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DEVELOPMENT OF A NATIONAL ANIMAL IDENTIFICATION PLAN

HEARING

BEFORE THE

SUBCOMMITTEE ON MARKETING, INSPECTION, AND PRODUCT PROMOTION

OF THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

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DEVELOPMENT OF A NATIONAL ANIMAL IDENTIFICATION PLAN

THURSDAY, MARCH 4, 2004

U.S. SENATE,
SUBCOMMITTEE ON MARKETING, INSPECTION, AND PRODUCT PROMOTION, OF THE COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:05 p.m. in room SH–216, Hart Senate Office Building, Hon. James Talent, [Chairman of the Subcommittee], presiding.

Present: Senators Talent, Harkin, Baucus, and Nelson.

STATEMENT OF HON. JAMES TALENT, A U.S. SENATOR FROM MISSOURI, CHAIRMAN, SUBCOMMITTEE ON MARKETING, INSPECTION, AND PRODUCT PROMOTION, COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

Senator TALENT. All right; we will convene the subcommittee hearing.

I want to thank everyone for coming to the hearing to discuss this important subject, the development of a national identification program. I do not need to tell people in this room how important the issue is. I do want to start by saying the United States has the safest food supply in the world. I have said that many times before and will continue to say it on occasions like this. It is still true today.

A national animal identification plan is not a new idea; in fact, over the last few years over 75 livestock-oriented organizations have been working on a framework for a national system. The finding of the imported dairy cow with BSE on December 23 has accelerated the consideration of such a system.

Shortly after the announcement of that, Secretary Veneman testified before the full Committee that she was committed to developing a national program. Additionally she told the Committee that USDA had sufficient statutory authority to establish a mandatory or voluntary national ID plan through the Animal Health Protection Act. I am pleased with her and the Department's timely response and attention to this issue.

We have assembled a great panel of experts today. Each one has an interesting perspective on this issue as well as a depth of knowledge on the animal industry in general. I look forward to hearing from each of them. I believe, and I do not want to put words in their mouths, but I believe each witness is going to agree that a reliable national ID system in the United States is not something

that is going to happen overnight. You cannot turn on a national animal ID program like a switch.

Owing to the large number of animals and diverse production systems in the United States, a national identification plan will not be simple to develop, and successful implementation of an ID system will require significant resources in both time and money. As an example, there are 68,000 cattlemen in Missouri. We are proud of each and every one of them. Each of these producers will need a premise identification number in an ID system, not to mention the sale barns, packing plants and veterinarians.

Distributing a premise identification number to each of these producers will take several weeks or more, and that is just Missouri. There are 1.2 million cattlemen in the United States, which means that we are faced with a major task in developing and implementing a national ID system.

We need program that quickly traces animals backward and forward but is not costly or burdensome to producers regardless of whether it is a small herd of 30 animals on 80 acres in Missouri or a herd of 1,000 with a grazing allotment in the West. Right now, the United States has an opportunity to build a plan that will strengthen our animal health capabilities as well as consumer confidence if we do it right.

I am pleased that the Secretary considers this an important subject and believe she has the authority she needs to implement it. I have spent some time working on this issue with producers in Missouri, and they recognize the need for a national animal ID program as it relates to animal health, but they still have very valid concerns and questions regarding privacy, cost and impact on the way animals are marketed in the United States. I hope we can address some of these concerns today.

We are going to start with the Undersecretary for Marketing and Regulatory Programs, Bill Hawks, who has been a frequent witness before the committee.

It is great to have you with us. Not only does Secretary Hawks have responsibility for APHIS, the agency which will be involved with a national ID program, but he has also worked in the cattle business, and he knows first hand how an ID program would impact our farmers and ranchers.

I also want to mention the piece of good news and congratulate the Secretary for his good work in the negotiations with Mexico. I am pleased to hear they are reopening the border. That is great news for the producers, and I am hopeful that our other trading partners will soon follow suit.

[The prepared statement of Senator Talent can be found in the appendix on page 44.]

I want to recognize Senator Nelson for an opening statement and also recognize his great work on this issue.

Senator Nelson.

STATEMENT OF HON. BEN NELSON, A U.S. SENATOR FROM NEBRASKA

Senator NELSON. Well, thank you very much, Mr. Chairman, and I thank you for holding this very important hearing. I look forward to the panels' comments. Unfortunately I am going to take leave

of time for a minute and co-chair a Personnel Committee of the Senate Armed Services Committee hearing. I have perfected a lot of things but being in two places at once is not one of them yet. I am optimistic.

Senator TALENT. Senator, there will probably be a 30-second ad in your next campaign complaining that you have not yet figured out how to be in two places at one time.

[Laughter.]

Senator NELSON. Well, thank you and thank the panel for coming to the Subcommittee today to offer your views on a national animal identification program, and because of the timeliness of this issue, I appreciate your collective commitment to appear before us today.

Work on a national animal ID program has been progressing through its early stages of development for the last several years, with the issue being thrust forth in the public radar due to the first detection of BSE in the United States last December. Although I wish we were addressing this matter under different circumstances, I do believe it is critical that we use the momentum for change generated by the BSE case to move forward in working through the various concerns surrounding an animal ID program with one goal in mind: full implementation of a quality program at the earliest possible date.

Let me emphasize that I do not want to cut corners, because that will only lead to problems down the road. As our producers and ranchers languish under closed export markets, there is a costly lesson to be learned. Therefore, we must move without delay to create a program that will play a contributing role in improving food safety and animal health while at the same time providing a valuable tool in protecting the livestock industry from foreign animal disease outbreaks.

Today, I will be particularly interested in comments from our panelists on three topics. First, I would like to know the panelists' views on where we will find the funding for this program. USAIP has estimated that once the ID program is fully in place, costs could approach $122 million annually, with ID tags accounting for nearly $100 million of that amount. The National Farm Animal Identification and Records Program, FAIR, and another USDA-funded ID pilot program estimates that its program could cost $540 million over a 5-year period.

Currently, USDA has $33 million in the fiscal year 2005 budget to accelerate development of an animal ID system. This is only a fraction of the total cost. In order to alleviate the concerns of producers, especially smaller producers, that they will be majority of the development and annual management costs of the program, we have to find an adequate cost share balance between the livestock industry and the public.

