

Testimony of Chandler Keys
JBS USA LLC

Before the House Committee on Agriculture
The Honorable Colin Peterson, Chairman

Hearing to “Review Current Food Safety Systems”

April 2, 2009
Washington, D.C.

Chairman Peterson, Ranking Member Lucas, and Members of the House Agriculture Committee, I am Chandler Keys, Head of Government Affairs and Industry Relations for JBS USA in Washington DC. As past Vice President of the National Cattlemen’s Beef Association and in my more recent role as a government relations executive for Swift & Company and its successor, JBS, I have had the pleasure of working alongside many of you over the years. I look forward to working with this Committee again in the future as we strive to collaboratively address issues impacting the livestock sector and enhancing the safety of the U.S. food supply.

JBS is currently the world’s largest beef processor – with beef operations in Brazil, Argentina, Australia, Italy and the United States. Currently, our U.S. operations are one of the top three U.S. processors in both beef and pork. We also process lamb in both Australia and the United States. Our U.S. operations are headquartered in Greeley, Colorado, in the congressional district of the Committee’s own, Representative Betsy Markey.

Food safety is the number one priority at JBS. From the moment livestock enter our facilities to the time meat is boxed for shipment to further processors and retailers, we are focused on mitigating risk and ensuring that we provide a safe product. We stand ready to assist Congress and the Administration as you look to enhance meat inspection and food safety through strong science-based and risk-based principles.

Importing Frozen Beef Trimmings from Australia into the U.S.

At the request of the Chairman, I will focus my testimony on our Australian operations and how this division of the company works with Australian and U.S. regulatory officials to ship “fresh and frozen” beef trimmings into the United States. I hope the Committee will find this information instructive to its deliberations on how we can enhance the safety of products regulated by the US Department of Agriculture.

JBS is very familiar with the USDA regulatory regime and its hallmarks of continuous inspection at slaughtering facilities, domestic plant certification, and Hazard Analysis and Critical Control Point (HACCP) requirements. We are also well-versed in the system of equivalency and the requirement that our foreign plants must meet the same food safety and regulatory standards as their U.S. counterparts in order to ship product into the U.S. We have a strong professional relationship with both Australian and American inspectors

and regulatory bodies, and the import/export process is handled by consummate professionals who work every day to ensure that the process runs smoothly, efficiently, and effectively without sacrificing the tenets of food safety for the swift movement of product.

Overview

As an importer, JBS' Australia division is required to submit all imported meat products from Australia for inspection by Federal agencies, including US Customs and Border Protection, which looks for items requiring a duty and contraband, and the USDA, which acts to stop dangerous insects and diseases from entering the country. USDA's Food Safety and Inspection Service (FSIS) further inspects imported meat products upon arrival into the U.S., determining their fitness for consumption and verifying that no unacceptable or illegal residues are present. This inspection at the port of entry is often considered a "re-inspection" since all JBS Australian meat processing plants are already under in-plant USDA inspection guidelines under the auspices of the Australian Quarantine and Inspection Service (AQIS).

The majority of imported meat from Australia is shipped in containerized sea freight to ports of entry across the United States. JBS operations are consolidated into the major ports across the country; however the majority of our business goes through the ports of Philadelphia, PA, Long Beach, CA and Houston, TX. These three ports are the busiest and most adequately equipped for the importing of fresh and frozen meat products.

Regulatory Requirements

To explain the process of importing beef into the U.S., we must first understand the regulatory requirements – both Australian and U.S. – that an establishment must follow in order to ship to the U.S.

Australian Quarantine and Inspection Service (AQIS)

The Australian Quarantine and Inspection Service, a regulatory body equivalent to the US Department of Agriculture, requires, through Australian Export Control (meat and meat products) Orders, that the occupier of an establishment engaged in the preparation of meat and meat products for export has an "Approved Arrangement."

The purpose of the approved arrangement is to clearly describe those processes and practices which underpin AQIS certification of meat and meat products for export.

The approved arrangement describes how companies like JBS Australia will meet legislative requirements, including compliance with:

- Good hygienic practices (GHP) to ensure that food is wholesome;
- The application of HACCP systems for food safety;

- Product integrity through the application of product identification, segregation and traceability practices ensuring the product is accurately described and maintains relevant importing country identification;
- Importing country requirements necessary to maintain market eligibility; and
- Animal welfare requirements.

In addition, Australian producing establishments must be registered by AQIS and “listed” as eligible to export to the U.S. and its territories. All meat, meat products and edible offal must be slaughtered, processed and stored in U.S. listed establishments at all times.

United States Department of Agriculture

In order for Australian product to be eligible for export, U.S. listed establishments must also comply with U.S. requirements. These requirements constitute the hallmark of USDA’s regulation of foreign plants: equivalency.

The Federal Meat Inspection Act requires foreign countries that export meat and poultry into the United States to establish and maintain inspection systems that are equivalent to those of the United States and conform with HACCP systems. Exporting countries like Australia must undergo a rigorous review process before they can become eligible to export meat and poultry to the United States. Even after a country is granted eligibility, FSIS continually reviews its inspection program to ensure it remains equivalent to the U.S. system.

