S. HRG. 106–784

INTERSTATE SHIPMENT OF STATE-INSPECTED MEAT AND POULTRY

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

ON

INTERSTATE SHIPMENT OF STATE-INSPECTED MEAT AND POULTRY

APRIL 6, 2000

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INTERSTATE SHIPMENT OF STATE-INSPECTED MEAT AND POULTRY

THURSDAY, APRIL 6, 2000

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The Committee met, pursuant to notice, at 9:37 a.m., in room SR–328A, Russell Senate Office Building, Hon. Richard G. Lugar, (Chairman of the Committee), presiding.

Present or submitting a statement: Senators Lugar, Fitzgerald, Harkin, Daschle, Baucus, Johnson, and Lincoln.

OPENING STATEMENT OF HON. RICHARD G. LUGAR, A U.S. SENATOR FROM INDIANA, CHAIRMAN, COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

The CHAIRMAN. This meeting of the Senate Agriculture Committee is called to order. The Committee is holding this hearing today to review interstate shipments of State-inspected meat and poultry.

This is not a new issue for the Committee. Small plants that have operated under State inspection programs have long advocated interstate shipment of State-inspected meat and poultry. Plants located near the border with another State have been particularly supportive of this change because of the potential for increased markets for their products. Producers have been supportive because of the potential for additional markets for their livestock and poultry.

At the end of last year's session, Senators Daschle and Hatch introduced legislation, S. 1988, which would permit interstate shipment of State-inspected meat and poultry. This legislation was based on a concept paper developed by the United States Department of Agriculture and endorsed by the National Advisory Committee for Meat and Poultry Inspection.

We have the opportunity today before this committee to hear of support for this legislation and to air concerns about this approach to allow interstate shipment of State-inspected meat and poultry. We are honored to receive testimony from our colleague, Senator Hatch, an advocate of interstate shipment of State-inspected meat and poultry, and we will be pleased to hear the United States Department of Agriculture's perspective from Deputy Secretary Rominger. Finally, a panel of witnesses will testify, including representatives of the State Departments of Agriculture, producer groups, meat processors, and consumers.

I offer a special welcome to Harry Pearson, representing the American Farm Bureau Federation, and a good delegation of Hoosiers who are with us today in this hearing.

Before proceeding to our witness, let me mention that as soon as Senator Harkin, the distinguished ranking member, appears, he will be recognized for an opening statement.

[The prepared statement of Senator Lugar, can be found in the appendix on page 40.]

But for the moment, I would recognize our colleague, Senator Hatch, who I aforementioned is one of the authors of legislation we will be considering this morning. We are delighted to have you, Orrin, and proceed with your testimony.

STATEMENT OF HON. ORRIN G. HATCH, A U.S. SENATOR FROM UTAH

Senator HATCH. Thank you, Senator Lugar, Senator Daschle, Senator Johnson. I am grateful to be with you and I applaud you for holding this hearing. I am particularly pleased that you are going to have the opportunity to hear from Richard Nielson, the President of the Utah Cattlemen's Association. I am sure you will find his testimony cogent and very informed.

As you know, the New Markets for State-Inspected Meat Act, the Daschle-Hatch bill, would lift the outdated ban on the interstate shipment of State-inspected meat. Rather than state all the details of this legislation, I would like to describe to the members of this committee how the ban on interstate shipment is affecting small businessmen in rural Utah. I want to emphasize that what we are seeing in Utah is echoed in at least half the States in this country. The business owners I will tell you about own small meat packing plants that are inspected by State inspectors.

The first is Eddie Roberts, who owns Tooele Valley Meats in Grantsville, Utah, not far from the Nevada border. Eddie is well known in the area for making some of the finest sausage available anywhere. Casinos just across the border in Wendover, Nevada, know of his sausage products and have tried to purchase them. Contracts with these casinos would be a tremendous boost for Tooele Valley Meats, but as we all know, Eddie is barred by law from selling his sausage products in Nevada or any other State.

A casino in Las Vegas has also approached him, telling him they would buy as many roaster pigs as Eddie could produce, but the ban also applies to poultry. So much for rewarding product excellence. Mr. Chairman and the members of this committee, I am sure you appreciate what an order like that would mean for a small business in a rural community. Once again, Tooele Valley Meats was forced to turn down what they considered to be a dream opportunity.

In Smithfield, Utah, Monte Lucherini owns L&H Packing Company, a State-inspected plant just 15-miles from the Idaho border. This plant produces roast beef, jerky products, hot and mild sausage, and other products. Monte has been contacted by a number of businesses in Idaho seeking to purchase his products. Once again, a small businessman in a rural area was faced with a chance to expand his business but was forced to turn it down.

With regard to this legislation, Monte has said, and I quote, "I believe that my gross sales would increase 30- to 40-percent. Employment would be increased also. I would need more butchers and more workers. It has also been a thorn in our side that we could not service the customers that want our products." So much for encouraging investment.

In Vernal, Utah, Don Anderson owns and operates Uintah Packing. The principal part of Don's business has been selling steaks to river outfitters taking visitors down the Green and Colorado Rivers. He was doing excellent business with these customers until it was pointed out to the river guides that they could not serve Don's product because a portion of the river trip would dip into Colorado and Arizona, thus making it illegal for them to serve steaks produced by a State-inspected plant. Well, Mr. Chairman, Don lost his business and has never fully recovered from it. In this case, the currently policy not only hindered business, it actually hurt it.

Finally, I would like to talk about Theone Merrill. Theone owns Heartland Foods in northern Utah and produces a number of excellent products, many of which are cooked and canned. Now, Mr. Chairman, Theone has an idea. He has recognized that if he could tap into the Internet as a marketing tool, the entire world would be within reach of his products. He had already learned of interested buyers of his products in other States, but he will not be able to pursue those markets. Needless to say, Theone is eager for the passage of this bill. Just as in the other cases, Mr. Chairman, his market is limited to the State of Utah. So much for rewarding innovation and risk taking.

Now, these stories and the others like them around the country would be enough in my book to take action on this bill, but there is more. Each of the plants I have mentioned is completely free to sell buffalo meat, pheasant, ostrich, alligator, emu, and other meat products not only across State boundaries but even to foreign nations, and these meat products are inspected by State inspectors. Yet State-inspected beef, pork, and poultry cannot travel a few miles from Tooele, Utah, to Wendover, Nevada.

Let me put this another way, Mr. Chairman. We trust State inspectors to efficiently inspect emu but not beef, and it is okay to sell State-inspected beef or pork in Utah, but nowhere else. This makes absolutely no sense, Mr. Chairman.

But what makes even less sense, Mr. Chairman, is the fact that while those Nevada casinos or Idaho supermarkets are banned from buying sausage and other products from Utah, they have no problem whatsoever in importing those products from a foreign country. Foreign competitors have full freedom to sell their foreign-inspected products in the United States, and, of course, they are more than willing to do so.

Mr. Chairman, I know you share my view that the American economic system should reward excellence, hard work, effort, and investment, yet current policy concerning State-inspected meat is holding Americans back for no justifiable reason. It is just plain stupid and I hope you and the other members of this committee will agree.

Not only does this policy of prohibiting the interstate distribution of State-inspected meat stifle the growth and prosperity of individ-

ual small businesses, but it also contributes to the concentration in the meat packing industry in our country. As I am sure every member of this committee knows, there are fewer and fewer places for our livestock producers to sell their products.

I believe the New Markets for State-Inspected Meat Act will help to increase competition in the meat packing industry. You do not need to take my word for it. Three separate USDA Advisory Committees have recommended lifting the ban on interstate shipment as a way to create more opportunities for small packers and livestock producers in rural America.

I think that events in the State of Minnesota have confirmed this. Minnesota began a State inspection system only last year. As a result, in only a short time, 30 new plants started up in that State. Now, this is good for competition, it is good for consumers, and good for livestock producers.

The Minnesota experience also demonstrates what many small plant owners have expressed to me, that most small plant owners prefer to work with State inspectors, which tend to be much more hands-on, informative, and responsive than Federal inspectors. This is why the small plants in Utah and in other States would be happy to comply with Federal inspection standards but shy away from turning their plants over to inspection by Federal inspectors. This is a key point, Mr. Chairman. There is absolutely nothing about this bill that would compromise food safety.

The time is ripe to do away with the outdated and anti-competitive ban on interstate shipment of State-inspected meat. This bill will open markets and spur growth in the meat packing industry. It will be good for our small plant owners, our livestock producers, and rural America in general. So I urge the members of this committee to report this measure to the full Senate as soon as possible, and I want to thank personally the prime sponsor of this bill, Senator Daschle, for his willingness to lead out in this manner and to continue this fight to change what really is something that needs to be changed.

I want to thank you for giving me this time this morning.

The CHAIRMAN. Thank you very much, Senator Hatch, for your testimony.

It is appropriate that, in fact, the co-author, Senator Daschle, is at hand, the Democratic leader and a distinguished member of our committee. Tom, would you like to make a statement or respond to Orrin or boost your bill or anything pertinent you may have?

Senator HATCH. Come on, Tom, let us get up here.

STATEMENT OF HON. TOM DASCHLE, A U.S. SENATOR FROM SOUTH DAKOTA

Senator DASCHLE. First of all, Mr. Chairman, I thank you, as Orrin has, for holding this hearing. This is another example of your extraordinary interest in many of the issues relating directly to agriculture.

I think Senator Hatch has pointed out as succinctly as I have heard the implications for processors all over the country, but in his State in particular. He has also pointed out the irrationality of the current situation and the implications of current law for not only producers but for agriculture in general.

So I applaud him for his statement. I congratulate him on an excellent statement and appreciate very much his direct involvement in this legislation. He and I have been working on this now for some time. We have 17 other cosponsors on a very bipartisan basis, and so I am pleased that we have been able to get to this point.

It is hard to believe that Congress has been debating this issue now for over 20-years. As a result of a lot of work by USDA and numerous other groups interested in the issue, at last, we have a proposal that Senator Hatch has outlined that can provide interstate shipment authority in a way that benefits everyone, either directly or indirectly. He and I, as I noted, had been working on this bill for a good period of time now, about 6 months, and it is based on recommendations made by the National Advisory Committee for Meat and Poultry Inspection.

It is good for small plants, as Senator Hatch has noted, and the communities in which they are located. We think it is good for farmers and ranchers. It is good for the States with a State-inspection program. We think it is very good for consumers and it is good for the market because we think it will stimulate competition as well as innovation.

Under current law, only State-inspected bison, venison, pheasant, and ostrich can be shipped interstate. S. 1988 would expand this shipment, at long last, to include beef and pork and lamb and poultry. Products would be eligible for interstate shipment, export to other countries, and use in products destined for export to other countries, as well.

As Senator Hatch has noted, the current law severe limits State plants' marketing opportunities and unfairly penalizes them based on size and gives unfair market advantage to bigger plants for which Federal inspection is an option. This limitation penalizes producers, who bear the added transportation costs of shipping products to Federally-inspected plants if they want to market out of State. The current law is inequitable among species, of course. Some species can be shipped across State lines while others cannot.

So with the full implementation of HACCP, State and Federal inspection programs will be enforcing the same food safety and standards and we will have the same seamless food safety inspection system we have talked about having now for some period of time.

With S. 1988, we still have the benefit of our State-inspection programs and their specialized knowledge of local needs. In South Dakota, for example, we have 53 State-inspected plants. A number of them serve very isolated populations.

So, Mr. Chairman, allowing this interstate and international shipment of products inspected at these plants would provide a tremendous opportunity for the producers that Senator Hatch noted, producers and processors in South Dakota, to owners and employees of these plants who have new business opportunities and to towns that are in need of new business and capital flow.

So I am really interested in the testimony this morning of a number of witnesses who have come distance, as well as our experts from the Department of Agriculture. I again thank you for your interest in this issue and especially thank Senator Hatch for his cosponsorship and his leadership, as well.

The CHAIRMAN. Thank you very much, Senator Daschle.

Let me ask each of the Senators who have joined this hearing if they have opening comments or questions of our witness, Senator Hatch. Senator Johnson?

STATEMENT OF HON. TIM JOHNSON, A U.S. SENATOR FROM SOUTH DAKOTA

Senator JOHNSON. Just very briefly, I want to thank you, Mr. Chairman, for holding this hearing and Senator Hatch's leadership on this important bipartisan issue. As Senator Daschle has noted, this issue has been around a long, long time and it is overdue that we finally address it in a constructive way this year.

I am pleased to be a cosponsor of S. 1988. This legislation, as Senator Daschle has noted and Senator Hatch has noted, would help create a seamless system of meat inspection between State and Federal systems, and particularly now with implementation of our HACCP system, we have the support of USDA and a great number of agricultural as well as consumer organizations in this country.

At a time when there has been a lot of frustration expressed in South Dakota among my producers about lack of competition and integration going on in the packing industry, this is a step, I think, in the right direction which would be a boon, I think, to livestock producers as well as to the State's economy, to the economy of many small communities, as well as to consumers. As Senator Daschle has noted, we have some 53 small packing plants in South Dakota. Many of them are right along our borders, but for artificial and no longer rational reasons, not allowed to market their products across the State lines into Minnesota, Iowa, North Dakota, Wyoming, and Nebraska.

I am confident talking to these producers in their small plants around the State that this would do a great deal to allow them to expand their business. It would create new niche markets for many of our livestock producers at a time when they need more alternative marketing opportunities for themselves and it would create greater competition in the livestock and meat industry in general. I think that is a good thing for consumers and it is a good thing, I think, for the country as a whole.

So I applaud USDA's work with us on this legislation and all the bipartisan cosponsors of this bill and I am hopeful that we can, in fact, move beyond a hearing to a markup point at some expeditious time. Thank you.

The CHAIRMAN. Thank you very much, Senator Johnson.

Senator Baucus.

STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA

Senator BAUCUS. I thank the Chairman. Mr. Chairman, as I think and reflect upon this issue, it really is somewhat in a certain sense sad that it takes Congress so long to do something that is so right. This is a no-brainer. Clearly, inspection plants, packing plants, processors in our country, whether they are Federal or State, should be able to ship product across State lines because under HACCP they will be subject to the same inspection stand-

ards. It just makes no sense at all for me that anyone would oppose this legislation. it is just that simple.

Senator Johnson made a very good point about niche markets. This legislation will enable lots of different people to market their own meat products in a way that makes sense to them. We in my State, Mr. Chairman, we call ourselves the Big Sky State and we like to think that "Made in Montana" is going to be a good selling point, not only nationwide but internationally. It is my hope that this legislation is tailored in a way so that State-inspected plants will be able to sell not only across State lines but around the world.

And clearly, it is to the best interest of a State processing plant to be safe. If they are going to sell their product and have it accepted, and probably because they are small, they know they have got to do a good job and they are going to do a good job.

It is analogous to me like start-ups in the high-tech world. You have all these start-ups because people in our country today have the opportunity, if he or she has a good idea, to follow up and pursue it, and I think the same should be true here. If a group of people want to get together and put together their processing plant, they ought to be able to do so. There have been many attempts in my State that have been futile, frankly, and one of the reasons is this. It is just hard to ship. You cannot across State lines.

I very much commend Senator Hatch, Senator Daschle, and others for finally getting this bill together. I am a cosponsor, proudly. Many others are, too. This is getting to be a thing, Senator. You and I are on a lot of bills, I have noticed. This is one more.

Senator HATCH. It is starting to worry me.

[Laughter.]

Senator BAUCUS. It is a good sign. We Westerners are sticking together.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Baucus.

Senator Lincoln.

STATEMENT OF HON. BLANCHE LINCOLN, A U.S. SENATOR FROM ARKANSAS

Senator LINCOLN. Thank you, Mr. Chairman. I appreciate your holding the hearing today and want to welcome Senator Hatch and thank him for his hard work on this issue.

Food safety is an extremely important issue, I think, to all of us and I am pleased that the Committee is working on this issue here in this bill so that we can review the proposal that has been offered regarding the interstate shipment of State-inspected meat and poultry. The administration and several members of this committee have been working very hard on this measure to ensure that there is a consensus, and I applaud that effort and I would like to work to that degree.

However, I do represent a State that has a very large poultry interest, and today the poultry industry still has a few concerns about the impact of this legislation, so I may have a few questions for the panelists later on. I am delighted to hear from Senator Hatch and would certainly like to ask him that maybe if there is a possibility, we can look at some of the concerns that we do have from the poultry industry's side. I look forward to the witnesses

that will present that and would just simply highlight that food safety is truly the ultimate issue here and that we do not forget that and that we reflect on it, and as we can make improvements, hopefully we will to this very important issue.

So thank you, Mr. Chairman, and thanks, Senator Hatch.

The CHAIRMAN. Thank you, Senator Lincoln.

The Chair would like to enter into the record a statement from Senator Roberts, who is a cosponsor of the legislation and is supportive of it.

[The prepared statement of Senator Roberts can be found in the appendix on page 41.]

Senator Fitzgerald.

STATEMENT OF HON. PETER FITZGERALD, A U.S. SENATOR FROM ILLINOIS

Senator FITZGERALD. Thank you, Mr. Chairman. I would like to welcome the distinguished Chairman of the Judiciary Committee here. You do our Agriculture Committee much honor by coming before us and I am pleased to be a cosponsor of your legislation, Senator Hatch.

I think that now, in an era when we have a meat processing sector that continues to consolidate, and we are hearing a lot of complaints from the farm community about the continued consolidation at the end producer level, we now have the four largest processors controlling approximately 80-percent of the fed cattle market and approximately 60-percent of the pork market, it seems to me that allowing State-inspected plants to compete on a nationwide basis is a very worthwhile goal. I compliment you on this legislation.

Illinois, according to our Illinois Department of Agriculture, has 283 meat processors. These plants employ about 6,000 people and have annual sales totaling $425 million. Whenever I am at a Farm Bureau meeting anywhere in any county in Illinois, somebody who is from one of these State-inspected plants will get up and complain that they cannot export their meat out of State.

So I think we need to look at if these plants are complying with USDA standards, if they are using some of the science-based technology that the USDA is now requiring, I think it will improve food safety in our country, and in addition, it will allow for some more competition in the meat industry, give the farmers more end producers to sell their livestock to, and be good for consumers. So I want to congratulate Senator Hatch and I am pleased to be a cosponsor.

I also want to point out that one of my constituents, Michael Eickman of Eickman's Processing Company in Seaward, Illinois, is here today and he is representing the American Association of Meat Processors, a national organization of 19 State meat processing associations. Mr. Eickman, I want to thank you for traveling to our nation's capital to be with us today.

Thank you very much.

The CHAIRMAN. Thank you very much, Senator Fitzgerald.

Senator Hatch, you have heard from your colleagues and we appreciate very much your coming to offer this testimony personally.

Let me just say that your presence prompts me to make really a further request. As if often the case with Congress, the jurisdic-

tion of various committees is clear with regard to some issues and yet the issues are sometimes bigger than all of our committees. We have been talking in this committee a good bit about agricultural concentration. That was reflected in some of the statements by Senators today, Joel Klein before the Committee and others who are involved in that issue and we will be talking about that some more. We appreciate the cooperation with you as chairman of Judiciary and your members because obviously these are subjects of great interest to you. You have the whole antitrust issue in the country, but the agricultural part of it is very important to us.

In the same spirit as we have worked with Senator Gramm in the Banking Committee and our own Senators, Senator Johnson, Senator Baucus, Senator Daschle, Senator Leahy are very active in the debate on extending to rural America the television satellite situation in the recent debate. These issues bob up in various ways, but they are of great importance to rural America, as you understand with your constituents.

So we thank you for coming to be with us today and for giving of your time.

Senator HATCH. I want to thank you, Mr. Chairman, and all of you who are cosponsors, particular Senator Daschle, who is a great leader and a very fine friend, and I really appreciate being given this time. I hope you will listen to our Utah cattlemen. They are good people.

The CHAIRMAN. We will listen carefully.

Senator HATCH. Thanks a lot.

The CHAIRMAN. The chair would like to call now the Deputy Secretary of Agriculture, Richard Rominger. He will be accompanied by Ms. Margaret O'K. Glavin, Associate Administrator for Food Safety, and Ms. Caren Wilcox, Deputy Under Secretary for Food Safety.

Secretary Rominger, we are pleased to have you, as always. You have been faithful in responding to our calls for testimony and have given us the benefit of your wisdom and counsel and we look forward to that again today.

Before you begin, let me mention that my understanding still is that there will be two roll call votes cast at 10:30, which is a half an hour from now. That will necessarily mean the absence of most Senators for about a half an hour, given the time that it often takes to get the first vote cast and the second. So I ask your forgiveness to begin with before we even begin, but we would like to hear your testimony and then begin to proceed with Senators' questions. We probably will be interrupted somewhere in that passage. When we return, other Senators will be recognized if you can wait that half hour or so, and we will proceed then and then move on to our panel of other distinguished witnesses.

Mr. Secretary.

STATEMENT OF RICHARD ROMINGER, DEPUTY SECRETARY, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, DC.; ACCOMPANIED BY MARGARET O'K. GLAVIN, ASSOCIATE ADMINISTRATOR FOR FOOD SAFETY; AND CAREN WILCOX, DEPUTY UNDER SECRETARY FOR FOOD SAFETY

Mr. ROMINGER. Thank you, Mr. Chairman and other members of the Committee. I am pleased to be here today to talk about S. 1988, to remove the statutory prohibitions on interstate shipment of State-inspected meat and poultry products that was introduced by Senators Daschle and Hatch last year. In addition to Senators Daschle and Hatch, I want to thank the ever-increasing bipartisan group of Senators who have cosponsored the legislation, which is known as the New Markets for State-Inspected Meat Act of 1999.

As the former head of the California Department of Food and Agriculture, I am pleased that we have finally come up with a solution that is fair to States, fair to small producers, and fair to consumers.

With me today, as you have indicated, are Deputy Under Secretary for Food Safety Caren Wilcox and Associate Administrator for Food Safety and Inspection Service Margaret Glavin, who have worked diligently with all of the stakeholders to resolve this interstate shipment issue.

The bill here today solves the perennial question of how to level the playing field for small and very small State-inspected meat and poultry processing plants, allowing them to reach markets across State lines. I think the bill finds the right balance, providing packers with access to compete in new markets, ensuring the necessary Federal oversight to guarantee consumers and our foreign trading partners of the integrity of a seamless national inspection system, and maintaining the identity of State inspection programs.

The genesis of this bill was a public meeting the Department's Food Safety and Inspection Service held back in June 1977 in Sioux Falls, South Dakota, at the request of Senator Daschle. The meeting initiated a consensus approach toward achieving interstate shipment for State products. Subsequently, the Agency shared with our National Advisory Committee on Meat and Poultry Inspection a concept paper on interstate shipment, and ultimately the Committee composed of consumer, State, and industry representatives endorsed this carefully balanced concept as a basis for legislation.

When Senator Hatch requested a report on the recommendations for lifting the ban on interstate shipment last year, we were pleased to forward the administration's proposal.

The linchpin of this bill is the provision that States will adopt and enforce Federal inspection statutes and regulations. Inspected and passed State products will bear a Federal mark of inspection, making it crystal clear wherever these products move in commerce their safety and wholesomeness is assured by the U.S. Government.

In addition, States will be allowed to continue to use their State mark of inspection. They will also continue to be allowed to impose additional requirements on plants voluntarily opting for State inspection. But States cannot impose these requirements on or interfere with the free movement of product originating from Federal or another State's plants.

Before State-inspected plants can ship interstate, USDA will first conduct comprehensive reviews of the State programs, confirm that all the recommendations from the reviews have been implemented, and then annual comprehensive reviews will continue to verify that States are fully enforcing Federal inspection requirements.

Under the Hazard Analysis and Critical Control Point, the HACCP inspection system now in place, the Nation's food supply is even safer than it has been. We have seen the overall presence of salmonella in broilers, swine, ground beef, and ground turkey drop, and for some species by as much as 50-percent. To strengthen the seamlessness of the national inspection program under S. 1988, all salmonella performance standard samples for products eligible for a Federal mark of inspection, whether produced in a Federal or a State establishment, will be collected by the Department and analyzed in our laboratories. We believe this will also give consumers confidence of the Federal oversight of the system.

So we think the time is ripe for S. 1988 with the final implementation of HACCP in January of this year. The approximately 2,300 State plants have adapted to the HACCP system very successfully and are producing safe and wholesome product under this new system of inspection. With the carefully planned in-depth reviews, the confidence will be there among consumers, industry, the States, and the Department to remove the inequity and allow State-inspected plants to ship their products interstate under the provisions of this bill.

We have 25 great State partners that are on the map listed up there with the expertise to best provide inspection for their small and very small State plants. The States are illustrated on that chart. Those are the ones that are speckled there. USDA wants to strengthen its relationship with the State programs and ensure their viability. In fact, we want to encourage more States to implement their own program.

To this end, the bill calls for raising the Federal reimbursement up to 60-percent of the cost of operating a State program. Currently, FSIS will reimburse a State for only up to 50-percent of its program's costs.

Additionally, since these are voluntary programs on the States' part and a State's resources are not inexhaustible, States would be permitted to limit the size of plants that are eligible for State inspection and this bill would allow for that. The very small plants who produce specialty niche market products, such as award-winning Kansas beef—we have got some Kansas beef right here—or jerky from—this is the maple cured M&J jerky from Vermont, and here we have got Manly Meats sausage links from Indiana. These are winners with the passage of this bill.

Interstate shipment will allow these State plants to reach new markets and to engage in new and innovative methods of marketing, such as mail order or e-commerce over the Internet. So this bill would allow these small plants to better compete with plants that are Federally inspected.