Second, as you know, producers are concerned about public scrutiny and Government intrusion of their records. In general, there is a strong support for a program where only the appropriate state and Federal officials would have access to the animal ID information through the performance of their duties, with ample safeguards to protect that information from any damaging effects caused by public disclosure.

Therefore I am interested in the panelists' views on the best way to protect private and proprietary information with a national animal ID system but also in the context of the public's right in many cases and always its desire to know. Finally I believe that in conjunction with the implementation of an animal ID program, we should restore the original September 2, 2004, deadline for mandatory country-of-origin labeling as directed in the Farm Bill. As you move farther away from the Beltway, the support of COOL grows like a wildfire on the prairie, and I have personally experienced this wave of sentiment in my state.

In my opinion, I find that both this animal ID probably and COOL go hand-in-hand. and I would appreciate the panel addressing this issue as well.

I believe today's hearing is not only appropriate and necessary but should be considered a sign of this subcommittee and the larger Ag Committee's dedication to finding a positive outcome in the debate over animal ID protections.

I commend your hard work and dedication to this issue, and I look forward, Mr. Chairman, to a continued level of coordination and communication as we work with the USDA, Congress and the various working groups joining together to find a resolution to this matter that works for everyone.

Thank you very much.

[The prepared statement of Senator Nelson can be found in the appendix on page 46.]

Senator TALENT. Well, I am grateful to the Senator for his comments, and I understand entirely if he has to go to another hearing. Staff tells me, Ben, that we seem to have picked the busiest afternoon so far in this year for this subcommittee hearing.

Senator NELSON. I shall return.

Senator TALENT. OK; great.

Senator TALENT. We will go right to our first panel, which consists of the Hon. Bill Hawks, who is Under Secretary in the Department of Agriculture for Marketing and Regulatory Programs and, as such, is a very busy man, and so we are grateful to have him here with us today.

Mr. Hawks, if you would give us your statement.

STATEMENT OF HON. BILL HAWKS, UNDER SECRETARY, DEPARTMENT OF AGRICULTURE, MARKETING AND REGULATORY PROGRAMS, WASHINGTON, DC

Mr. HAWKS. Yes, sure. Thank you, Mr. Chairman and Senator Nelson.

It is certainly a pleasure to be here with you today. The advent of the increased animal disease outbreak around the world over the past decade, especially the recent BSE-positive cow found in Washington state have intensified the public interest in developing a national animal identification program for the purpose of protecting animal health.

While there is currently no national animal identification system in the United States for all animals of a given species, some segments of certain species are required to be identified as part of a current program disease eradication activities. In addition, some

significant regional voluntary identification programs are in place, and others are currently being developed and tested.

The investments made by USDA in identification projects as well as private sector investment in these and other projects have generated base and experience that provide a platform on which to build a national system. As an example, the National Farm Animal Identification Records, or FAIR, program is an animal identification program supported by USDA's APHIS and the Holstein Association, USA, Incorporated, a nonprofit breed registry organization led by dairy producers.

APHIS also provided funding for the Wisconsin Livestock Identification Consortium Initiative, an industry-managed and controlled information system. In addition to programs directly funded by USDA, a more comprehensive U.S. animal identification plan has been developed by an industry-state-Federal partnership including more than 100 animal industry and state and Federal Government professionals representing more than 70 associations.

This plan is the United States Animal Identification Plan, or USAIP. While implementation details of the plan are still being worked on, the USAIP describes an information system and infrastructure to enable the identification of all animals and premises potentially exposed to an animal with a disease of concern within a 48-hour period.

Species-specific working groups are currently working with the framework of the USAIP to develop animal identification implementation details for those breeds and species. Governance of USAIP is planned as a joint Federal-state responsibility, with oversight and input from industry. The USAIP notes that costs would be substantial and recommended both public and private funding to cover the cost of the program.

The United States is not alone in developing animal identification systems. Most developed countries have either already adopted or are planning to adopt some system of identification and trace the movement of livestock within their borders. The European Union has adopted the most comprehensive program of animal identification and tracking. The Canadian Cattle Identification Program is an industry-led initiative to promote beef consumption through assurance of efficient traceback and containment of serious animal health and food safety problems. Australia has also developed a national livestock identification scheme for identifying and tracing livestock.

There are a number of important lessons that have been learned from the work that has been ongoing within the United States and the rest of the world. First, it is critically important to get support from the industry as we shape an animal identification system for the United States. Second, there is no one-size-fits-all technology. Third, both public and private funding will be required for any system to become fully operational.

We believe that in designing a U.S. system, important factors to consider are the diversity, the complexity of our animal industries, and the lack of experience with animal identification for a large number of producers. This extreme diversity and complexity make immediate scaling up of a current project that has been funded by USDA difficult if not impossible until a thorough evaluation of

those projects for potential use on a national scale and for a significantly broader scope than initially tested can be conducted.

In addition to the large number of animals, producers and nonproducers that must be accounted for in a national system, there is also a decided lack of experience with the individual animal identification in the United States, and where it exists, the systems are quite diverse. A large number of producers, especially calf operators, do not currently individually identify their animals. Thus, a major component of a national system will be educating livestock producers and processors as to how the system would operate and their responsibilities. To meet the educational needs of the livestock producer and processor, USDA will need to work in concert with states, organizations and other stakeholders.

Another issue is the authority of USDA to implement a national identification system. The Animal Health Protection Act enabled the Secretary to prevent, detect, control, eradicate diseases and pests of animals in order to protect animal health, the health and welfare of people, the economic interests of livestock and related interests, the environment and the interstate and foreign commerce in animals and other articles.

The Animal Health Protection Act gives the Secretary broad range of authorities. We believe the provisions of the Animal Health Protection Act provide the Secretary with ample authority to establish and implement either a mandatory or voluntary system of animal identification.

The National Animal Identification System would provide information on animal numbers by location and the movement of those animals over their lifespan. The potential disclosure of individual producers and processing plant information give rise to concerns about the accessibility and confidentiality of individual records contained in the national animal identification base base. Federal legislation addressing the confidentiality and accessibility of information in a national identification base base may be needed to address the concerns of livestock producers and processors and expedite the implementation of a national identification system.

Our goal is to create an effective, uniform, consistent and efficient national system. We believe this goal can be achieved by adhering to several key objectives. First, the system should allow producers, to the extent possible, the flexibility to use the current systems or adapt new ones.

