of expiration of authorities under the Act.

Thank you again for the opportunity to testify today.