I think the consumer is also a big winner here. Consumers would be able to enjoy a greater variety of safe meat and poultry products like those that I just mentioned. With the current prohibition in place, you or I here in Washington cannot enjoy the many specialty

products produced under State inspection. However, once this bill passes and becomes law, not only would every American be able to enjoy these and other State-inspected products, but people from around the world would be able to enjoy these products since they would be eligible for export, and they will be able to do so with the assurance provided by the USDA mark of inspection.

Small producers will also win because they will have more local plant options for delivering their animals. In some regions, small farmers and ranchers have to transport their animals over long distances. Even Federally-inspected plants will benefit because they are often suppliers to these small and very small plants that buy their product and then add value to those products.

The Federal program and the State programs are winners, too. Greater coordination between Federal programs and State programs will ensure the consistent application of policy and enforcement. Importantly, the higher degree of coordination will ensure that the expertise will flow both ways, maximizing the use of talents available in a national inspection system.

The interstate shipment debate, as we have heard, has gone on long enough. Back in the early 1980s, when Senators Daschle, Dorgan, and Roberts were members with Secretary Glickman on the House Committee on Agriculture, then-House Subcommittee Chairman Harkin held hearings on this subject, and this was a decade after the debate on the issue had begun.

Senator HARKIN. Was that in the last century or what?

[Laughter.]

Mr. ROMINGER. A long time ago. So we think the time is right. HACCP has been successfully implemented. We have a balanced bill addressing concerns of processors, consumers, State regulatory authorities, USDA, and the industry, and this bill has been introduced. It is time to pass this interstate shipment bill.

Mr. Chairman, thank you for the opportunity to appear before you this morning and I look forward to working with you in passing S. 1988 so that we can move to a seamless national food safety system. We will be happy to answer any questions that you or other members of the Committee may have. Thank you.

[The prepared statement of Mr. Rominger can be found in the appendix on page 43.]

The CHAIRMAN. Thank you very much, Mr. Secretary. It is appropriate you had the historical reference of our members during their House service. I think already it has been mentioned, by Senator Daschle, I think, that the issue has been with us for 20-years. I can recall each of the conferences during that period of time in which this issue has arisen in one form or another from one house or another and it is appropriate at this point, because we do have the ranking member and the Chairman of the Subcommittee that heard this bill in the last century.

[Laughter.]

Tom, would you like to proceed with your opening comments or your questions?

Senator HARKIN. As soon as I sit my cane down back here, I will be set.

[Laughter.]

STATEMENT OF TOM HARKIN, A U.S. SENATOR FROM IOWA, RANKING MEMBER, COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Senator HARKIN. Thank you, Mr. Chairman, and I apologize for being late. I had to testify before the Armed Services Committee this morning and I just got out of that. I will just ask that my statement be made a part of the record.

The CHAIRMAN. It will be included in full.

Senator HARKIN. I just want to make sure that I welcome Jolene Heikens of Triple T Meats in Wellsburg, Iowa, who has come here today and I look forward to her testimony. We have, as I am sure you do in Indiana and I know you do in South Dakota, Senator Daschle and Senator Johnson, a lot of these small plants that really provide a good source of revenue, they employ people, they produce a great product. Especially if you are in the corner of a State where you are bordering two other States and your market sort of is right over there but you cannot do anything, it really works a terrible hardship.

I think what we have here is a good approach on this to ensure that these plants meet all of the requirements of HACCP and meet the requirements of Federal inspection, even though we can deputize the State inspectors. So I think we have a good seamless system here now that we can bring these small plants into the national system.

With that, I thank you very much.

The CHAIRMAN. Thank you very much, Senator Harkin.

[The prepared statement of Senator Harkin can be found in the appendix on page 50.]

The CHAIRMAN. I will ask my questions last so that we get as many Senators in before the vote. We are now advised the vote will be about 10:40, so that gives us a little bit more time.

Senator Daschle, do you have questions of the witness?

Senator DASCHLE. Mr. Chairman, I will be brief, but first of all, let me compliment Secretary Rominger for his excellent statement. We appreciate his presence here today. He said a couple of things that I think we ought to elaborate on, if we could just a little.

One intriguing statement was that you actually encourage State-inspected plants and you want to see more of a State role and State involvement. Could you elaborate a little bit on why you think that is important?

Mr. ROMINGER. We think it is important because the States know their local small plants and we think they are in a good position to be able to do a good job of inspecting those plants, and now that we have a national seamless system, why, we will be able to guarantee the consumers that those small State-inspected plants are up to the standards of Federal inspection and, in fact, will carry that Federal inspection stamp in addition to the State stamp, if the States still want to use that. So we think that would give the States an opportunity to put their State stamp on it as well as the Federal stamp.

Senator DASCHLE. You also mentioned that this legislation could enhance food safety because of the food testing provisions. I would be interested, if you could, to elaborate a little bit more on that,

especially as it relates to salmonella. Why is this a better food safety law than we might have otherwise had?

Mr. ROMINGER. We have, as you know, recently instituted the salmonella testing, and perhaps one of my colleagues will elaborate on that, but we think that, that is important to make sure that all of these plants are testing for salmonella. USDA would continue to take the samples not only in the Federal plants but in the State-inspected plants, as well, and analyze them so that we would be able to assure consumers that those plants are meeting the salmonella requirements, as well, and we think that is important because salmonella is one of the pathogens that has caused sickness in a lot of people.

Senator DASCHLE. And that is not happening today, correct?

Ms. GLAVIN. Under HACCP, we do have plants where we test for salmonella. We have been doing that now for 3-years. The overwhelming majority of the plants, over 90-percent, have been able to meet the salmonella performance standards, which is a real tribute to those plants. They have stepped up to the plate and really taken charge. We think that having a single set of salmonella sampling, in other words, done all by the Federal Government, will enhance the safety of the product and will enhance consumer confidence that all plants are being held to the same standard. This has been a big success.

Senator DASCHLE. Could I finally ask, obviously, a lot of groups, consumer groups, producer groups, processor groups, all have an interest in this. I appreciate your efforts to reach out to all of them to try to reach a consensus. Could you give us your appreciation of that effort? Was everybody included in this consensus making effort in the beginning and how do you feel about the role that all the groups have had in getting us to this point?

Mr. ROMINGER. I will ask Caren to elaborate, but yes, we did include everyone who was interested and wanted to come to the discussions that were held, and, of course, our Advisory Committee also reviewed this process extensively. So we think everyone who was interested was included.

Caren, do you want to elaborate on the amount of work that went into that?

Ms. WILCOX. The National Meat and Poultry Advisory Committee, the Advisory Committee to the Secretary, did discuss this on numerous occasions. They looked at various work plans for the legislation. They made suggestions about changes. Those discussions—our meetings, of course, are public and were well attended by both the members and also those that are not formal members but they were perfectly able to make comments at that time. So there were several public discussions and extensive other discussions.

Senator DASCHLE. Mr. Chairman, I have to say the Department has just been very, very helpful and cooperative in this whole effort. As was just noted, I think the outreach here to try to ensure that we have addressed the concerns and the priorities of all groups has really been a remarkable effort. I applaud them and I thank them for their participation and certainly appreciate their testimony this morning. Thank you.

The CHAIRMAN. I thank the Senator.

Senator Fitzgerald.

Senator FITZGERALD. Thank you, Mr. Chairman.

I neglected to congratulate the minority leader for his help and his lead sponsorship here. In my enthusiasm to thank Senator Hatch, I neglected to mention that you were the lead sponsor. While we are of different parties, I have enjoyed working with the minority leader on issues of importance to farm country out there.

Mr. Rominger, thank you for addressing that issue about the consensus building process because I have noticed that there are a list of four organizations that opposed the legislation. I am glad you have attempted to work at the USDA with all interested parties.

I have a little bit of a different question. I am wondering if the USDA has estimated the cost of implementing this legislation and does the President's or the current budgets that are floating out there right now being debated on the floor of the Senate, do we have appropriate levels of funding for the Food Safety Inspection Services to take on this new role?

Mr. ROMINGER. Yes, we do. The FSIS 2001 budget includes a request for $1 million to cover the increased cost that would be associated with the comprehensive reviews of all the State programs. As far as the reimbursement from 50-percent to 60-percent, if all of the States opted for that, that would add an additional $8 million in payments to the States, but that will not be needed until fiscal year 2002, but we would request that at that time.

Senator FITZGERALD. So you think the States are in a pretty good position, too? You are saying there is going to be an increase in the amount of sharing of the expenses from 50- to 60-percent?

Mr. ROMINGER. Yes. This bill allows for that.

Senator FITZGERALD. That is good. So the States should be in pretty good order, too. And if they are not, they probably will have trouble with you, I would imagine, because you have to approve the systems they have in place.

Mr. ROMINGER. Well, the States, the 25 States that have programs now are operating under a 50-percent reimbursement, so we think this just will help them.

Senator FITZGERALD. Thank you. You did touch upon this briefly in your testimony, but I just wondered if you could update the Committee a little bit more expansively on your progress in implementing the HACCP systems, the Hazard Analysis and Critical Control Point systems, in both the Federal and State-inspected plants.

Mr. ROMINGER. As we have indicated, we have been through this process now. It was a 3-year process. First, we had the large plants that came on January 1, what would that have been, 1998, and then we had the medium-sized plants and small plants on January 1, 1999, and now in January 2000, the very small plants have come under the HACCP regulation. We have seen a huge majority of those plants meeting their HACCP requirements, have their HACCP plans in place, and are doing a good job. So we think that now is the time to include all of them in this State and Federal inspection system. But they have done a good job.

Maggie, would you like to comment?

Ms. GLAVIN. I would only like to add that this past year, when we brought on the very small plants, a large number of those were

State-inspected plants and the States did a wonderful job of bringing those plants along. These are the very small plants, fewer than ten employees, and we and the States worked very closely together to make sure that they were prepared.

Senator FITZGERALD. Thank you very much.

The CHAIRMAN. Thank you very much, Senator.

Senator Johnson.

Senator JOHNSON. Yes. I want to second the comments made about appreciation, not only for being here but for the work that you have done to build a consensus among so many different players who have an interest in this reform. I think we need to do more of that in general in Congress, frankly, but in this particular instance it is very, very welcome.

You observed about how we are enhancing our meat safety inspection with the implementation now of HACCP and the salmonella testing and so on, but, in fact, the track record of State-inspected meat products, even before that, how would you characterize it? We are starting from what, in fact, was a very high level in the first place is my understanding. Is that a fair characterization of our State-inspected meat plants, by and large, in the past?

Mr. ROMINGER. Yes. Yes, I think so. I think the States have done a good job in the past. We think that this will assure consumers and assure our foreign trading partners that they are equal, they are the same as the Federally-inspected plants. So there would be even more confidence.

Senator JOHNSON. Do you anticipate any resistance from our trading partners, having evaluated this new approach in the U.S.?

Mr. ROMINGER. No, I do not.

Senator JOHNSON. Good. When you talk about increasing our cost share from 50- to 60-percent and then ultimately an $8 million increase, a very modest level when you think of a national effort such as this, what is that added increment designed to enable the States to do? What is the rationale for the 50- to 60-percent and how will that $8 million assist the States?

Mr. ROMINGER. Well, there may be some added costs to the States in their coordination with the Federal Government, making sure that our inspectors and their inspectors keep up to date on all the training that goes on. So there may be a little added expense for States in being part of this seamless system, so we thought that this would be a way to compensate them for that.

Senator JOHNSON. Do you anticipate that there will be an overwhelming positive response from these 25 States that have State inspection systems?

Mr. ROMINGER. I think so. Caren, do you have any comment?

Ms. WILCOX. We certainly believe that probably all of them will be very enthusiastic about it.

Senator JOHNSON. And you anticipate additional States may, in fact, as well, join in with State inspection systems?

Mr. ROMINGER. Have we had any?

Ms. WILCOX. There are provisions in the bill for them to come in and we would hope that there would be. We have some indications from some States that they are interested in the new program.

Mr. ROMINGER. Because there are some States that have given up State inspection in the last few years and they may be interested now in getting back in.

Senator JOHNSON. Again, I appreciate your testimony here today. I think there is a lot of enthusiasm among the American public as well as producers on this issue, and again, your work to really put us in a position now to finally begin to implement this reform, I think is very welcome and badly needed. Thank you.

The CHAIRMAN. Thank you, Senator Johnson.

Senator Lincoln.

Senator LINCOLN. Thank you, Mr. Chairman, and I, too, appreciate your availability here today. I just have a couple of questions.

I do not think anyone in the room will disagree with the fact that our agricultural community today faces a variety of struggles on a daily basis, and one of the top ones is truly trade barriers. Senator Johnson asked a few questions about that. You answered with a no, that you felt pretty confident that we would not have any problem with our trading partners, but I cannot help but imagine a scenario where you have a product that is inspected in, say, a State like Oklahoma, maybe shipped to Louisiana, where it is further processed into a Cajun sausage, and then shipped to Europe.

I just wonder if our trading partners are going to be willing to deal with each of those individual inspecting systems through the various States. From your previous answer, I can only assume that it is that you maintain that S. 1988 would not violate any current international trade agreements, is that correct, Mr. Rominger?

Mr. ROMINGER. That is correct, and we think that our trading partners will accept this because that Federal stamp will be on the product that is inspected by the State plants because they are meeting Federal inspection requirements.

Senator LINCOLN. That just kind of leads me to, and we talk about the 25 States that have State inspection systems are very pleased with this legislation. I thought it was 26, I guess. There are 24 States that do not, is that correct, that do not have State——

Mr. ROMINGER. No, we have got 25.

Ms. WILCOX. One dropped out recently.

Senator LINCOLN. The numbers do not matter. I am just saying that there is another side to that coin. There are the other 25 States that do not have State inspection systems. When you mention that, if, in fact, they are meeting Federal guidelines, why would it be—I do not know that they would not want to be Federally inspected.

Mr. ROMINGER. Why would not the small plants want to be Federally inspected——

Senator LINCOLN. Because of the cost?

Mr. ROMINGER.—instead of staying with the State program?

Senator LINCOLN. Yes.

Ms. GLAVIN. Certainly at our public meeting back in 1997 in Sioux Falls, we heard extensively from small producers about their desire to continue to work with State people who were much closer to them, who were much more available than the faceless people in Washington, is what they would call us. I think I became convinced certainly in that meeting that the very small plants, these

plants that have a small number of employees, often are family owned and family run, are better served by a government agency that is closer to them, that knows the community, that knows them, is able to get to them faster.

That was the basic reason, because we kept asking that question. Why not come under Federal inspection if you want to ship interstate? Universally, that was the answer. I know the people in the State. They respond to me. They respond to my phone calls.

Senator LINCOLN. Well, in terms of leveling playing fields, I definitely think that is important, but you have States that have opted not to do a State system because they chose to do the international trade, or to trade across State lines and internationally.

If, in fact, that Federal stamp is over the State stamp, does that mean that the Federal Government assumes the liability and the responsibility?

Mr. ROMINGER. It would be the same as any other Federally-inspected plant now. The Federal inspection is on it, which means that we are assuring consumers that, that is a safe, wholesome, healthy product.

Senator LINCOLN. So you do assume the liability and the responsibility of that. Well, then can you just describe how the State-inspected facilities would have to comply with the FSIS, the regulatory requirements?

Ms. GLAVIN. First of all, they would be required to adopt all of the requirements of both our legislation and our regulation and they would have to enforce those in the same way that we do. They do that today. They have equal to. But they would have to have the same laws and regulations and enforce them as we do.

Senator LINCOLN. So it almost sounds like the Federal Government wants to get out of meat inspection.

Ms. GLAVIN. No.

Senator LINCOLN. No?

Ms. GLAVIN. I would not go that far.

Senator LINCOLN. But, I mean, if, in fact, you take the liability but allow the State to do it as long as they comply with your guidelines, then it is kind of like was mentioned earlier, the deputizing, apparently, of State inspection systems.

Ms. GLAVIN. We would continue to have oversight of those State systems, including yearly reviews of them, and as has been mentioned, we will do the salmonella performance standard testing, which would be an ongoing check that, in fact, things were operating properly.

Senator LINCOLN. The number that you mentioned on that salmonella testing, the 90-percent compliance, I guess, or positive results from that, were those all Federally—I did not understand your answer. Those were all Federally-inspected facilities, right——

Ms. GLAVIN. Those are Federally inspected.

Senator LINCOLN.—not State-inspected facilities.

Ms. GLAVIN. That is what is in our database, yes.

Senator LINCOLN. Right. So then what you would be hoping would be if they comply with all of your standards and requirements, then those State facilities would meet that 90-percent level, hopefully, as well?

Ms. GLAVIN. The 90-percent was 90-percent of plants are meeting the standard, and all plants are required to meet them. It is clear that plants are stepping up to the plate and doing that. The States——

Senator LINCOLN. Those are Federally-inspected plants, correct?

Ms. GLAVIN. The ones that my data refers to are Federally, yes, but the State plants all have the same requirement.

Senator LINCOLN. They do now?

Ms. GLAVIN. Yes.

Senator LINCOLN. OK. Do you know if they are meeting that same——

Ms. GLAVIN. Yes, they are. I do not know the exact percentage of plants that are meeting it, but I would assume it is in the same area of 90-percent.

Ms. WILCOX. Most of the small plants, the very small plants, have just come into the program and therefore the database is not complete as to the salmonella sets for the very small.

Senator LINCOLN. I just had a few concerns and wanted to make sure that I had those expressed and would like to maybe visit with you further on some other questions that we may have.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Lincoln.

One concern of critics of the bill has been phrased in this way. Under this bill, would all State-inspected plants have to comply with all USDA directives, notices, and policy memorandum? Was that the intent of the proposal as prepared for transmittal to Congress?

Mr. ROMINGER. Yes.

Ms. GLAVIN. Yes.

Ms. WILCOX. It is our intent, yes.

The CHAIRMAN. Under this bill, would States still be able to require and to pay for inspection of all meat species? For example, in Indiana, inspection is required for farm-raised deer and elk, bison and ostrich and emu, and there are a few plants in the State that slaughter these species. Is the legislation comprehensive in that way and what comment can you make about all meat species?

Ms. GLAVIN. That would continue to be allowed, although as is the case today, there would be no Federal payment for that part of a State's program.

The CHAIRMAN. I see, no Federal payment there. So the States could do it, but they have to assume total payment there?

Ms. GLAVIN. Right, and that is the case today.

The CHAIRMAN. There would still, however, be the dual stamps, both the Federal and the State stamps?

Ms. GLAVIN. No, only on product covered by the Federal Meat and Poultry Acts.

The CHAIRMAN. So on, for instance, the farm-raised deer, this is a State responsibility and the State stamps it and pays for it?

Mr. ROMINGER. Unless the Federal Meat Inspection Act is changed to include them.

The CHAIRMAN. The bill allows USDA to reimburse a State for up to 60-percent of the costs. The bill also requires a comprehensive Federal review of State inspection programs to determine their effectiveness of each program, identify changes that are required.

Is it possible that changes could be required that would substantially increase the cost to the State of this process, even with the higher Federal reimbursement?

Ms. GLAVIN. I think the one area where there could be additional cost is if additional small plants decided to move over to the State system, that could add to the States' costs. They would need additional inspectors, etc.. So there is the possibility that their cost could increase.

The CHAIRMAN. And it is in that area that the States are likely to incur costs? In other words, if you are a State and you are taking a look at this and you wonder, granted, the 60-percent reimbursement is more generous, but am I going to be required to do a lot of other things that lead to my costs being higher.

Ms. GLAVIN. That is part of the reason for allowing States in this bill to set a size limit on the plants that they would be willing to take into their program so that they have some way to control their cost.

The CHAIRMAN. Now, in response to other Senators, you have commented you do not anticipate difficulty with regard to our trading partners abroad. I am just curious, have any inquiries gone out from the Department to any of these markets or any other countries? Are they aware that this legislation has been drafted by USDA, offered by distinguished Senators, and do you have any official reaction from them?

Mr. ROMINGER. Caren?

Ms. WILCOX. I know that they have been informed because USTR and FAS have reviewed this bill and there have been notices, but I do not know of any formal responses. We do know that some of our meetings have been monitored by representatives of other governments.

The CHAIRMAN. And they have made either favorable comments or no comments or how would you characterize it?

Ms. WILCOX. No formal comments.

The CHAIRMAN. Now, 25 States are covered on your chart by both State and Federal programs presently. Are more States likely to join this process, and do you have any evidence, any comment as to what kind of decisions might be made by States that do not have programs presently?

Mr. ROMINGER. I do not think we know for sure whether any States will decide to go back to adopt a State-inspected program because it does incur costs for a State that does their own program because the Federal Government will only reimburse under this bill up to 60-percent of their costs. So there would be additional costs for the States if they decide to do their own program.

The CHAIRMAN. Is that your view as to why many States have not adopted State programs, because it does have an added cost to it and, therefore, they have just simply been a part of the Federal business from the beginning?

Mr. ROMINGER. I think that is a major cost, major reason, yes.

Ms. GLAVIN. There is some movement over the years in and out of the program, and in the past few years, the two States I remember that have dropped the program were Florida and Alaska, and in both cases it was for financial reasons caused.

The CHAIRMAN. And presumably, they did not have additional meat products that were outside the Federal bounds. I mentioned the Indiana situation of these additional species. That might be a justification for having a State program, if you had additional items that you wanted to certify.

Ms. WILCOX. Yes. If you had an industry with non-amendable species, yes.

The CHAIRMAN. Senator Harkin, do you have further questions?

Senator HARKIN. Mr. Chairman, I just have one. I think you and others have covered this waterfront pretty thoroughly. I just have one just a little bit different than this, Mr. Rominger. I wrote a letter to Secretary Glickman on March 27. It has to do with the reduction of 197 inspector years contained within the USDA's budget for next year. I am very disturbed by this, as a matter of fact, and why that is in there. Here we are talking about inspections, and yet the USDA in their own budget is asking us to reduce by 197 inspector years, and yet we just recently had another outbreak of listeria, as you know.

So I am really disturbed by this and I hope that you will take this back to the Secretary and ask him please to take a look at the letter I wrote just the other day. I really believe that you are doing this without soliciting any public comment. I really think that before any changes are made in the inspection process, I really do think you need to go through an open rulemaking just as you would for any changes in slaughter inspection. That was sort of the content of my bill.

I do not need you to reply to that, but please take this back to the Secretary and let him know that we need to really discuss this because the last thing we need is a reduction in inspectors, I think, out there. If you want to comment on that, I would be glad to hear that.

Mr. ROMINGER. We appreciate and we understand your concerns. Certainly, the Secretary will be responding to your letter. I will ask my colleagues to amplify about that, but I would just add that, currently, we have funds in the budget for additional inspectors and we have an aggressive recruiting program underway right now to add some additional inspectors in this fiscal year.

Senator HARKIN. So you are adding them this year and cutting them next year.

Ms. GLAVIN. We do intend to, for slaughter inspection, do a full notice and comment rulemaking process for any changes there, and we are also committed to a full public process on making any changes in the frequency of processing inspection.

Senator HARKIN. I have to tell you, Ms. Glavin, through all my years here, I do keep fairly open doors to a lot of producers around the country, large and small, and I am hearing more and more complaints about the fact of the lack of being able to get a Federal inspector, and then I get hit with this budget of 197 reduction and I am wondering, what is happening here? I do not understand this. Do you have any other comment on that? I do not understand it.

Ms. GLAVIN. Well, no. As the Secretary indicated, we have had a very aggressive recruiting program this year and we have seen some success in increasing the number of slaughter line inspectors and we are committed to continuing that.

Senator HARKIN. Maybe we can work this out, but maybe you can enlighten me more as to why that was in the budget.

Ms. GLAVIN. Yes.

Senator HARKIN. Thank you very much.

Mr. ROMINGER. We would like to continue the discussion with you on that issue.

Senator HARKIN. I appreciate that. Thanks.

Senator LINCOLN. Mr. Chairman, can I just ask them to qualify an answer to the Chairman's question? In discussion about having presented the proposal to USTR, you did not get a formal response from them?

Ms. WILCOX. Oh, no, from them, but there is a process that they have once a bill is introduced that could have implications in international trade that they have.

Senator LINCOLN. I just want to make sure that I understand. I realize that you have no——

Ms. WILCOX. No. USTR fully oversaw this bill——

Senator LINCOLN. And supports it?

Ms. WILCOX.—and the administration as a whole supports this bill.

Senator LINCOLN. So USTR, they fully support it?

Ms. WILCOX. They reviewed this bill——

Senator LINCOLN. It is just the other countries that you are saying?

Ms. WILCOX. Our understanding of the Chairman's question was, did other countries know about the bill, and there is a process for informing them about it.

Senator LINCOLN. You have gotten no formal comment from the other countries——

Ms. WILCOX. We have no formal comment that I know of from them.

Senator LINCOLN.—but you have a formal endorsement from USTR?

Ms. WILCOX. Yes. There was a full review by USTR, yes.

Senator LINCOLN. I just wanted to make sure I was correct on that.

Ms. WILCOX. Thank you for clarifying the record.

Senator LINCOLN. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Lincoln.

We are concluded with this panel, which is fortuitous. You can go back to work. But we appreciate very much Secretary Rominger, Ms. Glavin, Ms. Wilcox and will return after these votes and have a distinguished panel.

Mr. ROMINGER. Thank you, Mr. Chairman.

The CHAIRMAN. For the moment, the hearing is recessed.

[Recess.]

The CHAIRMAN. The hearing is called to order again. We thank you for the patience that you have displayed already as our witnesses. We look forward to hearing from each one of you.