Second, this flexibility can best be achieved by having a system that is technology-neutral so that all existing forms of effective technology and new forms of technologies maybe developed in the future may be utilized.

Third, the national identification system should use and buildupon the excellent base standards developed by the USAIP.

Fourth, the system must not preclude producers from being able to use it with production management systems that respond to market initiatives.

Fifth, the architecture for the national animal identification system must be designed so that the system does not unduly increase the role and size of government. The President's budget proposal for fiscal year 2005 requests $33 million to fund that year's activities for system implementation. No funds have been appropriated

for fiscal year 2004. Since we plan to initiate an implementation during fiscal year 2004, we are considering alternative methods of funding including emergency funding from the Commodity Credit Corporation.

USDA plans to move forward with implementation of a national animal identification system in 2004 first on a voluntary basis and eventually with a requirement for premises and individual animal identification for all animals. Although we are still developing our specific timeline for implementation and deciding on funding mechanisms, we can provide some preliminary and general indication of activities for 2004.

Our implementation would begin with an assessment this winter and spring of existing premise and animal number allocated systems in use. Based on that review, we would select the most promising infrastructure to fund and develop the national premise allocator number and repository system and an animal identification allocation number and repository system.

We believe these national systems could be in place by late summer to begin allocating premise identification numbers to cooperators, states, tribes and certain other entities that are ready to register premises. We would envision providing some funding through cooperative agreements to states, tribes and other entities. At this point, we do not envision Federal funding being used for individual eartags or other such devices. However, funding of select electronic readers could be accommodated under the agreements with some cooperators.

During the summer and into the fall, we would also focus on identifying qualifying third parties such as private industry and trade associations that have identification products or programs, so they could be integrated into the national system later this fall. By late fall, we would then be in a position to issue premise and animal identification numbers to third parties to begin receiving that information.

Many issues must be resolved before we can accomplish this task just identified for 2004 and beyond. We look forward to working with the national producers, the industry and Congress to be successful in creating a national animal identification system.

Thank you, Mr. Chairman, members of the Committee, I would be happy to respond to questions.

[The prepared statement of Mr. Hawks can be found in the appendix on page 49.]

Senator TALENT. Senator Harkin has arrived. I want to recognize him—I see Senator Baucus as well. Well, Tom, you are ready to go, and you have a brief one. Why do you not just go.

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

Senator HARKIN. Very brief, yes, thank you very much, Mr. Chairman, and thank you for the opportunity to look into the development of a national animal ID system.

The need has become abundantly clear since the discovery of BSE in Washington State. It is also clear that technology exists to implement the program. As I have done previously, I urge the

USDA to move forward with a system to protect animal health, public health, and to ensure confidence by both domestic and foreign markets.

Given the significance of all of these concerns, USDA must develop the program in a very transparent manner. One of the first things USDA needs to do is announce its plans to ensure that those affected by the program, including livestock producers and other industry participants and consumers, will have an opportunity to observe and comment on the critical decisions USDA faces.

There is going to be some controversial decisions ahead. The only real way to build consensus through the industry is to provide those affected with a voice in the process. As the system is designed, USDA needs to make sure that it protects the ability of farmers and ranchers to be independent. The last thing we need is a system that locks a producer into delivering to one packer or vertical chain having a unique animal identification system and thus take away the producer's ability to seek other buyers.

A system need not be designed to encourage this kind of vertical integration, and I urge the USDA to be cognizant of this issue as it moves forward. A national animal ID system raises a host of other questions that I look forward to learning about today and in the near future, such as how it will be funded, how will confidentiality and liability issues be addressed, what is the timeline for implementation?

I look forward to working with my Senate colleagues, USDA and members of the livestock industry and the public to ensure a workable, cost-effective animal ID system.

Thank you very much, Mr. Chairman.

Senator TALENT. Thank you, Senator.

Our ranking member is here. Senator Baucus.

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

Senator BAUCUS. Thank you very much, Mr. Chairman.

Clearly, this is a good opportunity to try to find the best way to set up a national ID system that is going to work. I just have a couple of points. First, thanks for holding the hearing. There is always a silver lining in every cloud. You have the BSE cloud here, and I guess one potential silver lining here is it almost forces us now to come up with some way to minimize to a higher degree the recurrence not only of BSE but other diseases and other problems that may or may not happen.

I am no great animal pathologist, but certainly, it just seems that as the world becomes more complicated, and there is more interaction among more people, more animals, people and animals and so forth, different kinds of little viruses or bacteria develop and become sometimes immune more quickly than we would like, and it is a very uncertain world, and in some sense, even more uncertain every day.

The degree to which we can sort of get this right, as right as we can get it, clearly the greater the service we will be providing.

A couple other points here. This gives us an opportunity to a lot of good questions of people. I firmly believe in the old John Locke sunshine idea, that the more people vigorously debate a certain

point of view, the more likely it is that the truth is going to emerge. It is old fashioned, but I believe it. I hope that that is a consequence of this hearing.

We have some real experts here. I know, Mr. Hawks, thank you for testifying, but in addition to that, from my home State, Ron Ostberg of the Cattle Producers is going to be on the third panel from Scobey, Montana; also, Bob Lehfeldt, a sheep producer from Lavina, Montana.

I say they are experts because they are. They are the front line. They are the producers. They are the ones that whose livelihoods are at stake here. They are the people of the soil, just really good, good, good people. I know both of them quite well. One is a cattle producer, as I mentioned, the other in sheep. My family raises both cattle and sheep, and I have known them for years, and they are honest, common sense, no nonsense guys.

We are also proud in the West, as you know, Mr. Chairman and Mr. Hawks, that we have an ID system already in place. It is called hot iron brands. It works pretty well. Cattle are IDed at birth, basically, or not quite at birth but in the calving and get also eartagged most of the time. It worked in this case, too, and herdmates of the Canadian-found BSE case were discovered traveling through Montana. Because of Montana's branding laws, these animals research tracked within less than 24 hours.

We are just saying and asking, as we put this together, that I know you will, Mr. Hawks: include producers; include people who really are directly affected by this directly. We cannot have something top down here. It is got to really work from people at the bottom up.

We also have some additional tracking systems. It is not just branding. We have something called the Montana Beef Network, which uses radio frequency identification and a computer base base. I have forgotten the number; it is 14,000 head have already been identified in Montana with this system. It is something we developed at home. It is a separate, additional kind of technology.

