

May 17, 2005

The Honorable Saxby Chambliss
United States Senate
328A Russell Senate Office Building
Washington, D.C. 20510

The Honorable Tom Harkin
United State Senate
637 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Chambliss and Ranking Member Harkin:

The undersigned organizations support the reauthorization of the U.S. Grain Standards Act (USGSA) that expires on September 30, 2005. In conjunction with reauthorization, we: 1) support changes that would provide USDA's Grain Inspection, Packers and Stockyards Administration (GIPSA) authority to delegate third party inspection providers to perform official inspection and weighing services of grains and oilseeds at ports under direct GIPSA supervision and 2) oppose amending the U.S. Grain Standards Act to authorize the collection of new fees to cover the cost of GIPSA standardization activities.

U.S. grain and oilseed producers, grain handlers, exporters and customers have long supported the official inspection and weighing system administered by GIPSA. We believe that the high credibility enjoyed by GIPSA promotes U.S. exports and fosters an efficient commercial system. All segments of the grain industry strongly support maintaining and enhancing the benefits of the official inspection and weighing services provided by GIPSA through the U.S. Grain Standards Act. Maintaining credibility and integrity is vital, especially when competing with exporters that emphasize high quality.

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% annually compared to other costs in the 1-3% 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% 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.

Thank you for considering our views. We stand ready to work with you as Congress considers legislation reauthorizing GIPSA to perform its responsibilities under the U.S. Grain Standards Act.

American Association of Grain Inspection and Weighing Agencies
American Farm Bureau Federation
American Soybean Association
National Association of Wheat Growers
National Corn Growers Association
National Grain and Feed Association
National Grain Sorghum Producers
North American Export Grain Association
U.S. Wheat Associates