Let me introduce the panel who have assembled. They are Fred L. Dailey, the Director of the Ohio Department of Agriculture and President of the National Association of State Departments of Agriculture from Reynoldsburg, Ohio; Michael Eickman, Eickman's Processing Company, Incorporated, representing the American As-

sociation of Meat Processors, the Illinois Association of Meat Processors, and 18 other State meat processing associations, from Seward, Illinois; Jolene Heikens, Triple T Country Meats, representing the American Association of Meat Processors, the Iowa Association of Meat Processors, and 18 other State meat processing associations, from Wellsburg, Iowa; Harry Pearson, President of the Indiana Farm Bureau, representing the American Farm Bureau Federation, from Indianapolis, Indiana; Richard T. Nielson, President of the Utah Cattlemen's Association, representing the National Cattlemen's Beef Association from Salt Lake City, Utah; Carol Tucker Foreman, Distinguished Fellow and Director of the Food Policy Institute, Consumer Federation of America; and Patrick Boyle, President and CEO of the American Meat Institute, Arlington, Virginia.

We are delighted that you are all here. I will ask you to testify in the order that I have introduced you. Please try to summarize your comments in 5 minutes, more or less, and your full statements will all be made a part of the record of this hearing.

Mr. Dailey.

STATEMENT OF FRED L. DAILEY, DIRECTOR, OHIO DEPARTMENT OF AGRICULTURE, PRESIDENT, NATIONAL ASSOCIATION OF STATE DEPARTMENTS OF AGRICULTURE, REYNOLDSBURG, OHIO

Mr. DAILEY. Thank you, Mr. Chairman. Thank you for the introduction, as well. I did not have it on my resume, but I did serve 6-years as Director of the Indiana Division of Agriculture during the 1970s, so I am almost a Hoosier.

The CHAIRMAN. Indeed, always a Hoosier.

[Laughter.]

Mr. DAILEY. But I am also responsible for a State meat inspection and poultry program which oversees 215 establishments in our State and I have with me today Dr. Lee Jan, Director of the Meat Safety Assurance Division of the Texas Department of Health, and he is President of the National Association of State Meat and Food Inspection Directors. We thank you for the opportunity to speak here today.

I am here on behalf of all the States to support the approach embodied in this bill, which would lift the unfair ban on interstate shipment of State meat and poultry products. This is a subject of extreme importance to State Departments of Agriculture and the time to act is now. The reasons to act are clear, simple, and, I think, very compelling.

Because of our long history of oversight and compliance with the "equal to" inspection requirements of Federal law, the States have never viewed this question of removing interstate shipment as a food safety issue. In fact, we are very, very proud of our food safety record.

Some of you may wonder why we have 25 States with their own State meat inspection programs. Who are we serving? Our mission is to provide consumers with wholesome, unadulterated products that are properly labeled and safe. State programs are geared to regulating small and medium-sized businesses. Our personnel are generally more accessible and more flexible in providing inspection

resources that are geared to the needs and timing of small plants that are not running three production shifts per day working five or 6 days per week. State programs also provide practical information and technical assistance and our overtime inspection fees are considerably less than Federal rates. In Ohio, for example, it is $18 an hour versus $47 an hour for the USDA.

We are geared to working with and supporting businesses that cannot afford to employ a scientific staff or attorneys to sort through all the regulations in searching for answers. We provide a direct line of information sharing and decision making that is accessible to small businesses much more easily than the multi-layered chain of command and the frequently adversarial attitude of the larger Federal system. So we feel there is definite need for existing State programs to continue, and if this legislation passes, you are more likely to see additional States adopt programs.

Now, the question before you this morning is whether to change, whether to level the playing field and provide the same opportunities for all meat and poultry processors, or to continue the Government sanctioned economic advantage for large corporations and foreign competitors at the expense of small businesses.

As I was preparing my testimony, I looked back to testimony I gave back in 1996, almost 4-years ago, and I began wondering how many of our small processors we had lost in that time. I went back and counted and it was 41 different plants that we have lost. We have also had a number of small cattle ranchers and hog farmers that have not been paid competitive prices and there have not been as many opportunities for price discovery. If you go to a livestock auction, they used to be crowded affairs with a lot of packer buyers. Now, there is one or two and you almost sense that you take this lot and I will take that lot.

Mr. Chairman, quite a lot has not changed since the 1996 hearing, and yet quite a bit has changed. That presents us with new opportunities. First, let me tell you what has not changed over the years and why this issue is so important to us.

Most importantly, small meat processors under State programs are still denied many opportunities to sell their product today because they do not have full access to the U.S. marketplace. Many of these companies make and market specialty products, like sausage, bratwurst, jersey, and ethnic meat products often made from old world recipes which are not cost effective product lines for large operators but for which there is clearly a demand. Repealing the ban would provide consumers with more choices in the supermarket and convenience stores.

It has always struck us as both unfair and illogical to say that consumers in one State may enjoy meat product while consumers in another State may not meet that same product. I choose the word "meat product" carefully because this is the only State-inspected product that cannot be shipped interstate. You heard the difference between buffalo and beef and we have beefalo, which is actually five-eighths beef and it has to be inspected because it is more beef than it is buffalo. You can actually cross-breed the two. But it is illogical when you get down and look at the absurdity of it all.

Maintaining the interstate ban prevents small businesses from capitalizing on other sales opportunities, such as niche marketing through mail order catalogs, the Internet, and we even have a situation in Ohio and Indiana where we have Union City. You can sell product on one side of the street, but you cannot cross this street and sell it on the other side.

In my State, Ohio State University recently did a study and they found that lifting the ban would mean an additional $56 million to our State economy and create almost 600 new jobs for our State.

The second thing that has not changed is the unfairness of the ban. You have heard about the large packing conglomerates, but particularly I think it is very unfair with the foreign competition. The trade agreements allow foreign inspected product to be shipped anywhere in the United States so long as that foreign inspection program is equivalent to the U.S. Federal standards, in practice, the same standard which the State must meet. If any of our State-inspected plants were located in Guatemala, Mexico, Australia, they could ship anywhere in the United States. But because they are not, they are restricted to intra-State marketing.

As you have heard, the Secretary has three Advisory Committees which has now recommended that HACCP is fully implemented in the small plants.

The third major thing that has changed is that we finally have the administration on board supporting our effort. While the legislation may not be perfect, it is something that will work and it would move us even closer to a uniform national inspection program. The bottom line is that today, there are now meaningful distinctions between Federal and State inspection programs which justify perpetuating this unfair ban.

I want to thank the administration for putting this concept on the table. It is billed as a consensus bill. Some of us feel like we have not had as much input as we would like, but we do believe that the true consensus is very close, Mr. Chairman. With a little work by the Committee with all the interested stakeholders and all the issues, we can reach a reasonable accommodation that maintains all the essential elements of the USDA concept.

I would like to challenge my colleagues in the food, consumer, and agriculture communities who are here this morning to commit to working these remaining issues out, getting a bill passed, not believe that keeping the status quo is in the best interest of anyone.

So we all have a reason to remain engaged in the process and see this bill through to completion. Our NASDA members and the constituents we serve hope that Congress will act this year to remove this unfair ban and competitive barrier to small businesses. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Dailey.

[The prepared statement of Mr. Dailey can be found in the appendix on page 52.]

Mr. Eickman.

STATEMENT OF MICHAEL EICKMAN, EICKMAN'S PROCESSING CO., INC., REPRESENTING THE AMERICAN ASSOCIATION OF MEAT PROCESSORS, THE ILLINOIS ASSOCIATION OF MEAT PROCESSORS, AND 18 OTHER STATE MEAT PROCESSING ASSOCIATIONS SEWARD, IL

Mr. EICKMAN. Thank you, Senator Lugar and members of the Committee. My name is Mike Eickman. I own and operate Eickman's Processing Company, Incorporated, in Seward, Illinois. I presently employ 25 men and women in a small State-inspected meat packing facility. We do slaughter and complete processing from farm to table as well as wholesaling and catering. We are located 25 miles from the Wisconsin border.

I am speaking on behalf of myself and the State-inspected processing plants across the country representing the American Association of Meat Processors and the Illinois Association of Meat Processors. These organizations and I strongly ask and urge the Senate bill and interstate shipment be favorably considered and passed. This legislation will help smaller processors economically and finally allow them to compete in free trade, which has been restricted through invisible barriers called State lines for too long.

There are presently 25 States that have State inspection and they have State inspection because their State legislatures feel that meat products within their States should be inspected so that the consumer will have a wholesome meat product. The Federal system does not require inspection for custom slaughtered products that are the property of the local farmers and sold to his customers.

Currently, the Federal Government assists States with funding for their programs and requires these States to recognize and follow USDA and FSIS regulations. If a State does not meet these requirements, then the USDA can intervene and may take over the State's program. This would then mean that Federal inspectors would be required to inspect in those programs so that the products may be sold.

Since this HACCP was installed, requiring the State inspection systems for them to continue to get funding, I feel that States should be awarded the opportunity to ship in interstate commerce if they so desire. It would not be a program that everyone would necessarily have to participate in but could be available for those qualified and willing to follow the regulations set down by the USDA and State officials.

Secretary Glickman was asked about interstate shipment at our convention in Louisville, Kentucky, several years ago and he said that it could not happen unless the HACCP system was implemented and in place. Now that system is in place and operating.

I have been asked why my plant never went Federal for inspection and there are several reasons. In the early years, in 1967 when the Wholesome Meat Act was enacted, we were busy with doing custom processing. Over the years, this has changed. Now there are fewer farms with livestock and the larger feeders direct their livestock to larger packers away from our facilities. We also felt that the Federal system did not want to hassle with small facilities due to the lack of personnel and necessary funding to pay for added inspectors.

Today, we still wonder if the system wants small plants. Illinois has nine State plants that have applied for Federal inspection and 12 more are in the process of looking into it and going Federal. Currently, none of these have received a response from the circuit supervisor, and that was as of last week. I even had a Federally-inspected plant operator tell me that his inspector told him he wished this bill would pass so that they could give the smaller plant back to the State. This would allow the Federal inspectors to concentrate on the larger facilities.

Another reason is the method of communications the State uses to solve problems. We do not have the pile of red tape to work through to solve a problem. Just a few phone calls and the problem can be solved. We also have heard of the horror stories that the larger plants have for trying to get something solved on the Federal system and it can be a real task to accomplish something.

In our plant, we also process and inspect exotic animals. These are inspected and can be shipped anywhere in the world and across the State lines. However, beef, pork, and lamb are restricted by the inspection system. Our exotics are inspected the same ways by the same inspector and we just have never figured out why.

This is not a food safety issue. It is an economic issue concerning small State-inspected operations and they need a chance to expand our market base, move freely in interstate trade. The passage of legislation will not lower the quality of inspection but will enhance the quality of products available to the customer. We have customers waiting for our products but we cannot ship over that interstate fence and it is a bill that is really needed.

Once again, I ask you to look favorably upon this bill. It is needed, wanted, and now is the time for the processors in these States to kind of get some compensation for their efforts. Please vote yes, and I sure appreciate the opportunity to talk to you today.

The CHAIRMAN. Thank you very much, Mr. Eickman. We appreciate your testimony.

[The prepared statement of Mr. Eickman can be found in the appendix on page 63.]

Ms. Heikens.

STATEMENT OF JOLENE HEIKENS, TRIPLE T COUNTRY MEATS, REPRESENTING THE AMERICAN ASSOCIATION OF MEAT PROCESSORS, THE IOWA ASSOCIATION OF MEAT PROCESSORS, AND 18 OTHER STATE MEAT PROCESSING ASSOCIATIONS, WELLSBURG, IA

Ms. HEIKENS. My name is Jolene Heikens and I am from Wellsburg, Iowa. My husband and I own and operate Triple T Country Meats. I am here today representing the Iowa Meat Processors Association and the American Association of Meat Processors.

Currently, State-inspected meat plants can only sell their products inside their own State. We feel our businesses are being discriminated against for no apparent reason. Last year, our business had no choice but to turn down the largest beef order we have ever received because we could not cross State lines. Is the consistency there when I can sell a State-inspected buffalo, deer, ostrich, emu,

or elk all over the United States and the State-inspected beef and pork have to be sold within the State?

What is so special about beef or pork that they get a mandatory free inspection? I can literally watch beef be State-inspected the exact same way as a buffalo or any of the above-mentioned animals and they could be marketed through the United States. Why should these animals be governed under different rules? Are we not as concerned about products made from these animals as we are with our beef and pork products?

Interstate shipment is not a food safety issue. This is about placing marketing restrictions on State plants who are enforcing Federal regulations. Our State has spent hours educating processors with the help of Dr. Joe Cordray, an Iowa State University meat specialist. The Iowa Department of Economic Development, the Iowa Meat Processors Association, and Mike Mamminga are just a few that have supported this effort to help implement HACCP.

Communication between plant owners and our State inspection people have been a key component to the success of our State inspection program. The ease of communication between State inspection personnel and plant owners is something I probably did not realize the benefits of or the importance until I was faced with the frustration of wanting to expand. I had no choice but to look at the Federal level because I had possible clientele out of State.

After 2-years of working on writing a business plan and applying for several loans and grants, I came to the point of being ready to begin building. So I called the Federal office in Des Moines and I asked for an appointment to jointly look at our plans for our new facility. I was told that would make them a consultant and they were not allowed to do that. They would come after the plant had been built and ready to open. Then I would be made aware of any deficiencies that needed my attention. My goal here was to prevent any problems that could arise after construction had become, and I certainly do not want to be made aware of my deficiencies when I am about ready to open a new facility.

I guess I am back to the ease of communication. I do not mean easier terms of inspection purposes. I am talking about an inspection service that is available not just to regulate but who tries to participate and provide direction.

We are running a market-driven business which the State inspection programs seem to have a much better understanding of because they not only want to make sure our meat products are safe to the consumer, State inspection is there to help and provide answers and direction in a timely fashion.

In closing, I just simply cannot fathom why interstate shipment should even be an issue. Our plants are enforcing Federal regulations and we have done everything that we have been mandated to do. There should not have to be frustrating in wanting to expand to small business, especially when my guidelines and regulations are equal to, and in some cases better than those regulated in Federal facilities.

Therefore, I cannot find any valid reasons or laws that should prevent interstate shipment of meat and poultry products. Thank you for your time. And I am a Hawkeye and a Cyclone.

[Laughter.]

The CHAIRMAN. I understand.

[The prepared statement of Ms. Heikens can be found in the appendix on page 68.]

It is my privilege to introduce now a Hoosier, so it turns up in the batting order.

[Laughter.]

I wanted to take this occasion of introducing Harry Pearson, President of the Indiana Farm Bureau, to congratulate him on presiding over the publication of a remarkable history, 80-year history of Indiana Farm Bureau, which we just received and enjoyed enormously. It is good to have you, Harry, and please testify.

STATEMENT OF HARRY PEARSON, PRESIDENT, INDIANA FARM BUREAU, REPRESENTING THE AMERICAN FARM BUREAU FEDERATION, INDIANAPOLIS, IN

Mr. PEARSON. Thank you very much, Chairman Lugar. It is certainly a pleasure to be here this morning and we appreciate you holding this hearing. I tried to summarize my comments a little bit in comparison to those that have been presented.

I am Harry Pearson, the President of the Indiana Farm Bureau, and I live on a farm and farm in partnership with my brother and our family. The American Farm Bureau certainly appreciates the opportunity to make comments regarding the interstate shipment of State-inspected meat. This is an issue of great importance to our farmers and ranchers all across the country.

We strongly support efforts to align and implement meat and poultry inspection laws that would allow these products under both Federal and State programs to be distributed in interstate commerce. The mission of the Food Safety Inspection Service is to provide appropriate regulatory safeguards and services to ensure that all meat, lamb, and poultry products for interstate shipment or foreign commerce meet food safety standards.

As State and Federal budgets become more and more limited, it seems that the time is right for increased coordination between State and Federal meat inspection programs. Many times, the products inspected in a State-inspected facility are small-volume specialty products, and quite often, those items prepared by the small operators are not always economically feasible for large-volume operators. The ability to ship interstate could benefit livestock producers, small processors, and consumers, and at the same time stimulate economic development in rural communities.

As has been mentioned earlier, the four major packers account for more than 80-percent of the fed cattle slaughter. Fifteen-years ago, large packing houses only accounted for about 36-percent of that volume. Farm Bureau members believe that competitive pricing activities of the livestock industry have been reduced due to the high concentration of processing by the four major packers. Allowing State-inspected meats from small and mid-sized processing plants to move interstate gives them additional opportunities to expand their business.

In 1996, the USDA Packer Concentration Panel determined that allowing interstate shipment of State-inspected meats would provide additional competition in the marketplace. The Farm Bureau has worked diligently for the passage of NAFTA and GATT and

that same type of effort is being applied toward the passage of permanent normal trade relations with China. World trade opportunities also increase our opportunities as we open new markets.

We strongly believe in food safety and maintaining the highest level of consumer confidence in our food safety. As has already been mentioned, however, this debate is not about food safety but is about our own U.S. processors having the access to our U.S. markets on terms that are no more restrictive than those that foreign exporters must meet.

Several years ago, we supported and worked closely with Congress and the administration to pass the HACCP system into law. HACCP is now fully implemented, with every meat processing plant in this country operating under this scientifically-based process. It is now time to further the coordination in meat inspection and to incorporate interstate commerce for State-inspected meats.

There is support from several individuals in our State regarding S. 1988 and they are all supportive of its passage. These individuals include our State veterinarian, Dr. Brett Marsh, representatives from the State Board of Animal Health, Dr. Paul Dieterlin, Administrator of the Indiana Meat Inspection Program, and Mr. Jim Rihm, President of the Indiana Meat Packers and Processors Association. Indiana has 101 State-inspected plants and Mr. Rihm believes this legislation will help the small packer to better compete in the specialty meats products market.

I talked to a producer, a young producer by the name of Greg Gunther, who also served on the Small Farm Commission that was appointed by Secretary Glickman. He lives eight miles from a State line and he has developed a niche market with specialty products, but he has to go out of State to a Federally-inspected plant to get his hogs processed and then take those to Chicago. He also does some work with the State-inspected plant but cannot move those products across the State lines and estimated that, conservatively, that it has cost him about $20,000 in income just because he has to go out of State to get that inspection done.

The American Farm Bureau Federation encourages Congress to support and pass S. 1988 and allow the Food and Safety Inspection Service to take the necessary steps to facilitate the movement of State-inspected meats across State lines.

Mr. Chairman, we appreciate the opportunity to appear before you this morning and make comments.

The CHAIRMAN. Thank you very much, Mr. Pearson.

[The prepared statement of Mr. Pearson can be found in the appendix on page 70.]

Mr. Nielson.

STATEMENT OF RICHARD T. NIELSON, PRESIDENT, UTAH CATTLEMEN'S ASSOCIATION, REPRESENTING THE NATIONAL CATTLEMEN'S BEEF ASSOCIATION, SALT LAKE CITY, UT

Mr. NIELSON. Good morning, Mr. Chairman. Thank you for the invitation to be here today and the opportunity to present this testimony. I am Richard B. Nielson and I am the President of the Utah Cattlemen's Association and a board member of the National

Cattlemen's Beef Association. I come from a small farm in Central Utah that I operate with my brother and my son.

Interstate shipment of State-inspected meat is one of the top priorities of Utah Cattlemen's Association, the National Cattlemen's Beef Association, and the other producer groups represented here today. Under current law, State-inspected plants cannot ship beef, pork, lamb, or poultry across State lines. This restriction limits the ability of these plants to expand marketing opportunities and limits competition for market animals. Current law also applies unequally to different species in regards to State inspection programs. For example, based on information provided by the Agriculture Committee, there is no restriction on the interstate shipment of State-inspected bison, venison, pheasant, and ostrich.

This bill would expand interstate shipment of State-inspected meat to include beef, pork, lamb, and poultry. Meat inspection programs would enforce the same inspection laws and regulations enforced under the Federal program to create a seamless national inspection system with the States retaining the right to impose additional inspection requirements. Products inspected under this authority would be eligible for interstate shipment, export, and for use in products destined for export.

I would like to share several reasons and anecdotes as to why this legislation is justified and why the ban on interstate shipment of State-inspected meat should be eliminated.

Elimination of the ban is good for small businesses. State-inspected plants are typically family owned and operated small businesses whose growth is limited to the markets in their own State. Because their markets are limited, so is their ability to compete with large corporate processors who have a worldwide market. Removing the ban would give these businesses a substantial boost in market opportunities for their products and create additional competition in the live cattle market, which is just one facet in dealing with the issue of packer concentration.

The current ban actually favors imported meat over U.S. produced State-inspected beef. While State-inspected products are restricted from interstate commerce, meat from over 30 countries that is not directly inspected by USDA can be sold anywhere in the United States. This legislation will recognize State inspection systems that are the same as Federal requirements and allow State-inspected products to compete on an equal footing with imported products.

I would like to share with you a couple of examples of how this ban has gone awry. Tyler Meat Company of Toledo, Ohio, sold meat for 10-years to the River Cafe located on the Michigan-Ohio border. USDA ordered Tyler to stop sales to the cafe even though its kitchen was in Ohio. The cafe dining area is located in Michigan. Thus, the sale of Tyler meat was considered interstate commerce.

Another example is the Jackson Brothers Food Locker in Post, Texas. Jackson Brothers supplied beef jerky to support U.S. troops during Operation Desert Storm. They could ship their product halfway around the world to support U.S. troops, but they cannot send their product 80 miles west into New Mexico. Not only are they limited from growing their business, they are prohibited from selling their product to former Desert Storm servicemen and women

who came to like their product. It is very important to note that Jackson Brothers met the standards set by the State of Texas Department of Health Meat Inspection Service, one of the best programs in the country. The HACCP plan for their plant was in place in November of 1999, 3 months before it was required for plants of their size.

To summarize, this legislation will remove a barrier that impedes competition, stifles growth, and limits the marketing opportunities for U.S. beef. Passage of this legislation will create a tremendous opportunity for State-inspected plants and subsequently for cattle producers who market their livestock to State-inspected plants.

Our goal is a dynamic and profitable beef industry. With the growth in technology and the Internet, the world is truly our market. We have recently been informed that other groups opposing this particular bill have offered to compromise. We look forward to working with them and getting as much support for this bill as we can.

Mr. Chairman, we urge you to mark up this legislation in your committee as soon as possible and report it to the Senate floor. I want the beef industry to have the opportunity to grow by meeting the needs of our consumer and not be stifled by laws that have outgrown their use. Thank you very much.

The CHAIRMAN. Thank you very much, Mr. Nielson, for your testimony.

[The prepared statement of Mr. Nielson can be found in the appendix on page 74.]

It is a pleasure always to welcome Carol Tucker Foreman. We have talked about the history of this issue and Carol Tucker Foreman, as you know, served in the administration of President Carter. I can remember her testimony, not necessarily on this issue, but she may very well have discussed it 20-some years ago.

Ms. FOREMAN. I am really sorry to say I did.

The CHAIRMAN. Nevertheless, we look forward to your opinion today. Please continue.

STATEMENT OF CAROL TUCKER FOREMAN DISTINGUISHED FELLOW AND DIRECTOR OF THE FOOD POLICY INSTITUTE CONSUMER FEDERATION OF AMERICA, WASHINGTON, DC.

Ms. FOREMAN. Thank you, Sir. I am here representing the Consumer Federation of America, and as you pointed out, I served as Assistant Secretary of Agriculture with responsibility for meat, poultry, and egg inspection. I am also serving now as a member of the National Advisory Committee on Meat and Poultry Inspection.

All three of the consumer representatives on the Advisory Committee have endorsed S. 1988. The legislation would ensure that all meat and poultry products produced in the United States are inspected under a seamless system constituting a basic set of public health-based requirements. It would also eliminate the prohibition on shipping that meat in interstate or international commerce.

The consumer interest in S. 1988 is clear. If passed in its present form, this bill could help make meat and poultry products safer and contribute to improved public health. Pathogens do not recognize distinctions between Federal and State systems or large and

small plants. Contaminated meat is a public health threat regardless of its source and the risk of contamination should be reduced wherever they occur.

According to the Centers for Disease Control, USDA's new public health-based pathogen reduction Hazard Analysis and Critical Control Point program is successfully reducing pathogen contamination and foodborne illness. All meat and poultry plants, whether inspected by Federal or State personnel, should meet those same minimum Federal requirements. Although theoretically equal to Federal standards, State-inspected plants have too frequently operated at a lower level. The General Accounting Office and USDA's Office of Inspector General have both criticized the quality of State inspection programs. In 1996, the Wall Street Journal detailed the problems with Florida's State inspection system and quoted the head of the State inspection program acknowledging that State inspectors are more lenient on inspection than Federal inspectors would be.

Under S. 1988, State meat and poultry inspectors would enforce Federal standards. Federal inspectors would perform salmonella testing. USDA would also conduct annual compliance audits of State inspection programs. In return, the restrictions on shipment of these products would be appropriately removed.

Frankly, Mr. Chairman, consumer advocates would probably prefer a single Federal system rather than what is being suggested here today. We all have to rely on separate systems to inspect toys or airplanes or cars. We are, however, prepared to accept this legislation because we think it does set a standard for human health protection. We will have to oppose the legislation if it is altered in a manner that undercuts the public health standards.

In addition, we will be forced to oppose S. 1988 if USDA for any reason restricts its program for pathogen reduction and salmonella testing that is so basic to the new system. S. 1988 articulates USDA's ability to enforce the pathogen reduction standards in State-inspected plants. In the absence of salmonella testing, we just would not be able to judge whether State-inspected meat really is as clean and safe as Federally-inspected meat. That is why we can accept this bill now. The system has changed.

Under USDA FSIS regulations, each company gets to establish its own HACCP plan. In the absence of a Federal standard based on public health protection, that is the salmonella standard, each company would be free to establish a pathogen level based solely on its own preferences for quality and safety.

