

Mr. Chairman and Members of the Committee on Agriculture, thank you for the opportunity to testify today on the U.S. Grain Standards Act of 2005. I am Garry Niemeyer, a corn and soybean producer from Glenarm, Illinois. I currently serve on the Corn Board and the Association Relations Committee for the National Corn Growers Association (NCGA). I am pleased to submit testimony on behalf of the American Farm Bureau Federation, American Soybean Association, National Association of Wheat Growers and the National Grain Sorghum Producers and the NCGA.

Agriculture today remains the backbone of our nation's economy. American farmers and ranchers produce the most abundant, affordable and safe food supply in the world. We produce over 1.7 trillion pounds of food and fiber. Even though the number of farmers and total farm land are decreasing, agriculture products are increasing. Improved technology and efficiencies have allowed us to maximize our production per acre.

Agriculture employs more than 24 million American workers to produce, process, sell and trade the nation's food and fiber. This equals seventeen percent of the total U.S. work force. While we consume much of what we produce, about seventeen percent of all U.S. agricultural products are exported yearly, including 99 million tons of grains and feed. Corn exports in 2004 were over 47 million tons alone, and approximately half of the US wheat crop is exported annually. The United States sells more food and fiber to world markets than we import, creating a positive agricultural trade balance.

Agriculture is one of the few U.S. industries that enjoys a positive trade balance. When we move more commodities into more markets, both commodity prices and farm incomes tend to rise. During the 2002/2003 fiscal year, \$56 billion worth of American agricultural products were exported around the globe. This leads directly into the topic of discussion for today's hearing, the Grain Standards Act of 2005. The farm and commodity groups I represent strongly support the reauthorization of the U.S. Grain Standards Act.

Grain inspection and weighing services by the Federal Grain Inspection Service (FGIS) are mandatory under the Grain Standards Act. Reauthorization of the Grain Standards Act is imperative to our export markets. We have built these markets based on product availability and quality.

Since the passage of the Grain Standards Act in 1916, the U.S. has been the pioneer in providing quality assurance to overseas buyers. In fact, other countries have duplicated our services as standard guidelines for their exports. Overseas buyers continue to seek products from the U.S. because they know the official system, with its precise testing procedures, equipment criteria and conduct standard ensure accurate, consistent results. The integrity of this system, which U.S. sellers and overseas buyers rely on, should never be compromised.

However, the cost of obtaining official services at ports where GIPSA provides inspection and weighing services has become a factor that is contributing to a gradual erosion of the competitive position of U.S. grain and oilseed exports in world markets. U.S. exporters report that the cost of official grain inspection is one of the largest expense items they face. And, these costs have been increasing at a rate well above the underlying rate of inflation. GIPSA

inspection costs in recent years have been increasing at more than 7 percent annually compared to other costs in the 1 percent to 3 percent range.

Moreover, exporters have limited ability to pass on increased costs because of the highly competitive nature of the world's bulk trade in grains and oilseeds. Dynamic and growing exporters such as Australia, Canada, Brazil and Argentina are increasingly challenging the U.S. in a number of important overseas markets. While these countries are working hard to narrow the cost advantage the U.S. currently enjoys because of its transportation and handling system, Brazil and Argentina already have a cost advantage over U.S. shippers in one key area: the cost of obtaining export inspection services. During an August 2004 fact finding mission, GIPSA found that Brazilian and Argentinean exporters enjoyed approximately \$0.20 to \$0.25 per ton advantage over U.S. exporters in the cost of obtaining export inspections for quality. Brazilian and Argentinean exporters rely on private third-party surveyors to perform official export inspections for quality.

The U.S. must better manage the cost of export inspections, take advantage of modern technologies to enhance efficiency and be flexible enough to respond to a changing industry structure and an increasingly competitive world market. We support amending the U.S. Grain Standards Act to authorize GIPSA to delegate qualified third party companies to provide official inspection and weighing services at ports where GIPSA currently provides such services. This change offers an opportunity to provide a degree of control over costs for inspections while retaining 100 percent GIPSA oversight of the system. GIPSA's deputy administrator recently noted that technology exists to allow effective oversight of a delegated third-party inspection system that will ensure the continued integrity of the official inspection and weight certificate. If GIPSA is provided the option to use this new authority now, the change can be implemented in stages with minimal impact on GIPSA employees.

Additionally, we oppose authorizing GIPSA to collect approximately \$4 million in fees that would cover the cost of the agency's standardization activities. User fees for standardization activities are an ill-conceived approach that will only serve to make effective cost management in the agency more challenging than it already is. In addition, creating new fees for standardization work is inappropriate because such activities clearly benefit the entire marketing chain. Collection of the fee would also be problematic. Fees charged as part of mandatory official exports would further reduce the value and competitiveness of U.S. exports of grains and oilseeds, and would lower producer prices. For these reasons, we urge Congress to reject any attempt to grant GIPSA the authority to collect user fees for standardization activities.

Finally, we support the continuation of the Grain Inspection Advisory Committee. It is important this committee remain representative of the industry while including farmers, exporters, grain elevators and seed dealers.

Again, thank you for the opportunity to testify today. I will restate our support for the reauthorization of the Grain Standards Act and am willing to answer any questions you may have.