We do not want to reinvent the wheel here, but we want to be able to look at different technologies, not get too locked into one. We want to be sufficiently flexible here to allow existing tracking programs to be utilized as well and also safeguards to prevent any point in the supply chain from demanding one certain technology and limiting producer choice.

In addition, it is important to remember that—let us not be kneejerk here. Let us be thoughtful. The questions that Montanans are asking, when I surveyed folks at home, are, first, cost. What is the cost of all of this going to be? Who is going to bear the burden? How is the cost going to be distributed, and how much Uncle Sam, how much producers, how much others in the system? We have to think that through and be up front about it.

Next are privacy questions: Who is going to have access to details of a rancher's operations? Ranchers are very concerned about—they want to do the right thing, but on the other hand, they do not want some ID system to enable, either under FOIA or something else, to find everything under the sun about a rancher's operations. It is not really relevant, but we want to make sure that that is not an unintended consequence of all of this.

The third general set of questions revolve around the integrity of this system: what safeguards will be enacted to maintain the integrity of a national ID system?

Mr. Chairman, I guess, thank you for holding this hearing. Thank you, Mr. Hawks, and I also want to thank my good friends from Montana who are here, because I appreciate your taking the time to come all the way to Washington, DC I know it is not the first item on your agenda to get on an airplane and come to Washington, DC, but thanks a lot for coming, and thank you again, Mr. Chairman and Mr. Hawks.

Senator TALENT. Well, I thank the Senator for his comments.

Bill, the good news is, as I listen to the opening statements, we seem to be speaking more or less off the same page in terms of the concerns, and all of us are really reflecting what we are hearing back home from our producers. Now Senator Harkin and Senator Baucus came in as you were ending your comments, and they both raised a concern that I had, which was timing for a rollout or what you are considering doing, and you discussed that in your testimony.

Would you just take a minute and repeat what you are saying regarding your plans, at least for 2004?

Mr. HAWKS. Sure.

Senator BAUCUS. Mr. Chairman, if I might, I ask to be excused here. I have a bill I am managing on the floor. It is a jobs bill trying to lower taxes on Montana and national domestic production so that we can get more products produced in America and more jobs in America.

Senator TALENT. Completely understand, Senator, and if you have any questions for the record, we will sure put them in. I note that I picked a very busy day for this, so I will say to Senator Harkin, it is my intention after he answers this, and I am going to ask a little bit about confidentiality, to defer to you for any questions you may have—just really wanted to—OK, well, why do not you answer that one and then I will just defer to Senator Harkin, let him ask his question in case he has to go.

Mr. HAWKS. We recognize the fact that it is going to be difficult to ramp this up immediately, and so, our plans are this summer of 2004, we would be able to do the premise identification and then earlier in 2005 to be able to do the individual identification. That is a ramp-up process.

We want to be evaluating the systems that we have already invested in to try to determine which ones of those are the best candidates to be the national repository, and that is really our plan, to start in fiscal year 2004 with the premise ID and then move into the individual ID shortly thereafter.

Senator TALENT. Why do not I just recognize Senator Harkin to get a question or two, because I am here anyway, and I do not know if you need to go.

Senator HARKIN. I really appreciate that. Thank you very much, Mr. Chairman.

Mr. Secretary, and I really thank the Chairman for giving this opportunity to ask a question here. I just basically—I had a lot of questions I will submit for the record, but one we have to clear up, as I have been doing my job and going to these meetings and stuff

around the Hill today, I heard a report that came out, and I want to make sure we can get it clarified here, concerning USDA's position on whether the program would be mandatory, and it comes out—I guess you testified before a House Ag Appropriations Committee meeting this morning.

What I am hearing is that you said it would be up to industry on whether to make this program mandatory. You cited the possibility that a large retailer like Wal-Mart might mandate animal identification. As all of the testimony that has been submitted today indicates, an animal ID system is needed for health reasons, and also given that some of the animal health issues concern diseases that can cross from animals to humans, obviously BSE, it is also a public health concern also.

Again, I wanted to give you a chance to clear this up—these are just reports that are coming out—and clear up whether or not the determination of animal health and public health policy would be left to a few large private entities or how this is going to happen, and I just wanted to give you the opportunity to clear up some of these rumors. There are reports that are going around.

Mr. HAWKS. Sure, there is obviously a lot of confusion in the way those questions were asked, maybe in the way the questions were answered on my part as well. Let me first emphasize the fact that it is our desire for animal disease control and eradication purposes to have animal identification. Preferably, we would like to see this market-driven. Therefore, we would like to see a voluntary system work. We really do not care whether it is a voluntary system, whether it is a required system, but the desire is to get a system in place.

If the system can be 100 percent voluntary, that would certainly be my preference to have that system in place. That is really where we would prefer to go. Whatever method we get—and this is for animal disease control purposes and eradication purposes.

Senator HARKIN. Well, Mr. Secretary, again, I understand; let me just throw again—a follow-up question on that again is, since there are public health concerns associated with this, because some of these diseases can cross over to humans, in those cases, I am not certain that just simply leaving it to the market might be sufficient. I can only assume that in your developing this, you are bringing in entities like the CDC; you are bringing in other public health agencies to take a look at this and to have their input into a system that might be designed.

Mr. HAWKS. Senator Harkin, the animal identification component that we are working on now is we are structuring it as designed for animal disease control. That is the animal disease, animal health officials are the ones that we anticipate having access to this system.

Senator HARKIN. Maybe I am not asking my question right. What I am saying is that you are developing an animal ID system. There are a number of reasons why this is being done. One is for consumer confidence here. It is for making sure that our markets overseas, that we can have something our customers want overseas; after all, the customer is always right, as they say.

Then, there is another element to that. That is public health concerns, in terms of animal diseases that can cross over into the

human area. In that case, it is not simply just a market system; it is a public health concern, and that is why I am asking if you are going to bring in public health officials, Center for Disease Control people—that is really our public health entity in America—and others to have some input into this process, and as I said in my opening statement, to make it transparent and open.

Mr. HAWKS. Senator, it is certainly a transparent and open process as we move forward here, and it is our desire to have 100 percent compliance with this, and as I was saying, we would prefer to have it on a voluntary basis. As far as having the transparency that you are talking about, having the opportunity for whomever to participate in this, whether it is the CDC, whether it is your producers in Iowa, whether it is the producers in Missouri, whether it is the State health officials, the animal health officials or whomever, it is totally open, totally transparent.