All meat and poultry products bear the seal of the U.S. Department of Agriculture. Consumers assume that mark means the product meets a standard based on public health, not marketing convenience. The salmonella standard is not unreasonable or unworkable. Over 90-percent of the companies are complying now. The success of the program is reducing foodborne pathogens and illness. It also improves public confidence in the meat supply.

Last year, beef consumption increased to the highest level in a number of years, in part because of reports that ground beef is safer than it used to be. Eliminating the salmonella performance standards and testing would endanger public health. It would also threaten public confidence in the meat supply. It would almost

surely diminish both the domestic and international market for American meat and poultry. Eliminating that salmonella standard and testing would be both bad public policy and bad business. Thank you.

The CHAIRMAN. Thank you very much, Ms. Foreman.

[The prepared statement of Ms. Foreman can be found in the appendix on page 77.]

It is a pleasure always to have Patrick Boyle, the President and CEO of the American Meat Institute. We look forward to your testimony, Mr. Boyle.

STATEMENT OF PATRICK BOYLE, PRESIDENT AND CEO, AMERICAN MEAT INSTITUTE, ARLINGTON, VA

Mr. BOYLE. Thank you very much, Mr. Chairman. It is always a pleasure to appear before this committee.

AMI has long opposed a blanket lifting of the current prohibition against interstate shipment of State-inspected meat and poultry. This policy stems from our firm belief in the need for a single uniform system for oversight of this nation's meat and poultry industry, whether that system is administered by USDA or by State inspection programs in the State Departments of Agriculture.

Currently, we believe there are actually 26 different meat and poultry inspection programs in the U.S., one Federal program covering 6,000 plants in 50 States plus 25 different State programs covering an additional 3,000 plants. AMI would like to see a single food safety oversight program for all 9,000 of these plants in all 50 States and would support a bill that achieves that objective.

This desire for a uniform system was also in the minds of those who cosponsor S. 1988 and in the minds of the Department of Agriculture, which developed a white paper in both 1998 and 1999. Both documents outline the elements necessary for creating a more uniform system than we have in place today.

I believe one clear outcome of the many discussions and public hearings held on this issue over the past 4-years, at least the past 4-years, is the strong message that greater uniformity is required before we can contemplate interstate shipment of State-inspected meat and poultry products. While AMI commends Senators Hatch and Daschle and their cosponsors for introducing the bill, AMI member companies remain concerned about various provisions of the bill, all of which, by the way, fall short of achieving national uniformity.

For example, to create a truly uniform system, AMI members believe that the current bill must incorporate references to the many FSIS notices, directives, and other policy memoranda that, while not Federal regulations, they do constitute the day-to-day details of the system under which Federal plants currently operate. To be truly uniform, State plants must meet these same requirements and the bill should explicitly state so, especially since USDA testified earlier today in response to one of your questions, Mr. Chairman, that is indeed their intent.

Also to be truly uniform, we believe States should not be permitted to set regulatory requirements that are different from or in addition to the Federal requirements. Every plant, Federal or

State-inspected, should be subject to the same identical requirements.

Also, national uniformity should also be exercised with respect to the thresholds for entry into a State inspection program. The current bill would let each of the 25 States set its own threshold. AMI believes there should be a uniform standard of eligibility for a plant to enter a State inspection program.

At this time, AMI remains opposed to S. 1988 unless these and other areas can be addressed. In that regard, however, I am pleased to say that we have had some very productive discussions with officials from NASDA, including Commissioner Dailey, prior to this hearing today, and based upon those conversations, I am hopeful that we will be able to work with them, with this committee, Mr. Chairman, the sponsors of the bill, and the Department of Agriculture and the other interested parties to achieve a consensus bill, a true consensus bill which replaces the 26 different inspection systems with a single uniform meat and poultry inspection system for all of the 9,000 plants in this country. Thank you very much.

The CHAIRMAN. Thank you very much, Mr. Boyle, for your testimony.

[The prepared statement of Mr. Boyle can be found in the appendix on page 82.]

Before I ask questions of the panel, let me just indicate that I have asked the Agriculture Committee staff to convene a meeting next week of the major parties involved, all of which are represented here today and maybe some others who may have been stimulated by the hearing, to try to work through differences that may be here. Some of these are apparent from the testimony you have given, but there also is a spirit, at least that I sense, of people already convening and conversing and coming reasonably close.

I never want to predict in advance consensus before it occurs, and this committee attempts to obtain that so that we have the strongest support of our committee members when we go to the floor and have some prospects for success of the bills that we report, but I do sense that there is a constructive spirit here. It is one that I would like to promote, and so I simply mention that as early as next week, we will be coming to grips really with the issues that have been developed today, the nuances some of you have mentioned. Some of you have supported the bill with reservations and suggested if some things happen, you will not support it, and others have suggested that you are still attempting to come to consensus.

Let me just ask for a moment, what barriers hinder State-inspected plants from shifting to Federal inspections now? Are there barriers that we ought to be considering that are out there that make a difference as we look at this legislation, or is this a significant factor? Yes, Mr. Dailey?

Mr. DAILEY. Mr. Chairman, I think there are three reasons that we hear people saying they do not want to switch to Federal. One is facilities. Many times the USDA, when they look at the engineering and design plans, as you heard here, they would require something that does not relate to food safety. For example, many of the old plants and even the Federal plants that were grandfathered in had three-inch drain tiles. Now they have to have four-inch drain

tiles. It is really not a food safety issue, but it is a very expensive item if you have to switch to do that.

Another issue is the communications and bureaucracy. People indicate, if I have to deal with a bureaucracy, I would rather deal with a bureaucracy in Indianapolis or Columbus rather than Washington, DC.

The third area, and all of these relate to economics, is the overtime pay. As I mentioned, 8 hours a day is provided free 40 days a week [sic], but if it happens to be a holiday, if it happens to be a weekend, and we do maintain a great degree of flexibility with our local plants, then they are required to pay much more in per hour charge than what they would at the State level.

The CHAIRMAN. I think those are important distinctions. Does anyone else want to add to that part of the record?

[No response.]

Let me ask, then, a concern that has been raised is the need for national uniformity with the Federal inspection system and two specific points have been mentioned, whether States should be able to set regulatory requirements and whether States should be allowed to determine what size plants may participate in a State inspection program. Does anyone have a comment on those points?

Mr. BOYLE. I addressed those two in my testimony, Mr. Chairman, and just to reiterate, it is our view if we are going to have a truly uniform system that the State requirements should match the Federal requirements and vice versa. Allowing the States to have authority to set additional requirements on its face contradicts what I think is the overall objective here of national uniformity.

The CHAIRMAN. I recall your making those points and I appreciate your mentioning them. What is the response of other members of the panel? For instance, on the second point, this sometimes arises in issues before this committee. The States come in and say, well, we are not satisfied with the level of what the Federal people are leaving. We have some constituents who want something extra special on top of this. So then many people from the food industry come in and say, well, sort of like the Grocery Manufacturers amendment comes up from time to time and the idea for preemptive Federal authority so that you do not have a piling on of additional authorities in an interstate system of distribution. Is that applicable to this problem, Ms. Foreman?

Ms. FOREMAN. I am going to respond here on promoting what the Department of Agriculture said this morning in their testimony, that none of these additional requirements could be imposed on product coming into this State, any particular State, as opposed to those originating in the State and under State inspection. So I do not think you do have that problem of piling on. It is particularly what a State wants to accomplish for itself. Consumer advocates always believe that standards are minimum and that people who want to add to them should be allowed to do so.

The CHAIRMAN. Is that everybody else's understanding of how this would work out?

Mr. DAILEY. Mr. Chairman, I do not want to monopolize the microphone, but let me say that we have been doing salmonella testing for 12-years, long before the USDA mandated we do sal-

monella testing. Last year in Ohio, we had 15-human and fetal deaths from listeria monocytogenes in meat products that happened to be Federally inspected. I think it is—and there may be new bacteria or different pathogens that we do not know about in the future. But our goal is to develop this seamless system and I think we ought to work towards that.

The CHAIRMAN. Let me ask, on the affirmative side, the suggestion has been made if we move toward this legislation, it will increase sales, that this will be good for the business. Has anybody done a study or have any idea of quantifying how much good? In other words, is this a philosophical distinction without any commercial effect or do you anticipate that volume and profits will increase? Yes, Mr. Nielson?

Mr. NIELSON. Mr. Chairman, I would like to respond to that in what it would do for cattle producers in the country. If we take an animal to a livestock auction and there are two or three small plant owners there to bid on that animal as well as some of the big operators, my cow brings more money. So it is an economic benefit to those of us who produce cattle and animals, and that is the group I represent. But I can assure you, as a person who goes to an auction, going every week, I know how the system works and competition is where it is at, Sir.

The CHAIRMAN. That consideration comes before the Committee frequently these days and so your testimony is that it enhances the markets available to cattle producers.

Mr. NIELSON. Certainly.

The CHAIRMAN. Mr. Pearson.

Mr. PEARSON. Mr. Chairman, I talked to three or four small producers that are looking at ways to develop niche markets with their animals from the farm, and I mentioned the one, but normally, they are going to be able to align themselves with a smaller processor much more easily than they can with a Federally-inspected plant, and one of them in particular had been the Federal plant and that plant closed down and basically put him out of business because he could not get at point anyplace else and cross State lines.

The other one I mentioned, he is taking product into Chicago that is costing him considerably more because he has to go out of State to a Federally-inspected plant, which is still twice as far away from him as a small State-inspected plant. So for the people that are really looking at ways to develop branded products, and we see more individuals, small producers, trying to do that, they can do that more easily with the small plants that are close to them and even have a branded product that they are looking for to really track that product all the way to their final consumer.

The CHAIRMAN. I thank each one of you for your individual testimony. As I mentioned before, your full statements will be a part of the record, but the oral statements you have made, I think have been very helpful in delineating the issues, and your spirit of being willing to continue to converse likewise is very encouraging. We will try to proceed with that good will in mind with the meetings that commence next week.

We thank you for coming today and participating in this hearing and the hearing is now adjourned.

[Whereupon, at 12:05 p.m., the Committee was adjourned.]

APPENDIX

April 6, 2000

Opening Statement by

Chairman Richard G. Lugar

United States Senator for Indiana

April 6, 2000

The Committee is holding this hearing today to review interstate shipment of state-inspected meat and poultry.

This is not a new issue. Small plants that have operated under state inspection programs have long advocated interstate shipment of state-inspected meat and poultry. Plants located near the border with another state have been particularly supportive of this change because of the potential for increased markets for their products. Producers have been supportive because of the potential for additional markets for their livestock and poultry.

At the end of last year's session, Senators Daschle and Hatch introduced legislation (S. 1988) which would permit interstate shipment of state-inspected meat and poultry. This legislation was based on a concept paper developed by the U.S. Department of Agriculture and endorsed by the National Advisory Committee for Meat and Poultry Inspection.

We have the opportunity today before this Committee to hear of support for this legislation and to air any concerns about this approach to allow interstate shipment of state-inspected meat and poultry. We will receive testimony from Senator Hatch, an advocate of interstate shipment of state inspected meat and poultry. We are also pleased to hear the U.S. Department of Agriculture's perspective from Deputy Secretary Rominger. Finally, a panel of witnesses will testify including representatives of the State Departments of Agriculture, producer groups, meat processors, and consumers. I offer a special welcome to a fellow Hoosier, Harry Pearson, representing the American Farm Bureau Federation.

We welcome all witnesses and look forward to receiving their testimony.

# # #

Statement by Senator Pat Roberts
on S. 1988,
The New Markets for State Inspected Meat Act
Senate Committee on Agriculture
April 6, 2000

Mr. Chairman, I want to thank you for holding this hearing today on S. 1988, the New Markets for State Inspected Meat Act. I am pleased to be a cosponsor of this legislation, and I thank Senators Hatch and Daschle for their hard work in this area.

Mr. Chairman, I have always been a strong supporter of efforts to allow the interstate shipment of state inspected meat. I am well aware that some interests have concerns with these efforts, but let me tell you why this issue is terribly important to my state of Kansas.

In Kansas we have 110 plants that are state inspected. These are not large plants. Rather, they are "mom and pop" operations that often play a small but albeit important economic role in their local communities. Many of these facilities want to grow and expand the marketing opportunities available to them and the producers they

serve. As an example, Halls Meat Processing in Sabetha, Kansas, recently won a national award for their beef jerkey. They have received inquiries from across the country for their product, but Halls Meat cannot pursue these opportunities because they cannot ship their product across state lines. I strongly believe we should not have in place federal restrictions that prohibit these small processors from pursuing expanded marketing opportunities.

Mr. Chairman, I also want to point out that we have been hearing quite a bit lately regarding those who believe concentration is prevalent in agriculture. These state inspected facilities do not make up a large percentage of the industry, but by allowing them to ship meat across state lines and compete for new business, we are certainly providing an opportunity for these local, mom and pop businesses to compete. I think this is a goal we all strive to achieve.

I thank the Chairman for this hearing today. This legislation is important to producers in Kansas. And, I am hopeful we can move this bill through Committee soon after this hearing. I urge my colleagues to lend their support to this legislation.

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

Statement of Richard Rominger
Deputy Secretary of Agriculture
United States Department of Agriculture

Before the Senate Committee on Agriculture, Nutrition and Forestry

April 6, 2000

Mr. Chairman and Members of the Committee, I am pleased to appear before you today to discuss S. 1988, that closely tracks the Administration's legislative proposal to remove the statutory prohibitions on the interstate shipment of State-inspected meat and poultry products, introduced by Senators Daschle and Hatch last year. In addition to Senators Daschle and Hatch, I would like to thank the ever-increasing bipartisan group of Senators who have cosponsored this legislation, known as *The New Markets for State-Inspected Meat Act of 1999.* As the former head of the California Department of Food and Agriculture, I am pleased that we have finally come up with a solution that is fair to States, fair to small producers, and fair to consumers.

With me today are Deputy Under Secretary for Food Safety Caren A. Wilcox and Associate Administrator for the Food Safety and Inspection Service Margaret O'K. Glavin, who have worked diligently with all stakeholders to resolve the interstate shipment issue.

The bill before us today solves the perennial question of how to level the playing field for the small and very small State-inspected meat and poultry processing plants, allowing them to reach markets across State lines. The bill finds the right balance – providing packers with the access to

AN EQUAL OPPORTUNITY EMPLOYER

compete in new markets; ensuring the necessary Federal oversight to guarantee consumers and our trading partners of the integrity of a seamless national inspection system; and maintaining the identity of State inspection programs.

The genesis of this bill was a public meeting the Department's Food Safety and Inspection Service (FSIS) held in June 1997, in Sioux Falls, South Dakota, at the request of Senator Daschle. The meeting initiated a consensus approach towards achieving interstate shipment for State products. Subsequently, the Agency shared with our National Advisory Committee on Meat and Poultry Inspection a concept paper on interstate shipment. Ultimately, the Committee, composed of consumer, State, and industry representatives, endorsed this carefully balanced concept as a basis for legislation. When Senator Hatch requested a report on recommendations for lifting the ban on interstate shipment last year, I was pleased to forward the Administration's legislative proposal.

The linchpin of this bill is the provision that States will adopt and enforce Federal inspection statutes and regulations. Inspected and passed State products will bear a Federal mark of inspection, making it crystal clear, wherever these products move in commerce, their safety and wholesomeness is assured by the United States Government.

In addition, States will continue to be allowed to use their State mark of inspection. They will also continue to be allowed to impose additional requirements on plants voluntarily opting for State inspection. But, States cannot impose these requirements on or interfere with the free movement of product originating from Federal or another State's plants.

Before State-inspected plants can ship interstate, USDA will first conduct comprehensive reviews of all State programs, and confirm that all recommendations from the reviews have been implemented. Annual comprehensive reviews will continue to verify that States are fully enforcing Federal inspection requirements.

Under the Hazard Analysis and Critical Control Point (HACCP) inspection system now in place, the nation's food supply is safer than ever. We have seen the overall prevalence of *Salmonella* in broilers, swine, ground beef, and ground turkey drop, and for some species by as much as 50 percent. To strengthen the seamlessness of the national inspection program, under S. 1988, all *Salmonella* performance standard samples for products eligible for a Federal mark-of-inspection, whether produced in a Federal or State establishment, will be collected by the Department and analyzed in our laboratories. This will also give consumers confidence in Federal oversight of the system.

The time is ripe for S. 1988 with the final implementation of HACCP in January of this year. The approximately 2,300 State plants have adapted to the HACCP system very successfully, and are producing safe and wholesome product under this new system of inspection. With the carefully planned, in-depth reviews, the confidence will be there, among consumers, industry, the States, and the Department, to remove the inequity and allow State-inspected plants to ship their products interstate under the provisions of this bill.

We have 25 great State partners that have developed programs with the expertise to best provide inspection for their small and very small State plants. These States are illustrated on the chart I brought with me today. USDA wants to strengthen its relationship with the State programs and ensure their viability. In fact, we want to encourage more States to implement their own programs. To this end, the bill calls for raising the Federal reimbursement to up to 60 percent of the cost of operating a State program. Currently, FSIS will reimburse a State for only up to 50 percent of its program's cost. Additionally, since these are voluntary programs on the State's part and a State's resources are not inexhaustible, States should be permitted to limit the size of plants that are eligible for State inspection. This bill allows for that.

The very small plants who produce specialty, niche market products, such as award-winning Kansas beef jerky from Heideman's Smokehouse, sausage from Manley Meats in Indiana, and maple cured product from M&J Jerky in Vermont, are winners with the passage of S. 1988. Interstate shipment will allow these State plants to reach new markets and to engage in new and innovative methods of marketing, such as mail order and e-commerce over the internet. This bill will allow these plants to better compete on a level playing field with plants that are federally-inspected.

The consumer is also a big winner here. Consumers would be able to enjoy a greater variety of safe meat and poultry products, like those I mentioned previously. With the current prohibition in place, you or I, here in Washington, cannot enjoy the many specialty products produced under State-inspection. However, once S. 1988 passes and becomes law, not only would every American be able to enjoy this and other State-inspected products, but people from around the

world would be able to enjoy these products since they would be eligible for export. And, they will be able to do so with the assurance provided by the USDA mark of inspection.

Small producers will also win. They will have more local plant options for delivering their animals. In some regions, small farmers and ranchers have to transport their animals over long distances.

Even federally inspected plants will benefit because they are often suppliers to small and very small State plants that buy and add value to their products.

The Federal program and the State programs are winners too. Greater coordination between the Federal program and the State programs will ensure the consistent application of policy and enforcement. Importantly, the higher degree of coordination will ensure expertise will flow both ways, maximizing the use of the talents available in a national inspection system.

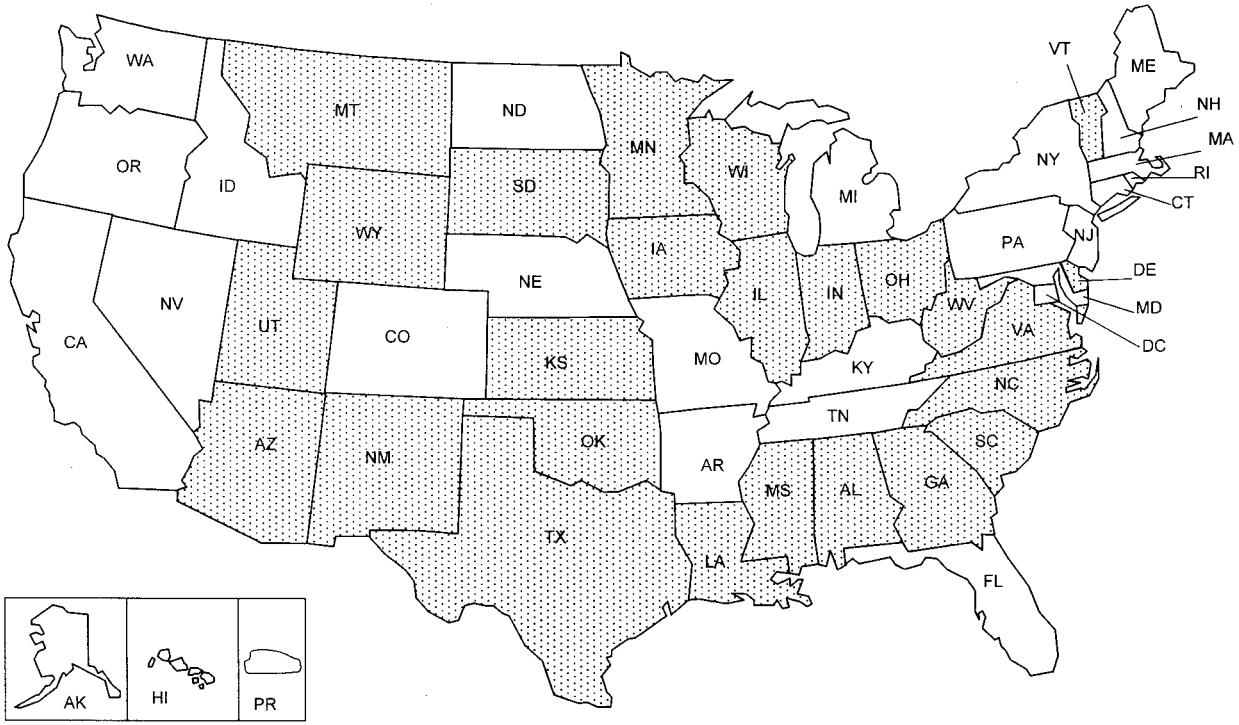
The interstate shipment debate has gone on long enough. Back in the early 1980s, when Senators Daschle, Dorgan, and Roberts, were Members with Secretary Glickman on the House Committee on Agriculture, then-House Subcommittee Chairman Harkin held hearings on this subject. And, this was a decade after the debate on this issue had begun!

Now the time is ripe. HACCP has been successfully implemented. A consensus has been forged. A balanced bill – addressing concerns of processors, consumers, State regulatory

authorities, USDA, and the industry – has been introduced. It is time to pass an interstate shipment bill – this bill.

Mr. Chairman, thank you for the opportunity to appear before you this morning. I look forward to working with you in passing S. 1988 and moving to a seamless, national food safety system. I and my colleagues would be more than happy to answer any questions you or other Members of the Committee may have.

State Meat and Poultry Inspection Programs



OPENING STATEMENT OF TOM HARKIN
RANKING MEMBER
SENATE AGRICULTURE, NUTRITION, AND FORESTRY COMMITTEE
APRIL 6, 2000
INTERSTATE SHIPMENT OF STATE-INSPECTED MEAT

Thank you, Mr. Chairman, and thank you for calling today's hearing on interstate Shipment of state inspected meat and S. 1988, The New Markets for State-Inspected Products Act of 2000 introduced by Senator's Daschle and Hatch. I commend the Minority Leader and Senator Hatch for their leadership on this issue and for crafting a bill that has garnered widespread support from all sides.

Those of you who have been involved in this issue as long as I have may share my amazement that we actually have before us a food safety bill that enjoys wide support in Congress and from the Administration, consumers, and industry. Especially given the contentious nature in the past of this debate, I am very proud to be an original co-sponsor of this bill and hope that we will be able to move it to the floor of the Senate quickly for a vote.

I would like to extend a special welcome to Jolene Heikens of Triple T Meats in Wellsburg, Iowa. Jolene has come to Washington today to share her perspectives on S. 1988, and to explain why it is so important for small meat and poultry processors. I should note that Jolene and her husband, Greg, actually rescheduled closing on the financing of a new plant they are building in order to be here today. I know that the members of this Committee appreciate and thank her and her husband for their efforts. I look forward to hearing her testimony.

Iowa currently has 110 small, state-inspected plants that might benefit from passage of S. 1988. For some plant owners such as Jolene, S. 1988 would provide more options in expanding operations. Others, like Jim Kerns of Edgewood Locker in Edgewood, Iowa live close to the Minnesota, Wisconsin, or Illinois borders of Iowa, and could easily take advantage of interstate markets.

The Kerns family has recently built a very modern meat processing plant in Edgewood, and have a very good project going with the Delaware County Pork Producers, slaughtering and processing value-added pork products. The project is limited right now to Iowa commerce because of current federal law.

Bill Dayton of Dayton Meat Products in Malcolm, Iowa has a plant right on Interstate 80 in eastern Iowa. Dayton Meat is well-positioned to sell their products east into Illinois. The Dayton's are also interested in mail order and Internet sales, both of which are limited to intrastate commerce because of current federal law.

Preston Meats, Inc. is in Preston, Iowa. Joe Kilburg, his parents, and Allen Bormann have expanded the Preston Meats business to become the largest-volume plant under Iowa state inspection. It distributes meat and poultry products up and down the eastern part of Iowa. They

distribute federally-inspected products in adjoining states, but may not sell any of the meat and poultry products they process outside of Iowa, due to current federal law.

These are just a few of the progressive small and family businesses that stand to benefit from passage of S. 1988. You all know that rural America is in serious trouble. This bill gives small businesses new opportunities to take advantage of value-added agriculture. This bill is needed.

I think it is worth noting that one reason I support this bill when I have not supported past bills has been the strong record of USDA on food safety under this Administration. Implementation of USDA's 1996 Hazard Analysis and Critical Control Points (HACCP) rule, including microbial performance standards, has provided new public confidence in our food safety system.

As many of you know, the underpinnings of this confidence are now under attack in Federal court in Texas where USDA's authority to take action to reduce microbial contamination of meat and poultry has been questioned. If the District Court were to strike down USDA's authority to mandate microbial performance standards, I believe an important an important part of our food safety system would be jeopardized. I think that would lead to difficulty in passing this bill.

In that situation, I would hope I could count on members of this Committee and the co-sponsors of this legislation to work with me to be sure that the Senate does everything it can to ensure that we protect the gains that have been made in food safety with USDA's HACCP rule and its microbial performance standards.

In closing, I look forward to hearing from our witnesses today, and I hope that we will be able to pass this legislation this year.

