



# Statement of the American Farm Bureau Federation

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**TESTIMONY OF THE AMERICAN FARM BUREAU FEDERATION  
BEFORE THE GENERAL FARM COMMODITIES AND RISK  
MANAGEMENT SUBCOMMITTEE OF THE HOUSE COMMITTEE ON  
AGRICULTURE**

**PRESENTED BY DAVID WINKLES, PRESIDENT  
SOUTH CAROLINA FARM BUREAU**

**APRIL 22, 2015**

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Mr. Chairman, members of the Subcommittee, good morning and thank you for the opportunity to be here today to discuss the reauthorization of the United States Grain Standards Act (the Act). I am David Winkles, President of the South Carolina Farm Bureau (SCFB) and a member of the board of directors of the American Farm Bureau Federation. I also crop share a 1,000 acre farm that produces corn, wheat, soybeans and timber.

As a grain farmer, I certainly understand the role and work of the Federal Grain Inspection Service (FGIS) in the grain sector. But I believe I can add a unique perspective this morning as I have direct interactive experience with the FGIS through my responsibilities as president of South Carolina Farm Bureau. For several years, our organization operated a grain export elevator in Charleston, South Carolina. We were also in partnership with Carolina Soya of Hampton, South Carolina, a major grain handling and soybean processing operation that provided a huge positive financial impact on farmers in the Southeast. In addition, the South Carolina Farm Bureau operated a large number of local grain elevators in the past and we still own and operate one under the management of the South Carolina Farm Bureau Marketing Association.

In each of these grain handling facilities, FGIS was and is a major asset in our ability to market grain domestically and internationally. The grain grades established by the agency serve to set the standards for every contract. And when coupled with the official inspection services, particularly with regard to exports, FGIS provide the necessary and credible, third party verification of grain standards that provide efficiencies in the marketing and movement of grain. Stated another way, without these standards and verification of grades, every transaction would be significantly more difficult and much more expensive.

One in three U.S. farm acres is planted for export and 31 percent of farm income comes directly from exports. Farmers and ranchers know that exports are critical to their industry and livelihoods. This is why the reauthorization of the Act in a timely manner is so important. 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 standards, ensures accurate, consistent results. The integrity of this system, which U.S. sellers and overseas buyers rely on, should never be compromised.

The Federal law, enacted nearly a century ago, prohibits the export of U.S. grains and oilseeds unless inspected and weighed by official personnel in accordance with U.S. grain standards. The law has been amended occasionally over the ensuing decades, but the basic tenets still apply. Exports are required to be accompanied by official certificates showing the grade designation and certified weight, unless the requirement is waived by the Secretary of Agriculture and the grain is not sold or exported by grade. Under the Act, Congress vested in USDA the responsibility and obligation to provide official inspection services to facilitate efficient and cost-effective marketing of U.S. grains and oilseeds.

The Act authorizes the FGIS to establish official marketing standards for certain grains and oilseeds. In turn, the standards facilitate the marketing of grain by serving as contract language, enabling buyers and sellers to more easily determine quality and therefore value of these commodities. FGIS promotes the uniform application of U.S. grain standards through official inspection personnel. In order to encourage the marketing of high-quality grain for an agricultural sector that is highly dependent upon export demand, the Act requires that exported grains and oilseeds be officially inspected if sold by grade, and weighed. Export inspections are carried out by either federal inspectors or federally supervised state inspection agencies, called delegated official inspection agencies.

We believe that any changes to this fundamental requirement need to be thoughtfully and carefully considered in the context of how our international customers and their respective governments would view such changes. This is especially important in an era in which some countries have shown little reluctance to use some interesting excuses to stop or inhibit imports of U.S. agricultural commodities and products.

On the domestic front, marketed grain and oilseeds may be, but are not required to be, officially inspected. Official inspections of domestically traded grain are done by federally supervised state agencies and private companies, called designated official inspection agencies. Services under the Act are performed on a user fee basis for both export and domestic grain shipments.