Senator HARKIN. Well, I hope so, and I hope that you are giving due concern to the public health aspect of this also, because if a system is designed, at least, Mr. Chairman, I feel, wherein the public health concern area has not been involved and open, and they have not had their concerns heard and contemplated, that we might have some problems with that.

Senator TALENT. Senator, if you would just yield for a question.

Senator HARKIN. Sure.

Senator TALENT. You got a partial answer, but I am not—Bill, is it fair to say that, in terms of your current plans, you are open to the CDC commenting, but you do not have specific plans to go seek them out, which is what you are asking. Is that a fair summary?

Mr. HAWKS. That is correct; it is certainly open, transparent. Anyone who would like to participate, that is exactly——

Senator TALENT. I do not want to put words in Senator Harkin's mouth, but he is saying you might want to make certain that they come over and give you a few comments, since there are health——

Senator HARKIN. You got your finger on it. The Chairman put his finger on it.

Mr. HAWKS. They are certainly welcome at the table, Senator.

Senator TALENT. OK.

Senator HARKIN. Well, I am urging you to not say you are welcome; I am urging you to seek out our public health agency, CDC; bring them in on this from the beginning in this process and not wait for them.

You are right, Mr. Chairman, you figured out what the disconnect here was.

Senator TALENT. Yes, I was just looking at the outside of the conversation; I thought I could expedite things.

Senator HARKIN. That is great.

Mr. HAWKS. Sometimes, we need outside help.

Senator HARKIN. I am urging you to bring them in and be proactive in bringing them in. I guess that is what I am saying.

One last thing I would just say, Mr. Chairman.

Senator TALENT. Sure.

Senator HARKIN. I have heard from some groups that represent small farmers, small processors, that they do not feel that they are having an opportunity to be heard. There is a concern, as I said

in my opening statement, that somehow, we may be going to a system that is vertical; that large processors would have a certain system, and that if you do not meet that, you are out of it and there is a great concern among independent producers about that, so——

Mr. HAWKS. Senator, I would certainly take the opportunity to respond to that.

We recognize, and in my opening statement, I said one size does not fit all. Therefore, we want to make sure that we do not disenfranchise those small producers——

Senator HARKIN. I appreciate that.

Mr. HAWKS [continuing]. Anywhere.

Senator HARKIN. I appreciate that.

Mr. HAWKS. Thank you.

Senator HARKIN. Mr. Chairman, you have been very kind.

Senator TALENT. Oh, no, I appreciate the Senator's attendance on a busy day.

Let me follow-up on a few points, Bill, and I appreciate your testimony was very open. You actually answered some of the questions I had, and it does seem like the Department at this point has recognized and is working on the concerns that Senators have raised. Let me go a little bit into the confidentiality aspect of this.

I understand, I am not asking you for the specifics that you want this process to get you. It is really not fair for me to say you have to tell me exactly what you anticipate this process to do when we have all been urging you to be open and to listen to what people say and adjust in response to the process, OK?

I was hoping that we could get for Senators and for the record your thinking on these subjects, and I would encourage you to be forthcoming. I do think generally the subcommittee and the committee is supportive, and we are generally on the same page in terms of where you are trying to go.

Is it anticipated that the base would be accessed in the case of some kind of emergency disease situation only? If not, are there other situations where you think it might be accessed by the Government, or are there areas where you are open—we are going to hear from, in the second panel from Dr. Schmitz-Hsu from Switzerland, who is going to talk a little bit about how that system, now that they have had it in place for a number of years, how that information is available there and how they are using it actually with supporter producers for marketing efforts, et cetera.

Would you just share with us a little bit about what you think in that area?

Mr. HAWKS. Yes, sir, Senator.

It is our intent for this information that is in this national repository, if you will, to only be available for those animal health officials, whether it is State officials, whether it is Federal Government animal health officials, to carry on their disease control work. Some of it—it would not necessarily say that it would only be accessed just for an emergency situation; some routine surveillance, routine observations there that it would be available for those purposes.

That is really what our intent is. We have no intent of this being accessed by any Government official, Government agencies that do not have a need to know for an animal disease standpoint.

Having said that, we also want this system that is being developed to be broad enough to allow those producers the opportunity on their behalf, if they want to have other market-driven information that could be attached to it, but somewhere else, not in our repository. We only want to know those things for movement, that identification. That is what we are looking at for our purposes.

Senator TALENT. Did I understand you to say that, again, I understand it is a long way down the road, but the only time this information would be available without the specific approval of the producer would be in the case of some kind of an animal disease situation?

Mr. HAWKS. Animal disease situation.

Senator TALENT. An agency that had authority, statutory authority to look into that, which I assume would be the Department.

Mr. HAWKS. Right, it would be the APHIS, Animal Plant Health Inspection Service. It could be State animal health officials, those that need to have it for that purpose.

Senator TALENT. Now, when you set up the pilot projects, is it your intention for APHIS to set guidelines that the plans have to follow? Or are you going to leave it up to the organizations submitting those plans?

Mr. HAWKS. We will have guidelines as we look at additional requests for participation in the program. There would be some guidelines, but they should be fairly wide. There should be opportunity from those that want to participate to have the opportunity to do that.

Senator TALENT. OK; I have a question staff has prepared: do you feel confident that terrorist organizations will not have access to the information? I am guessing that you are not going to approve a plan unless you are confident terrorist organizations are not going to have access to the information.

Mr. HAWKS. Well, I guess it depends on what they identify as terrorist organizations.

No, sir, we have no intent of having terrorist organizations have——

Senator TALENT. It is a concern that we need to be——

Mr. HAWKS. Sure.

Senator TALENT. Because we certainly do not, we want to be careful with hackers and everything that people cannot get in. This is an important thing to do, but I really support what is the intention of the Department to move, yes, with speed in the sense that you do not rest; you do not just let it sit there for 6 months, but taking care that we do this the right way.

When you talked about mandatory and voluntary, for example, it is my sense, observing what you are doing is that the idea here is to get some pilot programs out that meet the needs that we have identified of the public interest that producers feel at least reasonably comfortable with and then see, maybe, a little bit how they grow on their own, and then, if everything is working pretty well, at some point come in a little bit later with the more mandatory type system.