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POSITION STATEMENT

Testimony of

Fred L. Dailey, Director
Ohio Department of Agriculture

on behalf of the

National Association of State Departments of Agriculture

before the

Committee on Agriculture, Nutrition and Forestry
United States Senate

April 6, 2000

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Testimony of
Fred L. Dailey, Director
Ohio Department of Agriculture
on behalf of the
National Association of State Departments of Agriculture
before the
Committee on Agriculture, Nutrition and Forestry
United States Senate
April 6, 2000

Re: S 1988, New Markets for State-Inspected Meat Act

Mr. Chairman and members of the Committee, I am Fred L. Dailey, Director of the Ohio Department of Agriculture. I currently serve as President of the National Association of State Departments of Agriculture, NASDA. I am also responsible for a state meat and poultry inspection program which oversees 215 establishments. I am accompanied this morning by Dr. Lee Jan, Director of the Meat Safety Assurance Division of the Texas Department of Health. Dr. Jan is President of the National Association of State Meat and Food Inspection Directors (NASMFID). We thank you for the opportunity to appear before the Committee this morning.

NASDA represents the 50 state and 4 U.S. territorial departments of agriculture. I am here on behalf of all the states, but in particular, the 25 states which have meat and poultry inspection programs, to support the approach embodied in S. 1988, the New Markets for State-Inspected Meat Act, which would lift the unfair ban on interstate shipment of meat and poultry products that have been inspected and approved under state inspection programs. This is a subject of extreme importance to the states and thousands of small business operators, farmers and ranchers. The reasons to act are clear, simple, and compelling.

To put this issue in its proper context, you need to understand the current operating relationship between state and federal inspection programs. Under the Federal Meat Inspection Act (FMIA) and the Poultry Products Inspection Act (PPIA), the state-federal cooperative inspection program was established which requires that state inspection programs be "at least equal to" the federal inspection program. Both Acts give the USDA clear responsibility for setting a national standard for meat and poultry inspection. USDA is required to monitor state programs and to assume direct responsibility at state plants when a state fails to develop or effectively enforce inspection requirements that are "at least equal to" federal requirements. At the end of my statement, I have provided the committee with an appendix which includes a detailed explanation of the annual process USDA's Food Safety and Inspection Service (FSIS) has developed to review and certify state programs to be "at least equal to" federal inspection (FSIS Directive 5720.2). The key point to remember is that in the entire history of the state-federal cooperative inspection program, USDA has never unilaterally found that a state inspection program should be discontinued because of deficiencies. That is why we have never viewed the question of removing the ban on interstate shipment as a food safety issue, rather an economic one.

Some of you may wonder why twenty five (25) states have their own meat inspection programs. Who are we serving? Why does Ohio operate an inspection program? Why did Minnesota, just last year begin a state inspection program? Why has North Dakota's legislature just authorized that state to start up a program? Why doesn't a plant simply apply for federal inspection, especially if the differences between state and federal inspection aren't that significant anymore?

The mission of state meat and poultry inspection programs is to provide consumers with a wholesome, unadulterated product that is properly labeled and safe. The state programs are desirable to the industry and state government alike because we are geared to regulating small- and medium-sized businesses. State inspection personnel are generally more accessible and more flexible in providing inspection resources that are geared to the needs and timing of small plants that are not running three production shifts, five days a week. The state programs also provide practical information and technical assistance. They are geared to working with and supporting businesses that cannot afford to employ a scientific staff or attorneys to sort through regulations searching for answers. In many cases, fees for overtime inspection (weekends, holidays, or over eight hours in a day) are much more affordable ($18/hour, state verses $47/hour, federal, in Ohio). We provide a direct line of information sharing and decision making that is accessible to small businesses much more easily than the multi-layered chain of command and the frequently adversarial attitude of the large federal system. So, there is definitely a need for existing state inspection programs to continue and that if this legislation passes, you most likely will see more states begin programs.

Now, the question before you this morning is whether it is time to create a level economic playing field and provide the same opportunities for all meat and poultry processors — both large and small — or to continue the government-sanctioned economic advantage for large corporations and foreign competitors at the expense of U.S. small business owners and operators.

As I was preparing my testimony for this hearing, I re-read the testimony I gave to a House Agriculture subcommittee on this same subject back in 1996, almost four years ago. I found myself thinking back to those days in 1996 and wondering how many small meat processors are no longer in business today because Congress failed to act back then. In Ohio, I know we have lost 41 small plants during that time. I wondered how many small cattle ranchers and hog farmers have been forced to quit because they couldn't find a market for their livestock which would pay them a fair price. I wondered how their situation might be different if we had a more vigorous and competitive small meat processing sector to offer them more choices and better opportunities for price discovery. The sad reality is that the loss of many of these small, mostly rural businesses and the jobs and economic activity they created could have been prevented if Congress would have allowed them the same access to the marketplace that is given to large packing conglomerates and foreign competitors.

Mr. Chairman, quite a lot has NOT changed since that 1996 hearing, yet quite a lot HAS changed. And that presents us with a new opportunity, which is why I am here today, and why NASDA hopes this committee, and ultimately the Congress, will act.

Let me first tell you what has NOT changed over the years and why this issue is so important to state departments of agriculture and the constituents we serve.

Most importantly, small meat processors that are under state inspection are still denied many opportunities to sell their products because they do not have full access to the United States marketplace. Many of these small, state-inspected companies make and market speciality products like sausages, bratwurst, jerky, and ethnic meat products which are not cost effective product lines for large operations, but for which there is clearly a demand. Today, many consumers do not have access to the full selection of these delicious, innovative products created by small companies. Repealing the ban would provide consumers with more choices in the supermarkets and convenience stores.

It has always struck us as both unfair and illogical to say that consumers in one state may enjoy a meat product while consumers in another state cannot eat that same product. I chose the words "meat product" carefully, because meat and poultry are the ONLY food products subject to this illogical ban. Milk, cheese, ice cream, even buffalo jerky are all inspected under state programs and can move freely across state lines and be enjoyed by ALL consumers. Why not meat and poultry products? In fact, the buffalo jerky illustrates the absurdity of the current ban. The same small company which is state inspected and makes two similar jerky products, one made from beef and one made from buffalo, cannot sell the beef jerky outside of the state, but CAN sell the buffalo jerky anywhere.

Maintaining the interstate shipment ban prevents small businesses from capitalizing on other sales opportunities such as niche marketing through mail-order gift catalogs or internet sales or even serving very small communities or rural areas which straddle state boundaries. In some cases, the new opportunity could be as small as getting broader distribution of a product within a state. Some state inspected plants have delivery routes that require them to provide state inspected product to Ohio clients and also to cross state lines when they need to fill orders with federally inspected "pass through" product. We are aware of a situation where federal compliance officers issued a letter of warning to a state plant for having Ohio inspected product on their truck when it crossed the Michigan state line. The plant was told the "even if the product was not for sale in Michigan, it could not be transported across a state line." This scenario points up a real economic burden in time and delivery costs for any plant caught in this dilemma. So, even the opportunity to just "get on the distribution truck" can make a big difference to some small companies. Other opportunities could be sales to federally-inspected plants for further processing into finished products, or even exports to other countries.

In my own state of Ohio, a study conducted in 1997 by the Ohio State University College of Agriculture found that lifting the ban would create 588 new jobs and would boost our state's economy by over $56 million. I have submitted a copy of that study to the committee for the Record.

Let me also briefly share with you the results that Minnesota has experienced since beginning its

program in January, 1999. Minnesota Agriculture Commissioner Gene Hugoson reports that 30 new meat processing plants have started up. The majority of these are 5 to 10 employee operations. These are not existing small plants which switched from federal to state inspection. They are new businesses that are creating new jobs, stabilizing rural communities, and are providing new and innovative products. Let me give you two quick examples: one company is processing meat cuts and providing a fresh meat supply to approximately 130 small groceries which could not afford to hire their own meat cutters and therefore could not offer a fresh meat selection to their customers. Now these stores are more financially stable and able to offer their shoppers more choices. Another company has begun making a very innovative new alligator/pork bratwurst, which has really taken off with local consumers. I'd really like to try those brats, but right now I'd have to take a trip all the way to Minnesota to get them. I think these guys should be able to sell their product wherever they want. And the irony is that if those brats were purely alligator meat, they COULD sell them anywhere, but because they are combined with cuts of pork, they can't. It just doesn't make sense.

The second thing that hasn't changed since 1996, is the unfairness of this ban. We are only asking you to provide the same opportunity for small business owners and operators that exists for large corporations and foreign competitors. Large packing conglomerates now account for more than 82 percent of all meat processing in the United States. Lifting the unfair market restrictions imposed on state-inspected meat and poultry processors could slow the concentration in meat packing by enabling small- and mid-size processors to expand their operations and hire more employees. Also, we cannot overlook the fact that under our international trade agreements foreign meat and poultry processors today have greater market access than our own state-inspected processors. This is not only unfair, it is simply *wrong*. These trade agreements allow foreign-inspected meat to be shipped to and sold anywhere in the United States so long as that foreign inspection program is "equivalent" to U.S. federal standards – in practice, the *same* standard which state-inspection programs must meet. How can anyone justify continuing to deny small businesses in the United States the same opportunity that is given to companies in Mexico, Guatemala, Australia, and other foreign countries?

Now, let me tell you what HAS changed since 1996, and why we are optimistic that this is the year to finally end this inequity.

First, three USDA advisory committees, the Advisory Committee on Agricultural Concentration (in June, 1996), the National Commission on Small Farms (in January, 1998) and the National Advisory Committee on Meat and Poultry Inspection (in May, 1998) recommended to the Secretary that the ban on interstate shipment should be removed because it would create more opportunities for a prosperous and competitive small meat processing sector that could help sustain rural communities.

Second, state meat and poultry inspection programs and federal inspection are even more similar today than before due to two major factors:

One -- HACCP is now fully implemented down to the "very small plant" level (10 employees or fewer). This means that every meat processing plant in this country – whether state or federally inspected – now must be operating under a HACCP system; and,

Two -- FSIS has gone through a series of regulatory reforms that have removed many outdated requirements and regulations in the federal inspection program. The vast majority of these requirements had no bearing on the safety or quality of the food produced, but they were exploited as "differences" between the two inspection systems and used as a diversionary tactic by those who argued that "equal to" inspection was not the "same as," thereby implying that state inspection programs were somehow inferior.

And finally, the third major change since 1996, is that the Administration, after years of sitting on the sidelines criticizing our approach and saying the timing was not right, has finally put a plan on the table which, while not perfect, will work. Notwithstanding the effects of the regulatory changes I just mentioned a minute ago which have narrowed the differences between state and federal inspection, I will have to credit the Administration for coming up with an approach to solving the interstate shipment issue that actually moves us *even closer* to a uniform national inspection program which has federal and state components both using and enforcing the same set of rules and regulations. So, now we don't have to have the debate on the "equal to" verses "same as" smokescreen that we've had in previous years. Now both systems will be the "same," or "seamless" as FSIS likes to say. And now, the timing is right.

The bottom line is.... today, there simply are no *meaningful* distinctions between federal and state inspection requirements which justify perpetuating this unfair ban. And, the few distinctions which do remain would be virtually eliminated if the approach embodied in S. 1988 is passed. Mr. Chairman, it's time to stop talking and start acting.

In closing, I want to thank the Administration for putting a good concept on the table. And, I also want to thank Senators Daschle and Hatch for agreeing to sponsor it in the Senate. But, I must raise one note of concern. While the specific bill you have in front of you has been characterized by some as a "consensus" bill, clearly some others feel they were not a part of the process. Indeed, NASDA's members themselves did not feel we were adequately included in the consensus process.

That being said, we feel that true consensus is very close and with a little work by the committee with all of the interested stakeholders, all of the issues can be worked through and we can reach a reasonable accommodation that maintains all of the essential elements of the USDA concept.

I would challenge my colleagues in the food, consumer and agricultural communities who are here this morning to commit to working out these remaining issues and getting a bill passed. I do not believe keeping the "status quo" is in the best interest of anyone in this room.

The status quo is clearly not in the interest of small meat processors or farmers and ranchers who would remain at a competitive disadvantage and who want and need better prices and more opportunities to market their products.

The status quo is not in the best interest of consumers if we know we can improve the system. Consumers should have a more uniform system of meat inspection, which this bill would do. As a parent as well as someone in charge of operating a state inspection program, I want to ensure that my family, and all consumers, have the safest food products we know how to produce.

Nor is the status quo in the best interest of the large meat processors who have also asked for a uniform system of meat inspection with one set of rules.

So, we all have a reason to remain engaged in the process and see this bill through to completion. NASDA's members and the constituents we serve hope that Congress will act this year to remove this unfair competitive barrier to small businesses.

Mr. Chairman, that concludes my statement. Thank you for inviting me here this morning.

Appendix I: Description of Annual "Equal to" Determination Process

In 1967, the Meat Inspection Act of 1906 was amended by the Wholesome Meat Act and renamed the Federal Meat Inspection Act. In addition to other changes, the state-federal cooperative inspection program was established which required state inspection programs to be "at least equal to" the federal inspection program, and that products receiving state inspection are "solely for distribution within such state." The 1968 Wholesome Poultry Products Act which amended the Poultry Products Inspection Act extended the same provisions to poultry inspection.

The acts, while stressing the need for cooperation between federal and state authorities, give USDA clear responsibility for setting a national standard for meat and poultry inspection. USDA is required to monitor state programs and to assume direct responsibility at state plants when a state fails to develop or effectively enforce inspection requirements "at least equal to" those under the acts.

USDA's Food Safety and Inspection Service (FSIS) certifies that each state inspection program is "at least equal to" federal inspection requirements. This is accomplished by FSIS review of State Performance Plans (SPPs), results of comprehensive reviews, feedback from Inspection Operations field supervisors, and documentation submitted with Annual Reports.

The annual SPP review for "equal to" status includes a review of state laws, state regulations, funding and financial accountability, resource management (staffing, training, program operations), facilities and equipment, labels and standards, in-plant reviews/enforcement, specialty programs, and laboratories.

FSIS has been conducting the "equal to" review since passage of the acts in 1967 and 1968. Since that time, the Agency has *never* unilaterally found that a state inspection program should be discontinued due to inadequacies in its inspection program. In other words, since 1967 and 1968, FSIS has found all state programs to be "at least equal to" the federal requirements.

The state programs have been under federal oversight since the acts were amended in 1967 and 1968 and while some states did not choose to develop programs, and others gave up their programs over time due to budget constraints, no state program has *ever* been "designated" to the federal government because the state program did not meet the "equal to" provisions in the federal acts.

In 1987, FSIS developed the current method of state oversight based on the states writing a State Performance Plan (SPP) detailing all aspects of the state inspection system in one document. Today, each state has a SPP written by the individual state and approved by FSIS. The SPP documents in detail all parts of the state program and is the standard to which the state is held when FSIS audits the state program.

The SPP is required by FSIS Directive 5720.2, a document which was established to: "Be a

single source of information on the policies and procedures for the management and administration of the State-Federal and Federal-State Cooperative Inspection Programs, including cross-utilization requirements, training, and qualifications."

FSIS Directive 5720.2, Revision 2, dated July 24, 1992, requires that each state program document and provide for nine basic items:

1. ***Laws*** — State Law must be at least equal to the FMIA and PPIA by granting authority for the development, administration and enforcement of the state meat and/or poultry inspection program.

2. ***Regulations*** — The state inspection program must promulgate regulations "at least equal to" the federal regulations.

3. ***Funding and Financial Accountability*** — The state must appropriate funds commensurate with those provided by the USDA as specified by the Cooperative Agreement. The state must follow fiscal guidelines as contained in FSIS Directive 3300.1 and budgetary requirements as contained in the annual FSIS call letter.

4. ***Resource Management*** — The state shall maintain records and information and shall outline procedures for determining the level and type of resources required in the following areas.

    a. *Staffing* — Having enough employees to carry out the responsibilities assigned to all organizational levels, units, and functions.

    b. *Training* — Providing directly or contracting for employees, the technical, professional, administrative, supervisory, and managerial training, required to maintain a competent and productive workforce.

    c. *Program Operations* — Maintaining records and reports that explain the full range of the activities and administration of the state inspection program.

5. ***Facilities and Equipment*** — The state shall have a system for reviewing and approving blueprints for new construction and remodeled facilities and equipment that is "at least equal to" federal standards.

6. ***Labels and Standards*** — The state must have a system for approving labels to assure accurate labeling of all products "at least equal to" USDA standards and developing accurate labeling for new or specialty items not covered by USDA standards.

7. ***In-plant Reviews/Enforcement*** —

   a. The state must have a system of in-plant reviews to assure that slaughtering and processing inspection activities are conducted in accordance with USDA requirements. The Review and Evaluation Glossary and Format in FSIS Directive 8110.2 should be used as a guide.

   b. The state must have a system comparable to USDA requirements for monitoring plants which are exempt from inspection requirements.

   c. The state must have an enforcement system for detecting violations, and investigating and enforcing state meat and poultry laws. Enforcement includes all activities to correct deficiencies inside and outside plants.

8. ***Specialty Programs*** — The state must have an adequate residue monitoring and control program. Also the state must have programs (protein-fat-free, species determination, etc.) which may be addressed through participation in the current USDA program or by developing and conducting its own specialty programs that are at least equal to the USDA requirements.

9. ***Laboratories*** — The state must utilize laboratories with analytical capabilities comparable to those of FSIS laboratories. The laboratories must be able to perform tests to determine product wholesomeness and compliance with regulatory standards, and employ experts in the disciplines of chemistry, microbiology and pathology. Such laboratories may be:

   a. State Laboratories;
   b. Private Laboratories (including laboratories accredited by FSIS); or
   c. USDA Laboratories. State and private laboratories must be FSIS-accredited or participate in the check sample program conducted by FSIS or in chemistry check sample programs which may be approved by FSIS.

FSIS Directive 5720.2 goes on to describe the specific information details of each requirement that will aid in determining that the SPP provides for an inspection system that meets the "equal to" provisions found in the federal acts.

In addition, FSIS Directive 5720.2 provides for an oversight strategy which is utilized by FSIS in determining that any state program meets the "equal to" provisions found in the federal acts. This strategy is composed of three parts.

- ***Strategy 1***, is a review of the SPP, related, reports, and information derived from various sources.

- ***Strategy 2*** combines the results of a special review of the state's inspection program with the results of strategy 1.

- ***Strategy 3*** combines the results of a comprehensive review of a state's overall inspection program with the results of Strategy 1.

The Comprehensive Review is an in-depth look at the state's adherence to their own SPP. Each of the nine provisions required by FSIS Directive 5720.2 and explained in the SPP is examined by a team of FSIS reviewers and auditors. The process can take days and weeks to accomplish as teams of FSIS people who specialize in the nine provisions make in-office and in-plant reviews of each aspect of the SPP. In a nutshell, we open our doors and all our records to FSIS.

The culmination of a comprehensive review is a number of in-plant reviews conducted by the FSIS Assistant Area Supervisor, the State Director, and State Operations staff. The number of plants selected depends on the number of plants in the state inspection program and can be increased if previous performance on a comprehensive review indicates that this is appropriate.

The entire comprehensive review is managed by the Deputy Regional Director as the FSIS Team Leader who has responsibility for the state programs in a given USDA Region.

FSIS Directive 5720.2 establishes a criteria for determining the "equal to" status of the state program based on four categories where the best rating is simply "acceptable" (category 1), followed by "acceptable with minor variations" (category 2), "acceptable with major variations" (category 3), and "unacceptable" (category 4). The frequency of the comprehensive reviews are determined by the category rating from the previous comprehensive review. A category 1 rating provides for a comprehensive review at least every five years; a category 2 rating, every four years; category 3, every three years; and category 4, the frequency is based on the nature of the unacceptable rating. To our knowledge, no state program has been rated a category 4.

All in all, it is a detailed, complex, and on-going self-examination and federal oversight. We provide for our own in-house review system, and that is followed up by detailed FSIS oversight and review.

At the completion of each review process, FSIS determines whether the state is in compliance with the SPP and so notifies the state authorities. At the completion of the comprehensive review, the Team Leader and the Director of Federal-State Relations meets with the state authorities and reviews in detail the deficiencies found. The state authorities are required to respond in writing to the deficiencies. If the state's response is acceptable to USDA, "equal to" status is maintained. If the state's response is not acceptable, it's returned for modification. And so it goes in this never ending process.

The state programs also submit to the scrutiny of the USDA Office of the Inspector General as directed by USDA, the General Accounting Office as directed by Congress, and various fact finding teams and auditors as determined by our own state governments and department administrators. Needless to say, we are also held responsible by the plants we inspect, the citizens of our communities, and the media.

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Mr. Michael Eickman,
Eickman's Processing Co. Inc., Seward, IL
American Association of Meat Processors
Illinois Association of Meat Processors & 18 other state meat associations

Public Hearing on S.1988, New Markets for State-Inspected Meat Act
April 6, 2000 Room 328 Russell Senate Office Building

The Honorable Richard Lugar, Chairman & Members, Senate Agriculture Committee
328A Russell Senate Office Building, 1st & C Streets NE Washington, DC 20510

My name is Michael Eickman. I am the owner and operator of Eickman's Processing Co. Inc., Seward, IL. My business is a second-generation, small state-inspected meat processing plant in Northern Illinois, about 20 miles from the Wisconsin state line.

I am here today to voice my support for **S.1988**, the **New Markets for State-Inspected Meat Act**, and tell you why this proposed law should be passed. I ask that this legislation be marked up, passed by the Senate and House, and signed into law. I am speaking for myself, the American Association of Meat Processors, of which I am treasurer; and the Illinois Association of Meat Processors. Also supporting this legislation are state meat processors associations from the following states: Indiana, California, Iowa, Kansas, Minnesota, Montana, New York, North Carolina, Oklahoma-Texas, South Carolina, South Dakota, Wisconsin, Wyoming, Louisiana, Ohio, Texas, Virginia, and the National Country Ham Association. A large percentage of plants that belong to AAMP are state-inspected. Virtually all the plants in the Illinois State Association and the 18 other state associations mentioned are state-inspected plants.

There are more than 2,500 very small plants across the United States that are state inspected! These are small businesses who are being hurt – restricted – because the Federal Meat Inspection Act (FMIA) says that they can sell their meat only within the state they're located. Yet my plant and these thousands of other small plants are unfairly discriminated against for no reason. We meet the highest food safety standards. All state inspected plants began operating under the new Hazard Analysis Critical Control Point (HACCP) meat and poultry inspection program this past January. The 25 state inspection programs we operate under are "at least equal to" U.S. Department of Agriculture Inspection by law – USDA makes sure of that. In fact, some state inspection programs actually require more than the USDA inspection program. But for some reason, we are not allowed to ship our products across state line.

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I am happy to see that USDA is supporting S.1988. We compliment the Administration for drafting this legislation. Under this legislation, all inspected meat and poultry in the United States will be inspected under a national system enforcing a single set of requirements, and where state inspection programs will enforce the federal regulations. In fact, most state inspection programs already enforce the federal regulations. There are no distinctions between federal and state inspection requirements. Any debate over what constitutes "at least equal to" inspection versus "same as" inspection will be meaningless. So there is no reason to keep these restrictions on state plants.

Let me tell you a little about my plant. My plant is located in Seward, IL, a small town about 85 miles west of Chicago. My business is a small, state-inspected slaughtering and processing plant, that provides products farm-to-table. I am only 20 miles from the Wisconsin state line. I can ship my products for hundreds of miles in Illinois, all the way to the borders of Missouri, Kentucky and Indiana. But I can't sell my product in St. Louis, which is just across the river from Belleville, IL, where I can sell it. I've been in the business for 35 years. I now own and operate the plant that my Dad had for 50 years.

Now the people who are against interstate shipment – the giant meat packers and the people who represent them, will say "Why not go federal? Then you can ship anywhere?" My response is: "Why should I have to go federal?" I like working with the state people. Not because their inspection is easier – the Illinois program is just as tough as USDA and even has requirements that USDA doesn't – but it's easier to deal with people in Springfield, IL and in districts around the state, rather than having to go to USDA.

The fact is that USDA is encouraging the state inspection programs to continue, and to grow. USDA wants to see state inspection programs that were shut down to come back. That's part of the goal of this legislation. That's why it's increased the percentage of subsidy of state programs in this bill from 50 to 60 percent. And over the last couple of years, a few states have revived their inspection programs, and more may be on the way. USDA also believes that state inspection programs are better suited to handle very small plants like mine than USDA inspection.

One of the goals of the New Markets for State-Inspected Meat Act is also to help make small and very small meat and poultry businesses more viable. The meat and poultry industry is becoming more and more concentrated and centralized in the hands of fewer and fewer mega-sized companies. This is true today not only in the meat business, but in agriculture and in all businesses and industry in the United States. As small businesses, we must be able to expand our presence in the marketplace, or we will die. It has come down to these alternatives: either take us over, or take off these restraints that are on us for no logical reason! Allowing state-inspected meat and poultry products to be sold in interstate commerce will also help the marketing of products that may be identified with certain states. That would help counter the increasing consolidation in Agriculture that Agriculture Secretary Dan Glickman has warned against and expressed great concerns about. As far as the quality of our products goes, our products have won awards both in international and national competitions.

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This legislation is also needed to help the small cattle, hog, lamb and veal and poultry producers and herdsmen across the United States. The continuing consolidation in the meat packing industry leaves these small ranchers and farmers with fewer markets for their animals. This puts further pressure on them, which they don't need because of already-low commodity prices. It is the small processors that are the buyers of animals from small producers. Large meat packers are not purchasing animals from small producers, because they already have contracts with large producer sources. Permitting interstate shipment by allowing small meat processors to sell their products in a national marketplace will help these farmers and ranches to have better options to sell their animals at better prices. It will also help invigorate the economy in rural areas all across the United States. In many of these areas, small producers are hurting. Also, small meat processing plants provide a great deal of employment in those areas.