The equivalency standard is a dynamic one. Foreign establishments are subject to the same additional regulatory measures applied to U.S. plants by FSIS. For example, when additional requirements were imposed on U.S. plants to mitigate the risks of Bovine Spongiform Encephalopathy (BSE); our JBS Australia plants had to meet those same standards in order to maintain eligibility to ship to the U.S.

On an annual basis, a representative from FSIS will visit Australia to perform a country review to ensure the Australian systems in place are achieving the requirements or deliver an equivalent outcome as agreed upon by the two countries. JBS Australia regularly has plants involved in these FSIS reviews.

In addition, AQIS performs verification activities to ensure JBS Australia establishments are compliant with U.S. country requirements at all times. These activities are performed through daily, weekly and monthly on-plant inspections by the On-Plant AQIS Veterinary Officer and the AQIS Area Technical Manager.

Understanding Equivalency

JBS Australia establishments have systems in place that comply with the AQIS approved arrangement guidelines, which include importing country requirements such as those for the U.S.

In order to comply with U.S. requirements, U.S. listed establishments must have the following in place:

- **Hazard Analysis and Critical Control Points (HACCP)** - An effective HACCP plan that considers issues related to food safety hazards (*E. coli* O157:H7) and includes critical control points (CCPs) for all processes conducted at the establishment with set critical limits that have been validated and monitored. The HACCP plan is required to be reviewed annually or whenever an alteration to the process has been made.
 - FSIS requires zero tolerances for feces, ingesta, and milk on the slaughter floor on all U.S. listed establishments. U.S. listed establishments must also adopt effective controls for preventing contamination of carcasses with fecal, ingesta, and milk. These zero tolerances must be included in the company's HACCP plans.
 - Raw ground beef products destined for export to the U.S. must be tested for *E. coli* O157:H7, utilizing a N=60 sampling plan for each 700 carton lot. In addition, an Association of Official Analytical Chemists (AOAC) accredited screening test method is required.
 - U.S. listed establishments are also required to review product-monitoring records on at least a daily basis to confirm that the product has met the critical limits at each critical control point prior to being loaded for export to the U.S.
- **Sanitation Standard Operating Procedures (SSOP)** that relate to the process controls for producing the meat product, which covers procedures conducted both before (pre-operational) and during (operational) operations. All corrective and preventive actions undertaken to prevent product contamination need to be documented.
- **Standard Operating Procedures (SOP) and individual employee Work Instructions (WI)** that describe the hygiene operations of the establishment for each process task performed including corrective and preventive actions undertaken where there is failure in a SOP or WI procedure.
- **Non-ambulatory disabled animals** “that cannot rise from a recumbent position or that cannot walk, including, but not limited to, those with broken appendages, severed tendons or ligaments, nerve paralysis, fractured vertebral column or metabolic conditions” are required to be segregated as they are not eligible for the U.S. market.

The Export/Import Process

- **Product Transfer and Loadout Requirements**

Meat and meat products from JBS Australia establishments eligible to export to the U.S. must adhere to strict documentation requirements while being transferred and loaded for shipment.

- **Meat Transfer Certificates**
must be used to cover the transfer of product from one establishment to another for further processing or storage. These certificates must be endorsed to prove the meat is eligible for export to the U.S.
- **Shipping marks** – Unique shipping marks are used for all shipments of edible meat to the U.S. These shipping marks must be clear and legible, and cannot be hand-written. Shipping marks must be unique over a thirteen-month period and not exceed 12 characters/digits. The first three characters are the alpha prefix registered in the Export Documentation (EXDOC) system for the purpose of monitoring shipping marks. Shipping marks may be either applied as a stencil or as an adhesive label. If adhesive labels are used they must be tamper evident with an adhesive that ensures they remain securely attached in adverse conditions such as excess moisture.
- Upon container loading, a traceable and accountable AQIS high security seal is applied to the container and recorded on the relevant documentation.
- Through the JBS Australia electronic export documentation system and the AQIS EXDOC system, the JBS Head Office and the shipping line are notified of the intention to export product.
- AQIS receives a Request for Permit (RFP) from JBS Australia from which a health certificate is generated for each shipping mark represented within the container.
- **Health Certification** for meat and edible offal is accomplished through an E7 health certificate. The E7 health certificate is granted when the following endorsements are made:
 - All production lots of manufacturing beef exported to the U.S. have been tested and cleared in accordance with the AQIS *E.coli* O157:H7 protocol.
 - The product:
 - was derived from animals that have never been in;
 - did not originate in and was never stored, rendered or otherwise processed in;
 - was not otherwise physically associated with a facility located in; and

- has not been otherwise physically associated with or exposed to, or commingled with ruminant material from:
 - Any region listed in Title 9, Code of Federal Regulations part 94.18(a), which governs the prohibition and or restriction of the importation of products from countries with rinderpest, foot and mouth disease, bovine spongiform encephalopathy and other foreign animal diseases of livestock and poultry.
 - All health certificates for all shipments of edible meat, meat products and offal must include a product description as defined on the label of the product.
 - The shipping line receives a pre-receivable advice (PRA) from which the container is added to the vessel manifest. The shipping line provides customs with the manifest, and Customs contacts AQIS EXDOC to ascertain if there is health certification for the container load of product.
 - AQIS provides the original health certificate to JBS Australia.
 - JBS Australia supplies the original health certificate, the bill of lading and the commercial invoice to the customer prior to the arrival of the container in the U.S. port.
 - A copy of all documentation for each consignment is kept on file at the JBS Australia Head Office documentation department.