Our current grain inspection system has earned worldwide recognition as being reliable and impartial. World markets look for, if not require, the FGIS imprimatur on the official export certificate to ensure buyers' confidence that they can expect to receive the quality and quantity of grain for which they paid. The integrity of the system is vital. As I noted earlier, maintaining the confidence of our international buyers is important to U.S. farmers and other segments of the grain trade.

We applaud your actions to move this legislation early this year because, as you know, several provisions of the Act will expire in September, including the authority for FGIS to collect user fees that fund their operations and the authority for a USDA Grain Advisory Committee. It is crucial to the grain sector that the ability for FGIS to continue to perform its duties and functions is not allowed to lapse. We urge the Committee to reauthorize the Act in a timely manner.

In addition to the basic reauthorization of the Act and other adjustments that you may consider, Farm Bureau believes it is important to ensure that the troubling precedent set in the state of Washington last summer and similar situations that have occurred at other West Coast ports are not repeated.

The Washington State Department of Agriculture (WSDA) is the state agency designated by the Grain Inspection, Packers and Stockyards Administration to provide export inspections at the United Grain Corporation terminal at the Port of Vancouver, Washington. Last summer, WSDA notified USDA that it no longer would fulfill its obligation to provide official grain inspection and weighing services at the port. The WSDA notice stated that it was suspending official inspection services indefinitely because the *“continued provision of inspection services appears to have been unhelpful in leading to any foreseeable resolution”* of the labor dispute between

United Grain and the International Longshore and Warehouse Union. The inspection agency said it was concerned with employee safety at the entrance of the site where demonstrations were being held. The United Grain terminal is a major grain export facility on the West Coast.

Farm Bureau and 21 other agricultural groups urged USDA to take immediate action to restore the inspection services by using either federal inspectors or qualified inspectors from other delegated agencies. The USDA Grain Advisory Committee also called on USDA to restore grain inspection service.

The Act currently provides USDA discretion to grant a waiver of inspection in an emergency and authority to determine what constitutes an emergency. In July 2014, United Grain reportedly shipped grain in one case by obtaining a waiver from the inspection requirement. The company also relocated grain to other facilities for inspection, which increased shipping costs. In early August, USDA reportedly declined using federal inspectors at the United Grain Corporation terminal at the Port of Vancouver because *“the situation does not ensure that FGIS inspectors will have safe access to the facility.”* While the grain companies and union reached an agreement to end the dispute later in the month and inspections resumed at the United Grain terminal, the inability of grain shippers to obtain the necessary inspection certificates had a significant impact on all segments of the grain trade chain.

We believe that the WSDA actions created a troubling precedent that was amplified by the FGIS decision to not intervene. We cannot afford for this to be repeated as it could irreparably damage the integrity and reliability of the nation’s official grain inspection system. Just as critical, the incident created uncertainty within the U.S. grain export industry regarding potential future disruptions of official services at facilities operating at other U.S. export ports and has put at risk the United States’ reputation as a reliable supplier of grains and oilseeds to foreign customers.

Because of this incident and related export shutdown and slowdown situations, and the potential for future such incidents, we believe it is imperative for you to consider adoption of a contingency plan that would ensure an immediate and effective program to continue official services at the port when service interruptions occur.

The lack or disruption of an accepted grain standards and accredited inspection procedure will cause chaotic marketing conditions and the resulting inefficiencies in grain marketing will negatively impact farmers, local business, and consumers. We need to have a reliable third party inspection and grading program for emergency situations to assure both seller and buyer that the terms of sales and credibility of every contract can be relied upon to be fulfilled in a timely manner.

Viewed from another perspective, the disruption of official grading and inspection services can have significant impacts on the timing of purchases and delivery of sales, and jeopardize marketing agreements and arrangements that often take years to get in place. We must have contingency procedures at the ready to ensure that required certification of grades and inspection services do not negatively impact the viability of hard-won contracts.

Again, thank you for the opportunity to testify today. Farm Bureau supports reauthorization of the Act with the addition of a contingency plan. We also support the continuation of the Grain Inspection Advisory Committee. For all of our grain farmers and our industry sector partners, we appreciate the important work you do as representatives of our industry in Congress.