The change in the law is also needed because the rules right now don't make any sense. For example, I can't ship beef, pork, lamb or veal out-of-state because of the federal restrictions. But I can ship products made from so-called exotic animals – buffalo, ostrich and others – which are inspected the same exact way by state inspectors – anywhere in the world. Why? Because inspection of products from "non-amenable species" is not required by USDA, so these products are immune from the rules. Does that make any sense? If I can ship these products anywhere, why can't I ship pork, beef and lamb?

Why are meat and poultry products produced overseas allowed to have unrestricted access to the marketplace in the United States, while hard-working owners of American small businesses are denied the same opportunity. How can this be justified?

There are a couple of other reasons I'd like to talk about. Legalizing interstate shipment of state-inspected meat and poultry products will actually help, not hurt, large meat packing companies. As small and very small processors, we buy products and materials from large meat packing plants, such as boxed beef, for example. Then we further process this meat into other products. So ending the ban on interstate shipment will actually help the large companies, not hurt them. It will benefit both of us.

The fact is, the only reason that the large industry has to be against interstate shipment is a fear of competition with very small meat plants. When I hear that a few of these huge packers are afraid of us, that's very hard for me to understand. The large meat packers in the United States have 95 percent of the market, leaving small and very small meat packers with the rest, only 5 percent. Surely these big companies can't feel threatened by us little people!

Opponents of interstate commerce for state inspected products say that small federal plants will be hurt by interstate shipment. AAMP has a large number of federal plants as members. AAMP's President last year, Tom Dewig, operator of Dewig Meats, Haubstadt, Indiana, says he supports interstate shipment for state-inspected meat plants, that it will help the entire meat industry, both large and small. He says it will help small plants remain viable participants in the industry, and help them grow. Dewig says growth will be good for everyone!

Page 3...Michael Eickman/AAMP/IAMP Testimony on S.1988

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For example, he says that not only can small state-inspected plants buy product from large plants for further processing, but it works the other way as well. Federal plants can buy product from state-inspected plants for processing. So it works both ways and helps everyone.

Thank you for asking me, the American Association of Meat Processors (AAMP), the Illinois Association of Meat Processors and 18 other state meat processor associations to offer testimony in favor of the New Markets State-Inspected Meat Act of 1999. We urge the Committee to approve the legislation and mark it up for passage by the full Senate. You will be helping small business in the United States to survive and prosper!

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Ms. Jolene Heikens
Triple T Country Meats, Wellsburg, IA
American Association of Meat Processors
Iowa Meat Processors Association & 18 other state meat associations

Public Hearing on S.1988, New Markets for State-Inspected Meat Act
April 6, 2000 Room 328 Russell Senate Office Building

The Honorable Richard Lugar, Chairman & Members, Senate Agriculture Committee
328A Russell Senate Office Building, 1st & C Streets NE Washington, DC 20510

My name is Jolene Heikens. My husband Greg and I own and operate Triple T Country Meats, Wellsburg, IA. My business is a small state-inspected meat processing plant in Iowa.

I am here to today to voice my support for S.1988, the New Markets for State-Inspected Meat Act, and tell you why this proposed law should be passed. I ask that this legislation be marked up, passed by the Senate and House, and signed into law. I am speaking for myself, the Iowa Association of Meat Processors, and the American Association of Meat Processors.

Also supporting this legislation are state meat processors associations from the following states: Indiana, California, Iowa, Kansas, Minnesota, Montana, New York, North Carolina, Oklahoma-Texas, South Carolina, South Dakota, Wisconsin, Wyoming, Louisiana, Ohio, Texas, Virginia, and the National Country Ham Association. A large percentage of plants that belong to AAMP are state-inspected. Virtually all the plants in the Iowa State Association and the 18 other state associations mentioned are state-inspected plants.

Let me tell you a little about my plant. My plant is located in Wellsburg, IA , a small town in East-Central Iowa. My business is a small, state-inspected slaughtering and processing plant. Because we are trying to grow, we are building a new plant -- and at this point, we've decided it's probably going to be a federal plant. We don't really want to go federal, and we can't see any reason to go federal. But at this point, there doesn't seem to be any other way.

By the way, in trying to have a federal plant, we're running up against a stone wall. I've called Des Moines, the USDA district office, on numerous occasions, to find out about how to apply to be a federal plant. But nobody calls us back. We've asked them to come down and look at our plant. So far, there's been no response.

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We support interstate shipment for state-inspected plants, and do not believe very small plants should have to change to federal inspection in order to ship out of state. The main difference that I can see between inspection at the state level and inspection at the federal level is communication. It is much easier to communicate with inspectors at the state level than it is with inspectors at the federal level.

Let me give you a few examples. Hours of inspection can be a tremendous problem in federal plants. At times, USDA inspectors are not available. They dictate when you can slaughter and process, based on the availability of their people. Federal inspectors are unionized, and so the rules and the contract they operate under can also have an effect on inspection.

In fact, products in state-inspected plants tend to be better inspected than those in federal plants. Before opening our own business, we were involved in big plants under federal inspection. The truth is that we rarely saw inspectors in those plants. In our small business, there is constant inspection, much more so than in those federal plants. When opponents of interstate shipment say that state plants don't have to follow all the rules, directives, that's not true. State plants have to follow rules that USDA has dropped, including blueprint and label approval.

As private businesses, we should be market-driven. We should be able to operate our plants in a way that helps our businesses advance. Meat inspection should have to follow our schedules, so that we can produce our products when we need to. We should be able to operate on a schedule that suits our needs. But that's not the way it works right now, especially in the federal system. Plants and businesses are forced to follow inspection schedules that are set by inspectors. We are forced to follow rules that come down from a labor union that represents federal inspectors that have nothing to do with our marketing or production efforts.

That's why in many ways, state inspection is preferable to federal inspection. That's why it's important for state inspection to be able to continue, and for plants to continue operating under state inspection. The only way to guarantee that will happen is to strengthen state inspection programs and state-inspected plants. Interstate shipment of state-inspected products will do that.

Thank you for inviting me, the American Association of Meat Processors (AAMP), the Illinois Association of Meat Processors and 18 other state meat processor associations to offer testimony in favor of the New Markets State-Inspected Meat Act of 1999. We urge the Committee to approve the legislation and mark it up for passage by the full Senate.

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Statement of the American Farm Bureau Federation

TO THE
SENATE AGRICULTURE, NUTRITION AND FORESTRY COMMITTEE
REGARDING
INTERSTATE SHIPMENT OF STATE-INSPECTED MEAT

Presented by

Harry Pearson
President
Indiana Farm Bureau Federation

April 6, 2000

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As the national voice of agriculture, AFBF's mission is to work cooperatively with the member state Farm Bureaus to promote the image, political influence, quality of life and profitability of the nation's farm and ranch families.

FARM BUREAU represents more than 4,800,000 member families in 50 states and Puerto Rico with organizations in approximately 2,800 counties.

FARM BUREAU is an independent, non-governmental, voluntary organization of families united for the purpose of analyzing their problems and formulating action to achieve educational improvement, economic opportunity and social advancement and, thereby, to promote the national well-being.

FARM BUREAU is local, county, state, national and international in its scope and influence and works with both major political parties to achieve the policy objectives outlined by its members.

FARM BUREAU is people in action. Its activities are based on policies decided by voting delegates at the county, state and national levels. The American Farm Bureau Federation policies are decided each year by voting delegates at an annual meeting in January.

STATEMENT OF
THE AMERICAN FARM BUREAU FEDERATION
TO THE
SENATE AGRICULTURE, NUTRITION AND FORESTRY COMMITTEE
REGARDING
INTERSTATE SHIPMENT OF STATE-INSPECTED MEAT

Presented by

Harry Pearson
President
Indiana Farm Bureau Federation

April 6, 2000

Good morning. My name is Harry Pearson and I am a corn, wheat and soybean farmer from Hartford City, Indiana. I am president of the Indiana Farm Bureau and a member of the board of directors of the American Farm Bureau Federation.

I am pleased to be here today to discuss the interstate shipment of state-inspected meat.

The American Farm Bureau Federation is the nation's largest general farm organization with over 4.9 million member families.

This issue is one of great importance to our farmers and ranchers, and we certainly support efforts to align the federal and state implementation of meat and poultry inspection laws to allow meat and poultry products to be distributed in interstate commerce.

The mission of the U.S. Department of Agriculture's Food Safety Inspection Service (FSIS) is to provide appropriate regulatory safeguards and services to ensure that all meat, lamb, and poultry products for interstate or foreign commerce meet food safety standards. Authority is provided to move state-inspected products in interstate commerce under the Talmadge-Aiken Act which has worked well in some states. However, as state and federal budgets become more limited, the time is right for increased coordination between state and federal meat inspection programs. Farm Bureau applauds Senators Daschle and Hatch for introducing S. 1988, the Federal Meat and Poultry Inspection Requirements Act of 1999. We support that bill.

Many of the products inspected in a state-inspected facility are specialty products. Production of these items is not always economically feasible for large volume operators. Availability of these specialty products to consumers is limited since the small operator typically falls under the state - inspected program and is not allowed to ship those products across state lines. The ability to ship these products in interstate commerce will benefit livestock producers, small processors and consumers while stimulating economic development in rural communities.

Allowing interstate movement of state-inspected meats would benefit livestock producers by creating more competition among packers and processors, thereby increasing the opportunities to

market their animals. Four major packers account for more than 80 percent of cattle slaughtered. Fifteen years ago, the large packinghouses accounted for only 36 percent. Many Farm Bureau members believe that competitive pricing activities of the livestock industry have been reduced due to the high concentration of processing by the four major packers. By allowing state-inspected processors to move their meat interstate, the small and mid-size processing plants could expand their operations due to increased market opportunities.

USDA's Packer Concentration Panel determined that allowing interstate shipment of state-inspected meat would provide additional competition in the marketplace. When local producers have more competitive markets for their animals, they receive higher prices for their livestock.

Farm Bureau has supported and worked diligently to pass trade agreements such as NAFTA and GATT. We are now working towards approval of Permanent Normal Trade Relations for China. World trade has increased by opening market opportunities for imported products as well as exported products. However, foreign processors have greater access to U.S. markets than do our own state-inspected meat and poultry processors. This seems contrary to domestic market expansion and disruptive to our own small businesses struggling to compete.

We strongly believe in food safety and in maintaining the highest level of consumer confidence in the safety of U.S.-produced meat and poultry products, but, this debate is not about food safety. State - inspected meat and poultry plants must already meet or exceed federal standards for food safety. This debate is about market access by U.S. food processors to U.S. markets on terms that are no stricter than those that foreign exporters must meet. The safety of our nation's food supply is of vital importance. We believe that the safety of U.S.-produced products will be maintained by the Food Safety Inspection Service and that consumer confidence in the safety of our food can be increased by aligning the federal and state implementation of meat and poultry inspection laws.

Several years ago we supported and worked closely with Congress and the administration to pass the Hazard Analyses and Critical Control Point (HACCP) system into law. HACCP is now fully implemented with every meat processing plant in this country operating under a HACCP system. This law has helped ensure the safety of our meat and poultry products through a science-based process rather than the age-old method of "sight and odor" detection by inspectors. Now is the best time to further the coordination of meat inspection systems and allow the entry of state-inspected meat into interstate commerce.

The American Farm Bureau Federation encourages Congress to pass S. 1988 and allow the Food Safety Inspection Service to take the necessary steps to facilitate the movement of state-inspected meat across state lines.

NATIONAL CATTLEMEN'S BEEF ASSOCIATION
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Testimony

on behalf of the

NATIONAL CATTLEMEN'S BEEF ASSOCIATION

with regard to

Interstate Shipment of State Inspected Meat

submitted to

Senate Agriculture, Nutrition and Forestry Committee

The Honorable Richard Lugar, Chairman

submitted by

Richard Nielson
President,
Utah Cattlemen's Association

April 6, 2000

Initiated in 1898, the National Cattlemen's Beef Association is the marketing organization and trade association for America's one million cattle farmers and ranchers. With offices in Denver, Chicago and Washington D.C., NCBA is a consumer-focused, producer-directed organization representing the largest segment of the nation's food and fiber industry.

Statement of Richard Nielson
President of Utah Cattlemen's Association
Hearing on Interstate Shipment of State Inspected Meat
April 6, 2000

Mr. Chairman, thank you for the invitation and the opportunity to present this testimony today. I am Richard Nielson and I am the President of the Utah Cattlemen's Association. Interstate shipment of state inspected meat is one of the top priorities of the Utah Cattlemen's Association, the National Cattlemen's Beef Association and the producer groups represented here today.

Under current law, state-inspected plants cannot ship beef, pork, lamb or poultry across state lines. This restriction limits the ability of these plants to expand marketing opportunities and limits competition for slaughter animals. Current law also applies unequally to different species in regards to state inspection programs. For example, based on information provided by the Agriculture Committee, there is no restriction on the interstate-shipment of state-inspected bison, venison, pheasant, and ostrich. This bill would expand interstate shipment of state inspected meat to include beef, pork and poultry. Meat inspection programs would enforce the same inspection laws and regulations enforced under the federal program to create a seamless national inspection system with states retaining the right to impose additional inspection requirements. Products inspected under this authority would be eligible for interstate shipment, export and use in products destined for export.

I would like to share several reasons and anecdotes as to why this legislation is justified and why the ban on interstate shipment of state inspected meat should be eliminated.

Elimination of the ban is good for small businesses. State-inspected plants are typically family-owned and operated small businesses whose growth is limited to markets in their own state. Because their markets are limited, so to is their ability to compete with the large corporate processors who have a worldwide market. Removing the ban would give these businesses a substantial boost in market opportunities for their products and create additional competition in the live cattle market, which is just one facet in dealing with the issue of packer concentration.

The current ban actually favors imported meat over U.S. produced state-inspected beef. While state inspected products are restricted from interstate commerce, meat from over 30 countries that is not directly inspected by USDA can be sold anywhere in the United States. This legislation will recognize state inspection systems that are the same as federal requirements and allow state inspected products to compete on an equal footing with imported products.

The elimination of the ban is good for the economy. A 1997 Ohio State University study found that ending the ban would create $36.86 million in increased economic output and increase employment by 588 people in Ohio alone. Imagine the

total if you added in the remainder of the states by removing the ban and opening up another engine of economic growth.

I would like to share with you a couple of examples of how this ban has gone awry. Tyler Meat Company of Toledo, Ohio sold meat for ten years to the River Café located on the Michigan-Ohio border. USDA ordered Tyler to stop sales to the café even though its Kitchen was in Ohio. The café dining area was located in Michigan, thus the sale of Tyler meat was considered interstate commerce.

Another example is the Jackson Brothers Food Locker in Post, Texas. Jackson Brothers supplied beef jerky to support U.S. troops during Operation Desert Storm. They could ship their product half-way around the world to support U.S. troops, but they can't send their product 80 miles west into New Mexico. Not only are they limited from growing their business, they are prohibited from selling product to former Desert Storm servicemen and women who came to like their product.

It is important to note that Jackson Brothers met the standard set by the State of Texas Department of Health Meat Inspection Service, one of the best state programs in the country. The HACCP plan for their plant was in place in November of 1999, 3 months before it was required for plants of their size.

To summarize, this legislation will remove a barrier that impedes competition, impedes growth and limits the marketing opportunities for U.S. beef. Passage of this legislation will create tremendous opportunity for state inspected plants and subsequently for cattle producers who market their livestock to state inspected plants. Our goal is a dynamic and profitable beef industry. With the growth in technology and the Internet, the world is truly our market. We urge you mark up this legislation in your Committee as soon as possible, and report it to the Senate floor. I want the beef industry to have the opportunity to grow by meeting the needs of our customer and not be stifled by laws which have outgrown their use.

Consumer Federation of America

Carol Tucker Foreman
Distinguished Fellow and
Director
The Food Policy Institute

Statement of
CAROL TUCKER FOREMAN
Distinguished Fellow and Director, Food Policy Institute
CONSUMER FEDERATION OF AMERICA

Before The
COMMITTEE ON AGRICULTURE
UNITED STATES SENATE

THURSDAY, APRIL 6, 2000
WASHINGTON, DC

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I am Carol Tucker Foreman, distinguished fellow and director of the Food Policy Institute of Consumer Federation of America. CFA is a nonprofit association of 260 pro-consumer groups. We seek to advance consumer interests through education and advocacy. Founded in 1968, CFA includes national, state and local consumer organizations, senior citizen groups, and consumer co-operatives. Our funding comes from membership dues, conferences and services. An affiliated organization, Consumer Federation of America Foundation, receives grants from foundations. CFA's policy positions are determined by our membership, debating and voting at annual meetings, and by our elected and representative board of directors.

I returned to CFA last year after 25 years in government service and as the owner of a small business. From 1977-81, I was assistant secretary of agriculture. My duties included responsibility for what is now the Food Safety and Inspection Service. In 1986, I established the Safe Food Coalition, a group of consumer, senior citizen, and public health organizations, food-borne illness victims and trade unions. The SFC has led the effort to modernize and reorient the meat and poultry inspection system to focus on reducing the causes of food-borne illness. I am one of three consumer members of the National Advisory Committee on Meat and Poultry Inspection.

Last month the consumer representatives on the NACMPI, Caroline Smith DeWaal, director of food safety for the Center for Science in the Public Interest and Nancy Donley, president of Safe Tables--Our Priority (S.T.O.P.) and I wrote to Senator Daschle endorsing S. 1988. I ask that a copy of our letter be included in this hearing record along with my formal statement.

S. 1988 would ensure that all meat and poultry products produced in the United States are inspected under a seamless system constituting a basic set of public health-based requirements and eliminating the prohibition on interstate shipment of state-inspected meat and poultry. The Bill has attracted a wide array of sponsors and supporters. The consumer interest in S. 1988 is clear. Pathogens do not recognize distinctions between federal and state systems or large and small plants. Contaminated meat is a public health threat regardless of its source, and the risks of contamination should be reduced wherever they occur.

CFA supports S. 1988 because we believe that, in its present form, it will help make meat and poultry products safer and contribute to improved public health.

USDA has moved aggressively over the past six years to reduce food-borne illness. The Department has traded the old fashioned "poke and sniff" inspection program for the public health-based Pathogen Reduction/Hazard Analysis and Critical Control Point (PR/HACCP) inspection system. This system requires all plants to have programs in place to control pathogens and to meet basic performance standards for sanitation. As of January 2000, all meat and poultry slaughter and processing plants operate under

PR/HACCP. Surveys conducted by both USDA and the Centers for Disease Control indicate the program is having a beneficial effect. Two years of testing in large plants under the Pathogen Reduction/HACCP rule show decreases in *Salmonella* prevalence in all product categories. (USDA, FSIS, March 21,2000)

Recently, the Centers for Disease Control announced that the incidence of food-borne illness has also declined and attributed that in part to the institution of this new public health based meat and poultry inspection program. The CDC stated, "FoodNet data for 1999 indicate a decline in several major bacterial and parasitic causes of foodborne illness....Decreases in the incidence of foodborne illnesses occurred concurrently with disease prevention efforts, including implementation of changes in meat and poultry processing plants..." (CDC, Preliminary FoodNet Data on the Incidence of Foodborne Illness--Selected Sites, U.S., 1999, March 17, 2000)

It is now time to assure that all meat and poultry plants, whether inspected by federal or state personnel, meet the same minimum federal requirements. There are 25 state inspection programs covering about 3,000 plants and accounting for about 7 percent of all meat and poultry products consumed in the United States. Those plants operate under a compromise exception written into the Federal Meat Inspection Act of 1967 and the Federal Poultry Products Inspection Act of 1968.

Current federal law allows meat and poultry to fall under state inspection if the state inspection system is "at least equal to" federal inspection. The state-inspected product may not, however, move in interstate commerce. This provision was adopted to secure passage of the 1967 FMIA. That law was driven by the revelation of filthy conditions and lack of standards in state-inspected meat plants and the need to improve physical facilities and sanitation practices. However, it became clear that some of the smallest plants could not meet the physical facility requirements of the proposed law.

Therefore, a compromise was struck that meat from these plants could be sold if the state had an inspection system that was "equal to" the federal system. At the same time Congress prohibited the state-inspected meat from moving in interstate commerce. There was no discussion in 1967 of the potential public health risk inherent in this action, but the prohibition on sale across state lines recognized that these products were likely not to be the same as those produced in federally inspected plants.

Although theoretically "equal to," state-inspected plants have, too frequently, operated at a lower level than federally inspected ones. In 1994, USDA's Inspector General reported that state programs were weak in policing plant sanitation and that the federal government is weak in following up to make sure deficiencies in the state inspection system are fixed. (USDA, Office of Inspector General Audit Report, "Food Safety and Inspection Service's Oversight of State-Administered Meat and Poultry Inspection Programs," January 1994).

In 1996 the *Wall Street Journal* detailed the problems with Florida's state inspection system and quoted the head of the state's meat inspection program acknowledging that the state inspectors are more lenient on inspection standards than federal inspectors would be. The article also noted consumer fear and outrage over lower standards.

S. 1988 addresses the "equal to" problem by establishing a seamless national meat and poultry inspection system. It would require state meat and poultry inspection programs to enforce federal inspection requirements under new cooperative agreements with the Secretary of Agriculture. This means products produced in state-inspected plants would be subject to *Salmonella* testing by federal inspectors as well as in-distribution sampling. USDA would also conduct annual compliance audits of state inspection programs. In return, products from these state-inspected plants could be sold in interstate commerce.

Mr. Chairman, the plan underlying this legislation was subjected to two full years of consideration by the National Advisory Committee on Meat and Poultry Inspection. FSIS staff proposals were discussed and debated and then rewritten to meet concerns expressed by committee members. The NACMPI includes representatives from all segments of the regulated industry, representatives of state government agriculture and health departments and consumer organizations. We worked together to develop this plan. Each of the stakeholder groups compromised to reach an agreement. Frankly, consumer advocates would prefer the simplicity of a single federal inspection force, but we made an effort to understand the concerns of the state governments and the smallest plants. I am surprised and disappointed that some members of the committee have now walked away from the product of our work together.

The plan agreed to by the Advisory Committee addresses problems in the existing law and will ensure a level of public health protection in state-inspected plants consistent with that in federally inspected plants. S. 1988 would write the provisions of the plan into law.

Consumer organizations will vigorously oppose this legislation if it is altered in a manner that undercuts these goals.

Further, my organization will be forced to oppose this legislation if the USDA, for any reason, restricts its program for pathogen reduction and the *Salmonella* testing that is basic to that program. The *Salmonella* testing program is threatened by court action in Texas. This bill must clearly articulate the agency's ability to enforce the pathogen reduction standards in state inspected plants. In the absence of *Salmonella* testing, we would not be able to judge whether state-inspected meat really is just as clean and safe as meat from a federally inspected plant.

Please understand that, under FSIS regulations, each company gets to establish its own HACCP plan. In the absence of a federal standard based on public health protection, each company would be free to establish a pathogen level and standard of HACCP effectiveness based solely on its own preferences for quality and safety. Meat and poultry products bear the seal of the Department of Agriculture, a mark that tells the public the government has established a level of protection. We assume that mark means the product meets a standard based on public health requirements, not marketing convenience.

Over 90 percent of meat and poultry companies have complied with the pathogen reduction requirements and successfully met the *Salmonella* standard. I am unable to understand why the major industry trade associations are eager to abolish that testing, why they want to allow the least efficient and effective meat processor to set the standard for their industry.

The success to date of the Pathogen Reduction/HACCP program not only reduces food-borne pathogens and illness, but also improves public confidence in the meat supply and encourages consumers to purchase and use meat and poultry products. Last year beef consumption increased to the highest level in many years. This is due in part to an economy that supports increased food expenditures, but there is reason to believe it also results from the reports that ground beef is safer than it used to be.

Eliminating *Salmonella* performance standards and testing would endanger both public health and public confidence in the meat supply. It would almost surely diminish both the domestic and international market for American meat and poultry. That would be both bad public policy and bad business practice.

Serving The Industry Since 1906.

Testimony of J. Patrick Boyle
President and CEO, American Meat Institute
Before the
Senate Agriculture Committee
April 6, 2000

Thank you for inviting the American Meat Institute, representing manufacturers of more than 70 percent of this nation's beef, pork, lamb, veal and turkey products, to testify before this committee today. Our 300 packer and processor members range from small, family-owned businesses to large, multi-national conglomerates. Two-thirds of our member companies have less than 100 employees. All of our member companies operate federally inspected plants.

AMI has long opposed a blanket lifting of the current prohibition against interstate shipment of state inspected meat and poultry. This policy stems from our firm belief in the need for a single, uniform, seamless system for oversight of this nation's meat and poultry industry. Currently, we believe there are actually 27 different meat and poultry inspection programs in the U.S. – one federal program, covering about 6,000 plants in all 50 states, plus 26 different state programs, covering about 3,000 plants in 26 states. We would like to see a single, food safety oversight program for all 9,000 of these plants in all 50 states.

This desire for a uniform system was clearly in the minds of those who drafted S. 1988, and in the minds of the U.S. Department of Agriculture, which developed a white paper in 1998 and 1999, outlining the elements necessary for creating a more seamless system than we have today. I believe one clear outcome of the many discussions and public hearings held on this issue over the past four years is the strong message that greater uniformity is required before we contemplate interstate shipment of state inspected meat and poultry products.

While I commend Senators Hatch and Daschle and their cosponsors for introducing S. 1988, a bill that recognizes the need for a single uniform meat and poultry inspection system that retains an important role for the 26 existing state systems, my member companies have serious concerns about several bill components.