- **US Customs Clearance**

When a shipment of imported meat arrives in the United States from Australia, JBS, via our customs broker (licensed by US Customs and Border Protection), files entry documents with US Customs.

US Customs examine the goods to determine:

1. The value of the goods for any applicable duties, and if commercial invoices are accurate;
2. Any special markings from the country of origin that are required by federal law; and
3. Whether the shipment contains prohibited items.

The container may not legally enter the U.S. until the shipment has arrived at the port and US Customs has authorized the clearance of the container from the pier to a USDA inspection warehouse. Upon delivery of the container to the warehouse, the USDA inspection process begins.

- **USDA Inspection – the “Re-Inspection Process”**

Once at the warehouse, each container is presented to FSIS. FSIS enters information about the shipment into a centralized computer system called the Automated Import

Information System (AIIS). The AIIS scans its memory bank to determine if the country, plant, and product are eligible for export to the United States. When the shipment is ready to be re-inspected by FSIS, the AIIS will generate an inspection assignment, based on the plant and country's compliance history for that specific product. Inspection results are later entered into the AIIS, helping to establish the level of re-inspection for future shipments from JBS Australia and for shipments from Australia in general.

FSIS import inspectors first check the documents to assure the shipment is properly certified by the foreign country. Inspection may be delayed or refused if the documents contain irregularities or errors. If there are issues with documents, the importer is required to rectify the problem. Inspectors commence by examining each shipment for general condition and labeling.

A recurring problem that many importers face involves inaccurate shipping marks (unique ID numbers stamped on each box by the exporting establishment that link the shipment to the government health certificate). The shipping marks must correspond with the Australian health certificate, and if they don't, a guarantee must be issued by the Australian Embassy. Any boxes missing shipping marks must be stamped by a representative of the Australian government or destroyed. USDA will also hold any shipment when the physical inventory count does not match the Australian health certificate. Overages or shortages also require a guarantee issued by the Australian Embassy.

Once documentation and labeling are approved, the inspection continues with assignments directed by the AIIS. AIIS may designate the shipment as a "skip", and no further inspections are required. A plant with a good compliance history will not have as many inspections assigned.

There are three levels of inspection:

- a) "normal" level of inspection – all lots are re-inspected;
- b) "skip 1" (S1) level - 1 of every 4 lots is re-inspected; and
- c) "skip 2" (S2) level - 1 of every 12 lots is re-inspected.

JBS Australian plants have the highest performance record and we currently are on "skip 2" level for all beef plants.

If the container is marked for an intensive inspection, several types of inspection may be assigned by the AIIS, including net weight checks of retail packages; examination of the container's condition; physical examination for product defects; and laboratory analysis for product composition, microbiological contamination, residues, and species verification. In conducting these inspections, a certain amount of product is randomly selected and examined by FSIS import inspectors. Microbiological analysis includes tests for *Listeria monocytogenes*, *E. coli* 0157.H7, and *Salmonella* among others. Residue analysis testing targets include sulfonamides, chlorinated hydrocarbons, arsenic, antibiotics, carbadox and ivermectin.

However, even with a good record, if a lot fails an intensive inspection, future shipments of product from the plant may be allocated a different inspection level. This allocation by AIIS is based on formulas that rate the type of defect; however, for a failed residue and microbiological analyses, the plant stays on "tightened and hold" until 15 consecutive lots pass within 180 days.

When product samples are sent to FSIS laboratories for analysis, the shipment is usually released before test results are received. However, if the plant had previous violations or a problem is suspected, the shipment is held until the laboratory results are known. Even though JBS plants in Australia have the lowest possible incidence of problems during inspection, our internal protocols require all product that undergoes an intensive inspection to be withheld from commerce until results have been returned.

When a shipment passes inspection, each shipping container is stamped with the official mark of inspection and released into U.S. commerce.

If a shipment does not meet U.S. requirements, the cartons are stamped "U.S. Refused Entry," and within 45 days must be exported, destroyed or converted to animal feed (with the approval of the Food and Drug Administration).

JBS typically will have some boxes rejected by USDA. This is generally due to carton damage. Due to container moment during the overseas voyage, cartons may tear. Any cartons with exposed meat (through poly plastic liner and cardboard) are rejected. USDA will also reject cartons that may contain leaking chilled vacuum packages.

Conclusion

In summary, the importation of meat and meat products from Australia into the U.S. is a very intensive and robust process with failsafe mechanisms at each step. Our products are not only subject to intense scrutiny and inspection in Australia; but to re-inspection at the U.S. port of entry. In addition, our plants must adhere to the same regulatory requirements and procedures as American-produced products – ensuring that American consumers enjoy a safe, quality product irrespective of its origin.