Is that how you might envision this?

Mr. HAWKS. Yes, sir, that is exactly it. I would really like to stay away from the terminology mandatory, because it was certainly our

objective to get—if we could get 100 percent participation or near 100 percent participation without having anything mandatory, I mean, it is our desire to have this system, have as much participation as we possibly can. Whatever way we get there, that is where we want to go.

I personally think, being a farmer myself, I have a tendency to think that we would get more participation through a voluntary system that works efficiently, works effectively than we would from a top-driven system.

Senator TALENT. Yes, and if we all step back and just think in real life how this is going to work, the two options really just collapse, because we all want a system that will work. We can talk about mandatory or voluntary. I would say, though, that a system that is coercive, that we push down on top of our producers when they are fighting it with everything that they have, is just not a system that is going to work and therefore is not a system that is in anybody's interest.

Would you agree with that?

Mr. HAWKS. I certainly agree with that.

Senator TALENT. It is one thing if you have a lot of pilots, and some of them are really working, and you sort of steer in the direction of the one you think is the best, and you have to push a little bit at a certain point, but if you are just absolutely jamming it, what that means is it is probably not working out there, and then, we are not going to get the kind of certainty that we want.

Mr. HAWKS. You are right, Senator. That is exactly what we intend to do, to evaluate these systems that we have already invested in. There will be some additional opportunities for those that have ideas and have systems that they would like to participate in the program. We do those evaluations, be very thorough, very deliberate, and then move toward those systems that certainly can deliver what we are looking for.

Senator TALENT. It is important to remind everybody, if the system is not working out there, and the industry does not have confidence in it, it could end up producing the opposite of what we want, because if it tell us certain things about premises, in the case of a disease situation, but we do not have, and our trading partners do not have real confidence, because the system is being resisted out there, well, then, we do not know how to act on that information or not.

I would expect some elements of maybe—it is going to be largely, I do not want to say entirely—voluntary but it is something where you are going to have to work with industry to make this thing work. We are all in agreement with that.

A couple more questions. We do have a couple of other panels, and you have been generous with your time. Are the development efforts with USAIP still underway? Is that group disbanding? Tell us the status of that.

Mr. HAWKS. No, sir, USAIP is a vital part of what we have done. We have taken the excellent work that they have done over the last almost 2 years now; built on that. We certainly want them to engage with us at this particular point in time. They are a grassroots group, and we think it is vitally important that they stay engaged, work with us to try to get forward. My motto is working together

works, and we need to work together with USAIP as well as all industry interests to move forward.

Senator TALENT. You referenced existing ID programs that have received Federal funds. There are other programs that are working out there that have not received Federal funds. There is a good breed association tracking systems; Kentucky's animal ID system. Are you going to consider the merits of those programs?

Mr. HAWKS. Yes, sir, we sure will.

Senator TALENT. Yes, you are not just going to look at the ones that you have funded to this point. That is good.

Mr. HAWKS. No, sir.

Senator TALENT. See if I have anything.

Let us just get briefly—I do not know that it is appropriate at this stage to get heavily into this, but how are you going to work with the States? How do you anticipate—are they going to control some of this base? What about premise distribution or premise numbers distribution? Do you want to comment on that for us?

Mr. HAWKS. Sure, the comment I would like to make there is the States are going to be vitally important in everything that we do; as a matter of fact, the vast majority of the authority that we use under—until we declare an extraordinary emergency for animal disease control—the situation with avian influenza in Delaware today, we are doing with State authority, and even in Texas right today, we are using State authority to handle the avian influenza there.

It is absolutely vital that the States are well-connected and well-involved in this system.

Senator TALENT. That is all I have. Other Senators may have questions to submit for the record. We do appreciate your being here today, Mr. Hawks, and look forward to probably further hearings on this as you develop the program.

Mr. HAWKS. Thank you very much, Senator.

Senator TALENT. Thank you for coming.

Senator TALENT. As Mr. Hawks excuses himself, if the next panel could come forward, please.

I want to welcome our second panel. Let me introduce both of you at the same time, and then, we will go to Dr. Marsh first because that is the order I have here on my paper. I do not know that it really matters. Dr. Brett Marsh, who is the first vice-president of the U.S. Animal Health Association and the Indiana State Veterinarian; and then, Dr. Fritz Schmitz, I understand, is how I should pronounce it, sir, who is the former CEO of an tracing base base corporation, and you can pronounce the name of that company. I am not going to attempt to do so, sir. I am very much looking forward to both your testimonies. and Dr. Schmitz, especially, well, I do not want to say I am not looking forward to yours, Dr. Marsh, but I will be very enlightening to the Subcommittee and the record to hear your experience in Switzerland and compare it to what you see happening here.

Dr. Marsh, if you would go ahead with your testimony; thank you.

STATEMENT OF BRETT MARSH, FIRST VICE PRESIDENT, U.S. ANIMAL HEALTH ASSOCIATION, INDIANAPOLIS, INDIANA

Mr. MARSH. Thank you, Chairman Talent, Ranking Member Baucus, the members of the Subcommittee.

I really appreciate the opportunity to testify before the Subcommittee today on this extremely important issue with regard to developing a national animal identification system. In February 2003 was released a document titled the National Strategy for Physical Protection for Critical Infrastructures and Key Assets and it was indicated in that document and significantly that agriculture and food were listed as one of the critical infrastructures for the country.

More recently, in January of this year, the President signed Homeland Security Presidential Directive No. 9, which establishes a policy for defending our ag and food systems in the country, and both of these illustrate the importance of this sector and that there is need to put safeguards in place in order to protect us for the long-term.

Identification of livestock, of course, is one of those critical components in order for us to have an effective and efficient response to an animal health emergency, and quite frankly, the safety of the nation's food supply, our animal health and public health are at risk, and therefore, we need to take a hard look and be prepared as a nation to take some definitive actions and definitive steps.

There are three basic tenets, if we take a look at those and use those in developing a successful plan and implementing that plan that will help us as we move forward, and the first of those tenets is that animal identification is not new. It has been mentioned here this morning that we have a variety of ID systems that have been used for decades across the country, whether they be brands, as Senator Baucus has mentioned, in his State, eartags, ear notches, back tags; we have had a variety of systems over the years that we have utilized, and of course, we have utilized those in my State as well, but unfortunately the shortcomings that we have with those systems and the lack of a national ID system result in an inadequate traceback capability for us at the State level and therefore inadequate for a country as a whole and unfortunately leave our livestock populations exposed to disease.