But before I outline our concerns – all of which, by the way, have to do with national uniformity – I would like to submit to you a vision of the future of our business that further underscores the need for a strong, uniform oversight system. Simply put, it is the Internet.

The business transaction of the future – between manufacturer and retailer, or consumer, or between suppliers and manufacturers – will most likely be electronic. What does this mean for small businesses? It means that world markets for their products are only a mouse-click

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away. It means direct marketing opportunities without having to invest hundreds of thousands of dollars to produce and mail catalogs. It means the opportunity to sell across state and national borders with minimal government intervention. It means new access to foreign and domestic customers without having to invest thousands in travel or advertising. It means faster transactions, the ability to bid for goods and services, and it means huge reductions in transaction costs.

AMI just announced a partnership with FoodUSA.com, a global meat and poultry exchange for manufacturers, wholesalers, distributors and retailers. Believe me, AMI's members are keenly aware of the opportunities that such a business-to-business, global Internet exchange offers. This is a brave new world for all businesses – large and small. And while it offers phenomenal access to markets, literally at one's fingertips, it also demands uniform national oversight programs – at the very least where product safety is concerned. We are on the brink of a complete transformation in the way our industry conducts business and, in AMI's opinion, now is the time to transform our 27 different meat inspection programs into a single, uniform program.

To create a truly uniform system, AMI's members believe that the current bill must incorporate references to the many notices, directives and other federal requirements that are not regulations, but that constitute "nuts and bolts" of the system under which federal plants operate. To be truly uniform, state plants must meet these same requirements and the bill should explicitly state this.

Also, to be truly uniform, we believe states should not be permitted to set regulatory requirements that are different from or in addition to the federal requirements. Everyone should be subject to identical requirements.

National uniformity should also be exercised with respect to thresholds for entry into the state inspection system. The bill would let each state set its own threshold; we believe there should be a uniform threshold.

AMI has taken an official position of opposing S. 1988 unless key problems could be addressed. I must say that we have had some very productive discussions with our friends at NASDA and in the processing and producer communities, and I am hopeful that we will be able to work together with all affected groups to achieve the true consensus necessary for this bill to succeed.

Our bottom line is that the current system with 27 different programs does not offer the uniform oversight necessary for the way business will be conducted in the coming years. We need a single, uniform meat and poultry inspection system, and AMI will support nothing less.

Statement of Senator Tom Daschle

The Senate Committee on Agriculture, Nutrition, and Forestry
Hearing on Interstate Shipment of State-Inspected Meat
April 6, 2000

Mr. Chairman, thank you for convening this hearing to discuss interstate shipment of state-inspected meat. While it seems hard to believe, Congress has been debating this issue for over 20 years. As a result of a tremendous amount of work by USDA and numerous other groups interested in this issue, at last we have a proposal that can provide interstate shipment authority in a way that benefits everyone -- either directly or indirectly.

Last November, Senator Hatch and I introduced S. 1988, "The New Markets for State-Inspected Meat Act of 1999." The bill is based on recommendations made by the National Advisory Committee for Meat and Poultry Inspection. The bill is good for small plants and the communities in which they are located, it is good for farmers and ranchers, it is good for the states with state inspection programs, it is good for consumers, and it is good for the market because it will stimulate competition and innovation.

Under current law, only state-inspected bison, venison, pheasant, and ostrich can be shipped interstate. S. 1988 would expand this interstate shipment authority to include beef, pork, lamb, and poultry. Products would be eligible for interstate shipment, export to other countries, and use in products destined for export to other countries. Current law severely limits state plants' marketing opportunities, unfairly penalizes them based on size, and gives unfair market advantage to bigger plants for which federal inspection is an option. This limitation also penalizes producers, who bear the added transportation cost of shipping products to federally inspected plants if they want to market out-of-state. And, current law is inequitable among species -- some species can be shipped across state lines, while others cannot.

I should note the importance of USDA's new food inspection system, HACCP (the Pathogen Reduction and Hazzard Analysis Critical Control Point System) in getting to the point we are today on this issue. With the full implementation of HACCP in October of 2001, state and federal inspection programs will be enforcing the same food safety standards -- We will have a seamless food safety inspection system. Yet, with S. 1988, we still will have the benefit of our state inspection programs, and their specialized knowledge of local needs.

In South Dakota, we have 53 state inspected-plants. A number of them serve populations that are quite isolated. Allowing interstate and international shipment of products inspected at these plants, would provide a tremendous opportunity to producers in those areas, to the owners and employees of those plants who would have new business opportunities, and to the towns that are in desperate need of new business and capital flow.

One good example of how this bill would affect people in South Dakota is the experience of Cimpl (Simple) Meatpacking, in Yankton. Cimpl meatpacking has their own family sausage recipe that I understand is quite good. But the market in South Dakota is too small to support production for local sales only, and so they have shut down their plant. If Cimpl meatpacking were afforded the opportunity to tap a wider market for that special sausage recipe, they would be back in business

We talk about the farm crisis, and we talk about what to do to address the staggering obstacles producers and small towns are fighting to overcome. Farmers and ranchers don't want disaster payments. They will take them if that's the best Congress can offer, but they don't want a handout, because in the long run, a handout doesn't help. That is why they want policies that foster real competition. The opportunities S. 1988 would provide farmers and ranchers and rural communities is exactly the type of policy they are asking for, and that we should be providing

I am very interested in the testimony of the witnesses this morning, and want to thank them for their efforts on this issue. Finally, thank you again to our Chairman for providing this opportunity to discuss the merits of interstate shipment of state-inspected meat. I look forward to working with my colleagues on the Committee to pass legislation on this subject this year

STATEMENT OF THE HONORABLE SENATOR TIM JOHNSON

HEARING BEFORE THE SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

INTERSTATE SHIPMENT OF STATE-INSPECTED MEAT AND POULTRY

"THE NEW MARKETS FOR STATE INSPECTED MEAT ACT...S. 1988"

APRIL 6, 2000

Mr. Chairman, thank you for conducting a hearing today on S. 1988 - the "New Markets for State-Inspected Meat Act" - a bipartisan bill introduced by my South Dakota colleague Senator Daschle, and cosponsored by myself and several members of this committee.

Under our legislation, a seamless relationship will be created between state inspected meatpacking plants and federal meat inspection regulations. Our bill allows state meatpacking plants that meet or exceed federal requirements to cross state lines in order to sell their meat products. This seamless system will also allow the meat packaged in state plants to be eligible to be shipped and traded internationally. Finally, with the utilization of the internet as a business tool, passage of this legislation creates new markets for producers and state-inspected plants all across the world.

Meat lockers and small packing plants inspected under the auspices of state inspection standards have been restricted from marketing their meat products across state borders for an inordinate period of time. As a result, these small and independent businesses have lost potential niche markets and overall market share in the meat trade to the larger meatpacking conglomerates in the United States. Moreover, this restriction erects market barriers to independent livestock producers who transact business with these state-inspected meatpacking plants.

For nearly a decade, I have supported and cosponsored legislation to permit the interstate shipment of state-inspected meat. During that time, some concerns were raised by consumer and food safety groups as to whether state meat inspection standards were as rigorous as federal inspection standards. While many of these plants had inspection standards at least equal to (or exceeding) federal standards, public confidence was timid enough to keep these plants from shipping meat interstate. Some groups also feared potential public food borne illness scenarios resulting from meat produced in a facility under state inspection.

During this same time, the United States Department of Agriculture (USDA) began implementation of Hazard Analysis and Critical Control Points (HACCP), a new system of inspection for meat slaughtering and processing facilities. One objective of HACCP was to prevent the spread of microbial pathogen contamination of meat products in slaughtering and processing operations. As of January 25, 2000, nearly every single meatpacking plant in the United States - from the largest meatpacker to a small meat locker in South Dakota with fewer than ten employees - is operating under HACCP. While HACCP has not erased every imaginable meat safety concern, it enabled USDA and consumer groups to become more comfortable with state meatpacking plants. Now, I believe it is time for Congress to take the next step, to grant state-inspected meat plants the ability to ship product across state lines.

I am pleased that S. 1988 has the support of USDA, nearly every farm and ranch organization in the country, and many significant consumer organizations. Every farm organization in South Dakota supports our bill. And, our state veterinarian, Dr. Sam Holland, is an advocate of this

legislation.

Dr. Holland has informed me that this bill would tear down marketplace barriers for many of the 51 meatpacking plants in South Dakota.

I would like to outline an example of how this legislation could create new marketing opportunities for one of those small meatpacking plants in my state.

Mobridge is a community of over 3000 residents, situated comfortably along the Missouri River in north-central South Dakota. Elmer Hochhalter owns and operates Westside Meats, a small meatpacking plant in Mobridge that employs 13 people.

Westside Meats in Mobridge is just a couple of hours from the Bismarck / Mandan area of North Dakota, a logical marketing area for the meat produced at the plant. However, current law restricts Elmer from shipping the beef and pork products made in his plant across the state border into the Bismarck / Mandan area.

Ironically, current law does permit the bison jerky meat produced by Westside Meats to be shipped across state lines. As a result, Elmer travels to Bismarck, North Dakota, nearly three times a week to deliver bison jerky to his North Dakota customers. Because no federal inspection system exists for bison meat and other "non-amenable" specialty meats, businesses are able to ship these products across state lines.

According to Dr. Sam Holland, South Dakota's State Veterinarian, Congressional enactment of S. 1988 the "New Markets for State Inspected Meat Act of 1999" would likely enable Elmer Hochhalter to ship beef and pork to North Dakota and expand Westside Meats by two or three more employees. New markets for Westside Meats would translate into better marketing opportunities for area livestock producers. New jobs in Mobridge, as a result of Westside Meats expanding, coupled with new marketing opportunities for area farmers and ranchers would clearly benefit the economic setting of Mobridge, South Dakota.

So let's take advantage of this hearing to immediately proceed to a mark-up of this legislation. We can build upon our successful passage of mandatory price reporting last year, and restore public confidence in our ability to restore fair and free competition to livestock markets.

However Mr. Chairman, I believe this bill and mandatory price reporting are just two pieces to the puzzle. I have introduced three other bills that deserve the attention of this committee. S. 241 would restrict the use of USDA quality grades as marketing tools on imported beef and lamb. S. 242 calls for country-of-origin labeling of muscle cuts and ground products of beef, lamb, and pork. Finally, S. 1738, the "RANCHER Act" prohibits meatpackers from owing livestock prior to slaughter. If we can approach the problems of unfairness in the livestock market with these bills, I am confident competition will again drive the marketplace.

But today, let's agree to follow this hearing up with a mark-up session so the Senate can enact legislation to grant Westside Meats and other businesses all across the country the right to do business in a free and fair market.

Thank you Mr. Chairman.

Statement of Senator Orrin G. Hatch
before the
Committee on
Agriculture, Nutrition, and Forestry
United States Senate

April 6, 2000

New Markets for State Inspected Meat Act of 1999

Mr. Chairman, I applaud you for holding this hearing. I am particularly pleased that you will have the opportunity to hear from Richard Nielson, President of the Utah Cattlemen's Association. I am sure you will find his testimony cogent and informed.

As you know, the New Markets for State Inspected Meat Act would lift the outdated ban on the interstate shipment of state-inspected meat. Rather than restate all the details of this legislation, I would like to describe to the members of this committee how the ban on interstate shipment is affecting small businessmen in rural Utah.

I want to emphasize that what we are seeing in Utah is echoed in at least half the states in the country. The business owners I will tell you about own small meat packing plants that are inspected by state inspectors.

The first is Eddie Roberts, who owns Tooele Valley Meats in Grantsville, Utah -- not far from the Nevada border. Eddie is well known in the area for making some of the finest sausage available anywhere. Casinos just across the border in Wendover, Nevada, know of his sausage products and have tried to purchase them. Contracts with these casinos would be a tremendous boost for Tooele Valley Meats; but, as we all know, Eddie is barred by law from selling his sausage products in Nevada or any other state. A casino in Las Vegas has also approached him, telling him they would buy as many roaster pigs as Eddie could produce, but the ban also applies to poultry. So much for rewarding product excellence.

Mr. Chairman, and members of this committee, I am sure you appreciate what an order like that would mean for a small business in a rural community. Once, again, Tooele Valley Meats was forced to turn down what they considered a dream opportunity.

In Smithfield, Utah, Monte Lucherini owns L&H Packing Company, a state inspected plant just fifteen miles from the Idaho border. This plant produces roast beef, jerky products, hot and mild sausage, and other products. Monte has been contacted by a number of businesses in Idaho seeking to purchase his products. Once again, a small businessman in a rural area was faced with a chance to expand his business, but was forced to turn it down. With regard to this legislation, Monte has said, and I quote:

> I believe that my gross sales would increase 30 to 40 percent ... Employment would be increased also. I would need ... more butchers and ... more workers .... It has always been a thorn in our side that we couldn't service the customers that want our products.

So much for encouraging investment.

In Vernal, Utah, Don Anderson owns and operates Uintah Packing. The principal part of Don's business has been selling steaks to river outfitters taking visitors down the Green and Colorado Rivers.

He was doing excellent business with these customers until it was pointed out to the river guides that they could not serve Don's product because a portion of the river trip would dip into Colorado and Arizona, thus making it illegal for them to serve steaks produced by a state-inspected plant.

Well, Mr. Chairman, Don lost their business and has never fully recovered from it. In this case, the current policy not only hindered business, it actually hurt it.

Finally, I would like to talk about Theone Merrill. Theone owns Heartland Foods in northern Utah and produces a number of excellent products, many of which are cooked and canned.

Mr. Chairman, Theone has an idea. He has recognized that if he could tap into the Internet as a marketing tool, the entire world would be within reach of his products. He had already learned of interested buyers of his products in other states, but he will not be able to pursue those markets. Needless to say Theone is eager for the passage of this bill. Just as in the other cases, Mr. Chairman, his market is limited to the state of Utah. So much for rewarding innovation and risk-taking.

Now, these stories, and the others like them around the country, would be enough in my book to take action on this bill. But, there's more.

Each of the plants I have mentioned is completely free to sell buffalo meat, pheasant, ostrich, alligator, emu, and other meat products not only across **state** boundaries, but even to foreign nations, and these meat products are inspected by state inspectors. Yet, state inspected beef, pork, and poultry cannot travel a few miles from Tooele, Utah, to Wendover, Nevada.

Let me put this another way, Mr. Chairman. We trust state inspectors to efficiently inspect emu, but not beef. And, it's okay to sell state-inspected beef or pork in Utah, but no where else. This makes absolutely no sense, Mr. Chairman.

But, what makes even **less** sense, Mr. Chairman, is the fact that, while those Nevada casinos or Idaho supermarkets are banned from buying sausage and other products from Utah, they have no problem whatsoever importing it from a foreign country. Foreign competitors have full freedom to sell their **foreign** inspected product in the U.S., and, of course, they are more than

willing to do so.

Mr. Chairman, I know you share my view that the American economic system should reward excellence, hard work, effort, and investment. Yet, current policy concerning state-inspected meat is holding Americans back for no justifiable reason. It's just plain stupid, and I hope you and the members of this committee will agree.

Not only does this policy of prohibiting the interstate distribution of state-inspected meat stifle the growth and prosperity of individual small businesses, but it also contributes to concentration in the meatpacking industry in our country. As I am sure every member of this committee knows, there are fewer and fewer places for our livestock producers to sell their products.

I believe the New Markets for State Inspected Meat Act will help to increase competition in the meatpacking industry. You don't need to take my word for it. Three separate USDA advisory committees have recommended lifting the ban on interstate shipment as a way to create more opportunities for small packers and livestock producers in rural America.

I think that events in the State of Minnesota have confirmed this. Minnesota began a state inspection system only last year. As a result, in only a short time, 30 new plants have started up in that state. This is good for competition, good for consumers, and good for livestock producers.

The Minnesota experience also demonstrates what many small plant owners have expressed to me -- that most small plant owners prefer to work with state inspectors, which tend to be much more hands-on, informative, and responsive than federal inspectors. This is why the small plants in Utah and in other states would be happy to comply with federal inspection standards, but shy away from turning their plants over to inspection by federal inspectors.

This is a key point, Mr. Chairman. There is absolutely nothing about this bill that would compromise food safety.

The time is ripe to do away with the outdated and anti-competitive ban on interstate shipment of state inspected meat. This bill will open markets and spur growth in the meatpacking industry. It will be good for our small plant owners, our livestock producers, and rural American in general. I urge the members of this committee to report this measure to the full Senate as soon as possible.

Thank you, Mr. Chairman, for your attention and for allowing me to testify this morning.

DOCUMENTS SUBMITTED FOR THE RECORD

APRIL 6, 2000

SUBMITTED TESTIMONY OF MR. MIKE LORENTZ, CANNON FALLS, MN, REGARDING THE INTERSTATE SHIPMENT OF MEAT

As a small, state-inspected meat processor, we ask the Senate to support S.1988 to repeal the interstate shipping ban.

Located on the bank of the scenic Cannon River in Cannon Falls, MN, Lorentz Meats and Deli has been servicing the area communities since September of 1968. Ed and Mary Lorentz cut short a family vacation when they received word that the Bremer Brothers wanted to sell their processing plant. The commitment to the company began with that vacation cut short. After enjoying the first ten years as a profitable sole proprietorship, the company was incorporated as a Minnesota "C" corp. in July 1978. Shortly thereafter, the new Corporation was challenged, almost to the point of failure, by the turbulent times of the 1980's. The primary contributing factors: high interest rates, the crash of the farm economy ruining many family farms, and overdiversification.

As a "custom-exempt" plant, any difficulties local farmers suffer directly impacts the company. The company and small diverse family farms that make up the majority of the customer base struggled through the eighties and early nineties. In 1994 a new marketing strategy was developed to help local farmers gain a higher percentage of the retail dollar by selling their product direct to consumers. The "Market Maker" program, as it was called, was very limited in the beginning. The restraints placed upon "custom exempt" companies limited the participants of the program to marketing portions of animals rather than meats. Inspection was needed to make a realistic impact on local markets. A plan was developed to bring the operation up to USDA standard.

The company invested $400,000 in its current facility, but was not able to raise the additional $300,000 needed to bring the entire facility up to USDA standards. Alternative funding sources were researched. The USDA's Fund for Rural America was identified as a potential funding source. Land O' Lakes International Development Division helped the company submit a proposal, which was ultimately funded. Of course, no bricks or mortar could be purchased with these funds. Rather, the Market Maker program was expanded into a complete curriculum to teach farmers how to direct market.

The company gained a grant of inspection from the new Minnesota meat inspection program in February of 1999 for the sausage making and cutting areas, which were improved in the original remodeling of the facility. Due to the increased marketing efforts of the direct marketers, the company has nearly doubled its processing and is using its facility at maximum capacity. Consequently, it was decided the company would construct a new $2.2 million dollar facility to meet the market demand. State meat inspection was an integral factor in the expansion, and the company has worked to create a regionally identified food source.

To make a realistic effort to develop a regional food source all market opportunities need to be pursued. Producers and small processors need to harness the power of the Internet and direct mail, which makes the entire nation a potential market for them. Conventional markets also need to be tapped. To help local farmers enter conventional marketing chains, interstate shipping is critical. Most if not all distributors that service conventional retailers cross state lines. Thus, there is little incentive for them to handle products that cannot be distributed through normal channels. All of the distributors contacted by Lorentz Meats have stated that they will not handle products from a state-inspected plant because it would be too difficult to limit their sales to within one state. This alone represents a huge competitive disadvantage to small producers and processors.

Lorentz Meats and Deli has consequently been forced to apply for federal inspection status. The state program has guided the company through the difficult transition from custom-exempt status, and the state system is better designed and equipped to meet the needs of small processors. The food safety issues facing large processors differ greatly from those of small, closely-held companies where the owners are often directly involved in production. It is totally illogical that state plants that possess a history of safe operation and who are limited by all the same regulations as the USDA-inspected plants do not have access to the markets in neighboring states or the new markets available through the power of the Internet. Please support S.1988 to correct this unfair market bias USDA-inspected plants now enjoy.

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Premium Snack Foods

The Honorable Richard G. Lugar
United States Senate
Chairman Senate Agriculture Committee
328 A. Russell Senate Office Building
Washington, DC 20510

I want to thank you for this opportunity to express my concerns on Senate Bill 1988 and interstate shipment. I attended the committee hearing that you held on April 6, 2000. The members that I heard speak and or ask questions were for the most part in favor of the passage of Senate Bill 1988.

I am the Past President of the Ohio Association of Meat Processors and I am honored to represent this fine organization from Ohio. The Director of the Ohio Department of Agriculture, Mr. Fred Daily, who also is President of NASDA spoke in support of Bill 1988. I am in total agreement concerning bringing fairness to American businesses across the United States. Interstate shipment of meat and meat products is not about quality, sanitation, or food safety. Food safety has been and always will be a top priority. All the plants now operate under HACCP. It is about fairness, it is about discrimination against state inspected plants, it is about having equal treatment and playing by the same rules with meat suppliers under federal inspection and from suppliers from other countries. There is a large situation going on right now concerning Mircosoft and a word called monopoly, stifling competition from the competitors. This is exactly what the interstate shipment ban on state inspected meat does. This allows the big packinghouses to monopolize the industry.

The meat and meat products which are produced and sold in Ohio meet all the standards which are set and regulated by USDA. They all operate with HACCP plans. The only difference is the plants are inspected by inspectors from the State of Ohio and not directly from the USDA. The Ohio inspection program meets the federal criteria equal to the federal regulations. The same standards that Ohio meets are the same standards set by USDA that are required by foreign countries. However the foreign countries are permitted to cross every state line. Yet, Ohio and other state inspected state plants are denied this freedom.

The people of Ohio consume these Ohio produced meat products, Senators George Voinovich and Mike DeWine and their families also enjoy these fine products. These products are safe and wholesome. Then why are these products denied access to other markets outside the state of Ohio? This ban on interstate shipment of meat and meat products discriminates against tax paying American business owners. Allowing foreign countries the free access to our country does not help the American trade deficit or the American economy.

I am the president of Weaver Meats, which is a Federally Inspected meat plant here in Ohio. There are many State Inspected plants in Ohio that we would like to purchase from. However, with the interstate shipment law we are not allowed. This damages the economy in Ohio because we are forced to purchase out of State, or even out of the country. Passage of Senate Bill 1988 would remove this unjust ban on the purchasing and selling of state inspected meat. Passage would allow for a fair playing field for everyone.

This has become a political issue. It has been brought up before without any success. The large companies who monopolize this industry rise and lobby and it goes down in defeat. Why are they concerned? The large companies already control such a large portion of business. I was always taught competition is good. The small plants that would benefit from free interstate shipment are not large corporations who have the resources, capital, land, room or employees to expand. They just have an American dream of owning and operating their own business and trying to survive. The extra sales they can generate by selling their top notch, award-winning products could very well be just what is needed to keep them in operation. Let the consumer be the ultimate judge of their products. Lets not have USDA dictate their sales territory. We need free trade within the United States.

Therefore, I ask for your support and passage of Senate Bill 1988. To help the small American State inspected meat business. Thank You.

Sincerely,

Michael R. Weaver, President
Weaver Meats, Inc.
Past President,
Ohio Association of Meat Processors

Statement of the

National Chicken Council

Re

S.1988

Senate Committee on Agriculture, Nutrition and Forestry

April 13, 2000

The National Chicken Council is pleased to submit the following testimony concerning S. 1988, proposed legislation to permit the sale and shipment in interstate commerce of meat and poultry products that have been inspected by state authorities but not by the U.S. Department of Agriculture's Food Safety and Inspection Service (FSIS). The Committee held a hearing on S. 1988 on April 6, 2000.

The National Chicken Council is a national trade association for the chicken industry. NCC member companies produce, process and market over 90 percent of the young meat chickens (broilers) in the United States.

For nearly two decades, Congress has considered and rejected bills to permit the sale and shipment in interstate commerce of state-inspected meat and poultry products. S. 1988 suffers from many of the same fundamental deficiencies that characterized these prior efforts. Although the proponents of S. 1988 argue that the bill differs from its predecessors because it would impose a greater degree of FSIS oversight in state plants, that oversight does not cure the bill's basic, underlying flaws.

First of all, under S. 1988, meat or poultry produced in a state-inspected plant could bear both the state seal and the official mark of federal (USDA) inspection. This dual seal system would be confusing to consumers and would give state inspected plants an unfair marketing advantage. Products produced in state-inspected plants could bear two seals, yet products produced in federally-inspected plants, theoretically subject to the very same federal standards

and requirements as the state-inspected products, could bear only one seal, namely the official federal mark of inspection. Comparing the two products, many consumers would likely come to the wholly erroneous belief that the state-inspected products are somehow better or more wholesome because they bear two seals.

Furthermore, the authority S. 1988 would give states to establish and enforce their own inspection requirements, in addition to enforcing federal requirements, would only compound these problems. The meat and poultry industry, along with the rest of the food industry and relevant agencies of the federal government, has been working for years to promote national uniformity in food safety regulation. Additional, state-specific inspection requirements for meat and poultry would be a serious setback in the crucial drive for uniformity.

Ambiguities in S. 1988 could lead to other disparities between state-inspected and federally-inspected plants as well. For example, the bill leaves unclear whether state plants would have to comply specifically with the multitude of FSIS notices, directives, policy memoranda, and country-specific export certificates that supplement FSIS's regulations and with which federally-inspected facilities must comply on a daily basis. If state plants are not required to comply with all of these, the result will be a "two track" regulatory system.

S. 1988 would further distort the playing field between state and federally inspected plants by allowing states to restrict eligibility for state inspection based on plant size. Although the bill would provide a mechanism for

plants to shift from state to federal inspection and back, it would also permit states to refuse state inspection to larger plants. This provision, in effect allowing states to distinguish arbitrarily among plants within their borders, would foster the very kinds of inequities and inconsistencies in inspection and labeling that have always led Congress to reject bills allowing for interstate-shipment of state-inspected meat and poultry in the past.