Although, therefore, we have significant interest and experience with a variety of these systems, there is indeed a need for a dramatic change, a comprehensive animal identification system, and this is in part because of the changes in our industry. The industries the I serve in Indiana have changed dramatically over the last 5 years, let alone 10, and also in addition to the fact that in this post-9/11 environment, we recognize that this sector is subject and a potential target for terrorist activity, either domestically or internationally.

There is a need for a plan, a new plan with new goals, and tenet No. 2 is that there is such a plan. It may not be the plan, but it is a plan, and it has given us a templates where we can move forward. It is a template to identify the future needs of the United States for animal identification purposes. It is been developed by 70 organizations and associations working over the last 2 years, involving up to 400 individuals, so indeed a grassroots effort sup-

ported by USDA and the State animal health officials to identify the best ways to accomplish this task.

They have done a good job in trying to identify and address those gaps in our current systems, and they have come down to three basic objectives, and they are important objectives as you look at the U.S. Animal Identification Plan. The first is that there be a uniform premise identification system. This is one of the primary objectives, one of the primary goals of this USAIP and will serve us well in the long run.

The second objective is a uniform individual animal identification system or, depending upon the commodity, it may be a group or lot identification system. That is one of the things that needs to be worked out as we continue to refine this plan.

Senator TALENT. We have to work out what uniform means, too.

Mr. MARSH. Indeed, indeed.

The third objective under that plan is that there be a 48-hour traceback capability. That is extremely important for us as well as we look at the experience of some of our global neighbors with the challenges they have had even 3 years ago with foot and mouth disease in the United Kingdom and having an effective traceback capability.

The United States Animal Health Association, after careful review of this plan, passed a resolution at their meeting last fall that basically endorsed the plan as a work in progress and encouraged the USDA to establish species-specific working groups to get down to some of those specific needs of the commodity organizations to make sure they are addressed and their concerns are addressed as they move forward with the plan.

It is interesting, in the fall of 2002, USDA hosted a table top exercise. It is called Crimson Sky. As I recall, Senator Roberts of this Subcommittee served as the chief executive during that table top exercise. Not unlike exercises that have taken place all across the country at the State level, and my State being one of them, it does not take very long to determine that if you do not know where the susceptible species are located before you have the outbreak, you have lost a lot of time and therefore may result in significant and catastrophic losses for the industry.

We experienced that in our State, and therefore, we recognize that that is one of the basic objectives of the USAIP and an important piece of that.

Individual identification, as I mentioned, we have been doing it for years, and a variety of programs have been used for ownership purposes or animal health purposes, but it is significant that in our most recent experience in Washington State, with a case that was identified in December of last year, that at the close of the BSE investigation, there were still cattle we could not find, and that is with our current system.

We could all agree that it was better for the United States to experience BSE instead of foot and mouth disease with that kind of result. It is important for us to take a look at what is out there, and it is a compelling reason that I mentioned to move forward.

The USAIP also identifies some of the best technology that they believe should be utilized, and that is the RFID, the radio frequency ID, for individual identification purposes, and it is also im-

portant because, based on what we have learned in my State and likely yours, Senator, that it may be the least disruptive to the markets process so that we can still trade and move our product amongst our States, which is important to all of us.

The third tenet is that we have to have a workable time line and budget, and that has been discussed here today. Although the BSE case in Washington State has certainly energized the interest and the need for this plan, we have to have the infrastructure in place, or it will not work, and we have discussed that here this morning and not only the infrastructure but identifying the unique needs of the commodities.

We talked a lot about the cattle industry, but certainly, swine is big in my State and other commodities, so we need to make sure that we have identified their specific needs.

I applaud the USDA and Secretary Veneman for taking definitive actions to raise this to a level of interest at the national level, to make sure that this moves forward and particularly in asking her chief information officer and others in leadership positions at USDA to take a look at how to evaluate and for the implementation of the plan.

One of my primary concerns and why I appreciate this effort from USDA is that there must be an information technology system to make sure this works. I am looking forward to the next speaker's presentation with regard to some of his remarks in this area, because we clearly have to have a situation that can gather and store and retrieve these key datum elements, because that is really the underpinning of the USAIP and the needs that we have as a country.

We also have to have it so we can respond the evolving technologies. What we have today, obviously, may not satisfy all the needs that we have in the near term.

Senator TALENT. Doctor, we almost have to—Dr. Schmitz, we are all anticipating your testimony—it would seem to me that we almost need to know what that is going to be before we do the rest of the system, because everything else is going to have to put base into that part of the system, the base bank that we have.

I agree with you, that is crucial. Then, as long as we work with producers and the States and—the rest of the system can adjust to that a little bit. Would you say that is fair?

Mr. MARSH. That is an accurate statement, Senator. That is one of the things, frankly, we are looking to USDA to say what is that template, because the interest is there at the producer level and we are ready to move forward as long as we know what that is. Without that, we would be lost.

One of the other issues that we run into is on this time line, and I am interested—and Undersecretary Hawks is here this afternoon—is that one of the challenges that we would be met with, and our cattle industry is not as large as yours is in Missouri, for example, but we have 19,000 cattle herds in our state, and if we were to accomplish this, say, over a 90-day period of time, we would have to register in the neighborhood of 200 of those every day. That is one of the real challenges that we see in order to accomplish that. In your State, that would be in the neighborhood of 765 a day, and so, it could equate to a major task trying to do it well.

In Indiana, we have established partnerships with our commodity organizations, because we recognize that as the State animal health official, we are not going to do it by ourselves. We recognize the value of their work with the USAIP, and our Indiana Beef Cattle Association, for example, has established an ID working group so they can begin to work through those specific nuances that have to be resolved.

Resources, of course, have come up already this afternoon, and appropriately, clearly, it is going to have to be a public and private partnership, and back to your comments, Senator, we need to know what that template is to really begin to pound out what those figures will be in my State.

Producers see the need, and there is the momentum to move forward. I have a number of questions from producers in my State, veterinarians and others, about how this needs to move forward and basically how they can help. The energy is there. We just need to have that template so we can begin to move forward. Likely, as is the case in other countries, it will likely take Federal funding to get it launched so that we can make sure that it is in place and sustainable for the long-term. Because otherwise, it is going to be in place for some time, we hope, to serve our needs for the long-term.