Supporters of interstate shipment of state-inspected product often argue that allowing for such shipment is necessary to alleviate substantial strains on FSIS inspection resources. Their fears in that regard are unfounded. FSIS reported very recently that its inspection obligations are being met. Moreover, in those isolated instances in which FSIS resources may be stretched or practically unavailable, the law already provides the agency a mechanism for relief. Specifically, under the Talmadge-Aiken Act (7 U.S.C. Section 450), the Secretary of Agriculture, and by delegation FSIS, is authorized to deputize state departments of agriculture and other state agencies to assist in the administration and enforcement of federal laws and regulations in selected plants.

In summary, even with the additional federal oversight in state facilities that the proponents of S. 1988 promise, the bill remains flawed. Under current law, any meat or poultry plant wishing to sell its products across state lines, or into federal programs (e.g., National School Lunch Program) may do so. The plant need only obtain a grant of federal inspection and comply with the same

requirements that govern all other plants shipping their products in interstate commerce. The playing field is already a level one. Action by Congress on S. 1988 or any similar legislation would only distort it.

Consumer Federation of America

Carol Tucker Foreman
Distinguished Fellow and
Director
The Food Policy Institute

March 24, 2000

The Honorable Thomas A. Daschle
United States Senate
509 Senate Hart Office Building
Washington, D.C. 20510

Dear Senator Daschle:

We are writing to endorse S. 1988, introduced by you and Senators Hatch, Brownback, Harkin, Johnson, Dorgan, Baucus, Conrad, Bingaman, Voinovich and Burns. The title of the bill is "New Markets for State-Inspected Meat Act of 1988." Our interest is not in creating new markets for meat and poultry products but in moving toward a higher level of public health protection.

As consumer representatives on the National Advisory Committee on Meat and Poultry Inspection, we have worked with the staff of the Food Safety and Inspection Service and state government and industry representatives to develop a plan for the interstate shipment of state-inspected meat and poultry. We believe this plan addresses problems in the existing law and will ensure a level of public health protection in state-inspected plants consistent with that required in federally inspected plants. S. 1988 would write the provisions of the plan into law.

Pathogens do not recognize distinctions between federal and state systems or large and small plants. Contaminated meat is a public health threat regardless of its source and the risks of contamination should be reduced wherever they occur.

The federal government has been moving aggressively to reduce food-borne illness. USDA has instituted the public health-based Pathogen Reduction/Hazard Analysis and Critical Control Point (PR/HACCP) inspection system. This system requires all plants to have systems in place to control pathogens and to meet basic performance standards. As of January 2000, all meat and poultry slaughter and processing plants operate under PR/HACCP.

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The issue of allowing interstate distribution of state-inspected meat and poultry products is vexing and perennial. There is reason to address this 33-year-old anomaly. There are 25 state inspection programs covering about 3,000 plants and accounting for about 7 percent of all meat and poultry products consumed in the U.S.

Currently, federal law allows meat and poultry to fall under state inspection if the state inspection system is "at least equal to" federal inspection. The state-inspected product may not, however, move in interstate commerce. This situation resulted from a compromise struck to secure passage of the 1967 law. It was adopted because many small plants could not meet the physical facility requirements of the proposed Federal Meat Inspection Act and Congress was reluctant to take action that might force small plants to go out of business.

There was no discussion in 1967 of the potential public health risk inherent in this action, but by prohibiting products of state inspected plants from moving across state lines, Congress recognized that these products were likely not to be the same as those produced in federally inspected plants.

Although theoretically "equal to," state inspected plants have, too frequently, operated at a lower level than federally inspected ones. In 1994, USDA's Inspector General reported that state programs are weak in policing plant sanitation and that the federal government is weak in following up to make sure deficiencies in the state inspection system are fixed. (January 1994, Office of Inspector General Audit Report, "Food Safety and Inspection Service's Oversight of State-Administered Meat and Poultry Inspection Programs.") In 1996 the Wall Street Journal detailed the problems with Florida's state inspection system and quoted the head of the state's meat inspection program acknowledging that the state inspectors are more lenient on inspection standards the federal inspectors would be. The article also noted consumer fear and outrage over lower standards.

S. 1988 addresses the "equal to" problem by establishing a seamless national meat and poultry inspection system. It would require State meat and poultry inspection programs to enforce Federal inspection requirements under new cooperative agreements with the Secretary of Agriculture. This means products produced in state-

inspected plants would be subject to salmonella testing by federal inspectors as well as in distribution sampling. USDA would also conduct annual compliance audits of state inspection programs. In return, products from these state-inspected plants could be sold in interstate commerce.

Our organizations support S. 1988 as introduced because it addresses the inconsistencies and inadequacies of prior state- vs. federally-inspected systems. We will vigorously oppose this legislation if it is altered in a manner that undercuts these goals.

Sincerely,

Original Signed By:

Nancy Donley President S.T.O.P.	Caroline Smith DeWaal Food Safety Director CSPI	Carol Tucker Foreman Director Food Policy Institute Consumer Federation of America

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THE WALL STREET JOURNAL.

Article 1 of 1
FLORIDA JOURNAL

Consumer Groups Decry
State Meat Inspections
By Pat Beall

07/17/1996
The Wall Street Journal
Florida Journal
Page F1
(Copyright (c) 1996, Dow Jones & Company, Inc.)

La Villarena Meat & Pork Inc. enjoys a close relationship with state regulators. Since 1994, inspectors from the **Florida** Department of Agriculture have closed the Miami meatpacking plant more than 60 times for sanitary violations: moldy cutting boards, animal residue on slicing equipment, dead flies on the floor, and so on. Each time, the plant has been deemed fit to reopen within hours.

La Villarena is one of nearly 160 mostly small companies -- accounting for a roughly $100 million slice of **Florida** 's meatpacking industry -- subject to state, rather than federal, inspection because they don't ship across state lines. And its experience helps explain why some consumer groups complain that inspection, enforcement and follow-up in **Florida** 's **meat - inspection** program all fall short, putting consumers at risk by failing to maintain standards already considered low. Auditors for the state government have come to similar conclusions, and even officials in the inspection program concede shortcomings.

The meatpackers, for their part, are fighting for the status quo, arguing that the alternative -- inspection by the avowedly more-stringent U.S. Department of Agriculture -- would damage their business. Though these companies generally don't sell to the likes of Winn Dixie Inc., the huge Jacksonville-based chain well-known for its "Beef People" slogan, they do account for an estimated 90 million pounds of meat sold each year to **Florida** hotels, restaurants and smaller grocers. (In all, 24 states have a dual-inspection system.)

Shutdowns at La Villarena have slowed in recent months, and Luis Macias, plant manager, says the company can't afford the $200,000

for the repairs and other changes needed to meet federal construction standards. He says no one has ever been harmed by eating the company's meats. Jimmy Fussell, owner of Fussell's Frozen Foods in Arcadia, agrees: USDA inspections "could mean the end of my business," he says. And in Port Orange, Helmuth Kolb, president of Kolb's Country Sausage, adds: "If the USDA comes in, we could have problems."

The critics say statements like that are reason enough to hand off inspection duty of all **Florida** meatpackers to the USDA, which announced tough new meat-safety guidelines just in time for the Fourth of July barbecue feeding frenzy. "The fact that they are even making that argument suggests trouble," says Rodney Leonard, the former chief of the USDA's food-safety division and current president of Community Nutrition Action Institute, a Washington-based consumer group.

Janice Webb, who heads the state program, says many of the plants her staff inspect fail to meet even the old federal guidelines, though federal food-safety laws require that they do. State inspectors, Ms. Webb says, exercise a measure of leniency that probably wouldn't exist under federal control, as in the shutdowns and quick reopenings at La Villarena.

"We're patient with small businesses," she says. "I would venture to say that 50% to 60% of these [processors] would go out of business under federal inspection." The state has issued dozens of waivers to smaller meatpackers, allowing them to continue operations with structural problems too expensive to correct. Ms. Webb denies that consumers are in any way at risk.

Bonnie Rock, a Lantana resident whose daughter nearly died in 1990 after eating a tainted fast-food hamburger, thinks arguments for "flexibility" collapse when weighed against the protection of consumers. "Why give anyone more of a chance to put out a product that may be contaminated?" says the former president of Safe Tables Our Priority, a national watchdog group.

Certainly, evidence has built in recent years that state inspections fail to enforce even basic standards. Consider:

-- In a 1994 report obtained recently by this newspaper, the USDA auditor-general repeatedly singled out **Florida** for substandard inspection practices, including two instances in which state inspectors allegedly allowed contaminated meat to be sold.

The report said **Florida** 's lab tests designed to identify meat-born germs were inadequate. Nine meatpacking plants had no records of any lab tests. One of them had been repeatedly warned about rodent and insect infestations. Of 90 plants across the country examined in

the federal survey, only two, both in **Florida** , had to be closed for health-related violations.

-- A 1994 audit by **Florida** 's Office of Program and Policy Analysis found that the state largely failed to enforce standards at many of the meatpackers it inspected. A sampling of 5,958 state inspections at 26 plants resulted in findings of violations 86% of the time, reflecting a "consistent patterns of sanitary violations," the auditors said. Yet they said brief closings like those at La Villarena failed to curb violations, and that **Florida** inspectors too often stopped short of the next enforcement step: warning letters, fines and permit suspensions.

The auditors also faulted inspectors for lack of thoroughness. They noted that a 1994 state inspection of an Arcadia slaughterhouse reported no major violations. Ninety days later, another inspector concluded that the previous in-depth review "did not accurately reflect conditions at the plant." Among the problems she said were previously missed: walls covered with mold and grease, fecal matter on animal carcasses, and rat droppings.

-- A follow-up review by state auditors last year concluded that while conditions are improving, major gaps remain in the food-safety network. For instance, a computer system used to track lab tests for meat-born bacteria won't be ready until next year.

-- Preliminary numbers gathered by the Centers for Disease Control in Atlanta place **Florida** among the 10 states reporting the most outbreaks of food-born illnesses from 1988 to 1991.

-- Tallahassee's budget cuts have stretched the program's resources to the breaking point. State inspection records show that because of unfilled job slots, inspectors have been required to be at two plants at the same time. The state employs 70 inspectors to watch over nearly 160 plants; the USDA has 113 inspectors for the 112 **Florida** plants it polices.

Just last year, state lawmakers slashed the Department of Agriculture's overall funding 25%, to $1.4 million, prompting the agency to consider turning over its inspection program to the USDA. But after intense lobbying by meatpackers, the Legislature agreed to continue state inspections at least to the end of the current fiscal year, through June 1997.

The program now operates with less money and fewer inspectors than it did when federal and state auditors made their unflattering assessments two years ago. Dr. Webb says uncertainty over the future of the program she runs has only exacerbated high rates of staff turnover; four of the program's five district managers are new to their posts.

The situation worries Caroline Smith DeWaal, director of the food-safety division of the Center for Science in the Public Interest, a Washington-based consumer group. "In the short run," she says, "state costs are going to go up because of the need for increased training and laboratory testing" to comply with new federal rules, she says. "I would be very concerned that **Florida** believes it can transition to the newer standards with less resources."

The USDA stamp of approval would give currently state-inspected meatpackers access to such larger customers as Orlando-based Darden Restaurants Inc., many of whom will buy only federally inspected meat. But, as Ms. Webb says, many of the meatpackers fear the USDA.

"Let's say the USDA inspector goes to a plant and finds that it's dirty," Ms. Webb says. "He hangs a tag on the door closing the plant because it's dirty and he's gone. It would never occur to him to come back after lunch to see if the owner had called in cousins and friends, or more employees, and had cleaned."

That's true, says a USDA spokeswoman in Washington. She says the agency makes no apologies for its procedures, which she says are strict, but fair.

Mr. Fussell, the owner of Fussell's Frozen Foods in Arcadia, prefers the flexibility of state inspectors. Three employees slaughter beef and hogs in a plant Mr. Fussell's family built more than 50 years ago. The overhead racks that move animal carcasses along the line are lower than the 11 feet from the ground required by federal rules. Mr. Fussell says that meeting federal guidelines "would entail raising my whole roof."

In Port Orange, Kolb's Country Sausage would have to build separate employee break rooms and locker rooms to pass muster with the USDA, but city building codes won't allow expansion. "Our property is only so big," says Mr. Kolb, who learned the sausage-making trade from his parents in Austria. If he expands, he says, he risks "running out of parking space for my trucks."

Sen. Charlie Bronson, an Indian Harbor Republican who voted in favor of keeping the **Florida** program alive, nonetheless says meatpackers should try to measure up to federal standards just in case the USDA eventually takes over all meat inspections in the state. "The businesses are going to have to totally revamp with new equipment, paint, types of rails used to move meat in and out, and cutting boards," Mr. Bronson says. "All of that is going to meet federal standards."

Without broadly based public pressure, though, the state-inspected meatpackers have little incentive to change. Indeed, State Rep.

Durell Peaden, a Crestview Democrat and family physician, thinks the **Florida** inspection program is adequate as is, and, he notes: "We haven't had a lot of complaints about it."

Policing the Meat Market

State vs. Federal

A profile of state and federal **meat inspection** services in **Florida**

	State	Federal
Pounds inspected	93 million	90 million
Plants inspected	158	112
Inspectors	68	113
Budget (compared with 1994 figures)	-8%	8%

Sources: **Florida** Deaprtment of Agriculture; **Florida** Office of Program Policy Analysis; U.S. Department of Agriculture

Sick Days

Confirmed and selected outbreaks of meat-related illness in **Florida** involving two or more people

	1994	1995	1996*
Confirmed outbreaks	7	13	4
Suspected outbreaks	73	71	38
Total	80	84	42
People affected	360	372	190

Sources of confirmed and suspected outbreaks of meat-related illnesses, 1994-1996*

Food	Number of Outbreaks	No. of People Affected
Hamburger	35	96
Cheeseburger	7	21
Steak/Prime Rib	11	27
Barbecued Pork	13	36
Fried Chicken	7	24
Chicken Soup	2	5

*Reported cases as of July 10, 1996

Sources: **Florida** Health and Rehabilitative Services; Division of Environmental Epidemiology

STATE OF KANSAS

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Jamie Clover Adams, Secretary of Agriculture
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KANSAS DEPARTMENT OF AGRICULTURE

Written Statement

of the

Kansas Department of Agriculture

submitted to the

Senate Agriculture, Nutrition & Forestry Committee

on

S. 1988

April 6, 2000

This written testimony is submitted on behalf of the State of Kansas in support of S. 1988 which would allow interstate shipment of state-inspected meat and poultry products.

The state inspection program in Kansas, and in the 24 other states with state inspection programs have proven, through a series of comprehensive USDA reviews, that they can meet standards that are at least "equal to" the standards imposed upon federally inspected plants. Therefore, it is only fair that our plant owners be permitted to market their products anywhere in the United States.

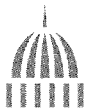
We support interstate shipment of state-inspected products because our plants are producing products that are every bit as "equal to" the products produced by federally inspected plants. The performance of our state meat inspection program ensures that only wholesome products are entering commerce.

Recently at a state legislative hearing, a number of state inspected plant owners appeared and testified that the major concern that they had regarding future viability of their operation was

interstate shipment of meat. A number of our plants are close to the border and are arbitrarily restrained from being able to market their products across state lines. These plants have proven that they can produce safe and wholesome products yet they are forbidden from being able to aggressively market their products. Furthermore, the state inspected facilities can not fully utilize the Internet to market their products without the ability to ship in interstate commerce. If we want small, rural communities to continue to exist, then we must remove all artificial and unreasonable trade barriers and allow them to pursue any and all avenues for their products.

All state programs are evaluated by review officers from the USDA Technical Service Center in Omaha, and if problems are identified, then USDA will step in and take the appropriate action. However, if the program and plants are functioning properly then there is no scientific or logical reason to prevent the interstate marketing of these products. Furthermore, it is disingenuous for anyone to claim that federal plants are the only place that safe and wholesome meat can be produced. The performance of the federal plants are seldom reviewed by the Tech Center, and there is no system of rating federal plants that fail to meet all the USDA standards. At least with the state plants, there is a comprehensive, thorough review that lets everyone know the status of the program and the plants operating under it's authority.

We appreciate the opportunity to submit testimony in support of interstate shipment of state-inspected meat.



NATIONAL CONFERENCE
of STATE LEGISLATURES

The Forum for America's Ideas

National Conference of State Legislatures Written Submission
to the
United States Senate Agriculture Committee
by
The Honorable Larry Diedrich
South Dakota House of Representatives
Chair, NCSL Agriculture and International Trade Committee
April 6, 2000

The National Conference of State Legislatures is a bipartisan organization dedicated to serving the lawmakers and staffs of the nation's 50 states, its commonwealths and territories. The Conference is a source for research, publications, consulting services, meetings and seminars. It is the national conduit for lawmakers to communicate with one another and share ideas. The Conference is an effective and respected voice for the states in Washington, D.C., representing their interests before Congress, the Administration and federal agencies.

The National Conference of State Legislatures supports federal proposals to waive the intrastate limitation on state-inspected meat and poultry. The 25 states with USDA-approved inspection programs inspect approximately seven percent of all meat and poultry products produced in the United States and more than one-third of all meat and poultry plants. State programs have been a boon to small processing operations and remote rural areas due to efficiency, cost-effectiveness, greater accountability and specialty programs for exotic products. The ability for these producers to reach out-of-state and international consumers will be critical in the future due to the growth of the internet, niche markets and new distribution channels.

General Principles

The Wholesome Meat Inspection Act and the Wholesome Poultry Products Act authorize states with inspection programs that are certified by the U.S. Department of Agriculture as "at least equal to" the federal program to inspect "amenable" meat and poultry products for distribution within a state's borders. USDA's Food Safety and Inspection Service is responsible for setting national inspection standards and annually certifying

that state programs meet those standards. The Agency has never unilaterally "designated" a single state program for failing to meet the "at least equal to" provisions. Furthermore, states have been inspecting milk, eggs, and "non-amenable" products such as deer, buffalo, emu and others for interstate distribution with little or no evidence of any risk to the consuming public.

State-inspected meat and poultry, unless it is emu, deer or some similar "nonamenable" product, may not be shipped interstate or internationally under federal law. This limitation discourages small start-up operations, specialty producers and plant operators serving less populated areas.

Federal meat and poultry inspection has proved not only to be ineffective at times, but also bureaucratically cumbersome to many producers. Producers located close to state lines, in geographically remote areas, and in states without federal plants have been handicapped--a particularly cruel fate given the current state of the farm economy.

S. 1988-The New Markets for State-Inspected Meat Act of 1999

The National Conference of State Legislatures is committed to ensuring food safety and supports the fundamental goal of S. 1988 to permit the interstate shipment of state-inspected meat and poultry. NCSL believes the measure will improve the viability of state inspection programs, which should help small establishments, specialty producers and those close to state lines. State legislators recognize the fragile state of the farm economy and encourage the federal government to act quickly on this critical issue. S. 1988 represents a good starting point toward permitting more equitable treatment of state inspection programs.

S. 1988 implicitly recognizes the important role of state legislatures in its implementation by requiring states to adopt legislation identical to provisions of the Federal Meat Inspection Act and Poultry Products Inspection Act. Given this recognition, NCSL is troubled that state legislators and state government organizations were not adequately consulted during the development of S. 1988. While the executive branch is an important partner in state food safety programs, state legislators are equally vital. Any change in state law, of course, requires legislative action. Dialogue among the U.S. Department of Agriculture, Congress and state executive branch officials related to meat and poultry inspection therefore should involve state legislative organizations, including NCSL. For example, S. 1988 authorizes the Secretary to appoint advisory committees consisting of state agency representatives. This provision should be expanded to include state legislators. Further, the state legislature should be notified and consulted at the same time as the governor if the Secretary determines that a state program is not compliant with federal requirements.

NCSL believes that states should be given maximum flexibility, provided that inspection programs continue to be found to meet standards at least equal to the federal program. States should be permitted to have standards exceeding the federal standards as is the case under current law. States should also be allowed to set appropriate limits on what

types of facilities are eligible for state inspection. For example, states may wish to set limits on the size of eligible plants to insure that state inspectors are able to provide adequate oversight.

Because state-inspected plants have been unable to ship their products interstate or internationally under current law, a number of very small plants have submitted to federal inspection. If the intrastate restriction is lifted, it is expected that some of these plants may switch from federal to state inspection. This would place greater resource demands on the state programs. It is important that the federal government recognize this challenge and work with the states to guarantee adequate food safety resources.

If states are required to make changes to their inspection programs as a result of S. 1988, states will need appropriate technical and financial assistance from the federal government. As currently drafted, the bill would allow the Secretary to reimburse the state for not more than 60 percent of the state's costs of meeting the federal requirements. NCSL supports granting the states maximum financial resources and flexibility.

NCSL supports provisions in S. 1988 that would permit state-inspected products to be exported. Foreign countries certified by USDA as maintaining "equivalent" programs are permitted to ship "amenable" meat and poultry products to this country for interstate shipment. U.S. firms dependent on state inspection programs should be accorded treatment equal to their foreign competitors.

NCSL recognizes that there is disagreement regarding the mark of inspection that will be applied to state-inspected products if they are allowed to be shipped interstate or internationally. NCSL supports a dialogue among the states, the federal government and the private sector to insure that a mark of inspection is developed that provides adequate food safety protection, allows for interstate and international shipment and is consistent with U.S. commitments undertaken in international trade agreements.

Lastly, NCSL believes that the ultimate decision for meat and poultry plants on whether to submit to state or federal inspection should rest with plant operators. Program requirements should not be crafted so as to dictate which inspection regime plants must submit to. Plant operators are best placed to make these decisions and, unencumbered by legal restrictions, they are likely to do so in a manner that most advantages their viability and the rural economy.

The National Conference of State Legislatures is committed to working with intergovernmental partners and the private sector to permit interstate and international shipment of state-inspected meat and poultry while ensuring adequate food safety. NCSL encourages Congress to act quickly on S. 1988 and similar legislative proposals to realize this goal.

NATIONAL CONFERENCE *of* STATE LEGISLATURES

The Forum for America's Ideas

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Indiana
President, NCSL

John B. Phelps
Clerk of the House
Florida House of Representatives
Staff Chair, NCSL

William T. Pound
Executive Director

OFFICIAL POLICY

Interstate Shipment of State-Inspected Meat and Poultry

The Wholesome Meat Inspection Act and the Wholesome Poultry Products Act authorize states with inspection programs that are certified by the U.S. Department of Agriculture (USDA) as "at least equal to" the federal program to inspect "amenable" meat and poultry products for distribution within a state's borders. USDA's Food Safety and Inspection Service is responsible for setting national inspection standards and annually certifying that state programs meet those standards. The Agency has never unilaterally "designated" a single state program for failing to meet the "at least equal to" provisions. Furthermore, states have been inspecting milk, eggs, and "non-amenable" products such as deer, buffalo, emu and others for interstate distribution with little or no evidence of any risk to the consuming public.

The problem is that state-inspected "amenable" meat and poultry products may not be shipped interstate or internationally. This has disadvantaged small enterprises and discouraged the promotion of state exports. Current restrictions have had a disproportionate impact on the rural economy by handicapping producers located close to state lines, in geographically remote areas, and in states without federal plants.

NCSL therefore supports federal legislative proposals that would immediately waive the intrastate limitation on state inspection programs found to meet standards "at least equal to" the federal program. State-inspected plants should receive equal treatment vis-à-vis federally-inspected plants in terms of the timetable for implementation of Hazard Analysis and Critical Control Point (HACCP) and all other program requirements. Furthermore, NCSL supports legislative initiatives that would permit states to inspect meat and poultry for international export. Foreign countries certified by USDA as maintaining "equivalent" programs are permitted to ship "amenable" meat and poultry products to this country for interstate shipment. U.S. firms dependent on state inspection programs should be accorded treatment equal to their foreign competitors.

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HOUSE CONCURRENT RESOLUTION No. 5050

A CONCURRENT RESOLUTION urging Congress to pass legislation allowing state-inspected meat and meat products to be shipped interstate and to pass legislation increasing the number of poultry to be slaughtered at home and offered for sale to the consumer.

WHEREAS, All regulations for state inspected commercial meat plants must be equal to or more strict than the federal regulations; and

WHEREAS, Since state inspected meat and meat products must be equal to the federal regulations, meat and meat products should be allowed to be shipped across state lines; and

WHEREAS, Currently, annually, only 1,000 poultry may be slaughtered at home and offered for sale to the consumer; and

WHEREAS, To meet current consumer demand, such number should be increased to 3,000 poultry: Now, therefore,

Be it resolved by the House of Representatives of the State of Kansas, the Senate concurring therein: That Congress pass legislation allowing state-inspected meat and meat products to be shipped interstate; and

Be it further resolved: That Congress pass legislation increasing the number of poultry to be slaughtered at home from 1,000 to 3,000; and

Be it further resolved: That the Secretary of State be directed to send enrolled copies of this resolution to the President of the United States; the Vice-President of the United States; Majority Leader and Minority Leader of the United States Senate; the Speaker, Majority Leader and Minority Leader of the United States House of Representatives; the Secretary of the United States Department of Agriculture; and to each member of the Kansas Congressional Delegation.

I hereby certify that the above CONCURRENT RESOLUTION originated in the HOUSE, and was adopted by that body

February 17, 2000

Pat Flaherty

Speaker of the House.

Janet E. Jones

Chief Clerk of the House.

Adopted by the SENATE March 15, 2000

Dick Bond

President of the Senate.

Pat Saville

Secretary of the Senate.