Basically, those three basic tenets: that the ID is not new, and if we leverage the experience that we have out across the country; we have a lot of producers that certainly have used these systems over the years, but to pull all those together into a meaningful system is really the value that we have here today; that there is a new plan, the USAIP. It is not the complete plan, but at least, it is certainly a great, great start, and indeed, having that grassroots influence in that process has been very valuable and then having a workable time line and budget.

We recognize that there is a lot of interest in moving forward, but clearly, we have to have those infrastructure pieces put in place before we launch a national program.

Chairman——

Senator TALENT. I agree with you Dr. Marsh about the USAIP plan, and it addresses some of the concerns Senator Harkin raised about transparency; that process has been pretty transparent in terms of working with the groups that are out there already, and if we just disregard it, which is not going to happen, then, we give up all of that input that we have had.

Mr. MARSH. Indeed, it has been a valuable process. It is people who work together, particularly when—it is one thing for a commodity organization to agree to a process, but collectively, having all of those bodies together, working together has made that document even more valuable.

Well, Chairman, I appreciate the opportunity; I appreciate your holding the hearing. There is a lot of value that is coming from this hearing, and I look forward to any of your questions.

[The prepared statement of Mr. Marsh can be found in the appendix on page 67.]

Senator TALENT. Thank you, Dr. Marsh.

As everybody can tell, particularly when I am the only one her, I like to keep it pretty informal, but I promise I will let the witnesses get through their statements——

[Laughter.]

Senator TALENT [continuing]. With minimal interruptions, anyway.

Dr. Schmitz, thank you for being here, and we all expect to learn a lot from your testimony. Please proceed.

STATEMENT OF FRITZ SCHMITZ-HSU, FORMER CEO, TIERVERKEHRSDATENBANK, SWITZERLAND

Mr. SCHMITZ-HSU. Mr. Chairman and members of the Committee, thank you for the opportunity to participate in this hearing.

Respected Senators, ladies and gentlemen, I am very happy to report to you today on the experiences with animal tracking in Switzerland. I am here today because of four and a half years from its inception, I was CEO of the Tierverkehrsdatenbank AG, TVD AG, the animal tracking corporation in Switzerland. The TVD AG is the entity responsible for the design, implementation and operation of the Swiss animal identification and tracking system.

In the nineties, Switzerland, suffering under outbreaks of BSE resulting from imported feedstuff was subject to a ban on the import of Swiss animal products by European and other countries. After due consideration of this and after danger of contagious diseases to the Swiss national herd, the Swiss veterinary authorities concluded there was an urgent need for an up-to-date animal tracking system. The solution had not only to address the problem of animal health but also help restore trust in Swiss animal products and promote food safety.

The Swiss veterinary authorities concluded that the most effective solution would be to rely upon the private sector for the solution. The advantages that this would bring were faster setup and a more quickly operational system and increased support by the stakeholders, due to the fact that the new system and base collected could be more easily used for other purposes.

To engage the involvement of the private sector in the design of the system, a competitive bid process under WTO rules was chosen. To participate in the competitive bid process, a consortium of interested Swiss agricultural organizations formed the TVD AG. I was chosen to serve as CEO. The organizations that came together did so because they recognized the impact and the potential a central animal tracking base base could have on their business. Together with our technology partner, the Swiss subsidiary of the American company Computer Science Corporation, we bid and won the contract.

I understand there is great interest in how the private sector and the Swiss Government and the private sector arrived at the collaborative effort. At the beginning, the Swiss Government visited with all important agricultural organizations on how to define certain technical aspects of the system. Many of the organizations did not support the Swiss Government's vision of the system. More or less every organization had its own version of the animal identification plan, and some wanted to offer their services to run the base base.

Fortunately, the Swiss Government had already a very strong opinion on how the final solution should look, a central base base run by an independent company collecting base directly from the system participants. When we set up the animal tracking solution, we knew that it take time and be difficult to gather information on the complete national herd. It was decided, therefore, to take an iterative process with early implementation, focus on quick wins and refinement based on experience.

Features of the solution are: common processes implemented nationwide rather than different processes by cantons, which corresponds to your states; the ability to exchange base with existing sources, including the incorporation of existing identification systems; multiple base entry systems with strong base access functionality; a solution that integrates the business processes; a fully scalable solution, easily expandable for additional needs of the public and private sectors; and all basic services of the solution were fully operational within 6 months of winning the contract.

Enhancements, especially for providing base quality and provision of additional services, were added on an iterative and step-by-step basis over time. The Swiss parliament decided that funding for the setting up of the entire system would be provided by the Swiss Government but that operational costs have to be covered by the users; that means the producers, traders and slaughterhouses.

In Switzerland we therefore started with a fee associated with the eartags applied to the animals, $2 per calf in 1999, $4 since January 2004, and, since 2003, also a fee, $4 since January of this year, per slaughtered animal to provide funding of the operational costs. Since these fees are uniformly applied, the system is fair, and the costs can be passed on uniformly to the consumers without penalizing the producers.

In addition, and of crucial importance to the success of the system, it was decided that the base base would be made available for commercial value-added services, provided that the owners of the base gave their consent; thus, today, not only producers can use the base base for their inventory purposes but also agriculture organizations for instance breeding associations, Government organizations, slaughterhouses, meat packers, supermarket chains and soon even consumers.

In particular, some food safety and quality programs operated by the supermarket chains rely on the animal tracking base base. We expect others to follow. This provides an additional source of revenue, which helps fund the operation of the whole animal tracking system.

Over time, the cost to the Government for running the animal identification and tracking system, excluding investments, was reduced from 60 percent in 1999 to less than 20 percent in 2003 and completely self-funding since the start of this year.

Another crucial aspect of the solution is the base quality. I cannot stress enough how important this aspect is. The value of the solution is directly dependent on the quality of the base. The best way to promote good quality is firstly through streamlined processes; second, with value-added services already mentioned; and especially by rewards for good quality base and penalties for missing or false base.

Another aspect I would like to emphasize is the value of the business processes associated with the system. The processes are more crucial to the success of the solution than the software itself. We and our partners from CSE Switzerland have invested greatly in the processes and provide the expertise that we need. Experience is what counts for designing and running business processes.

Regarding lessons learned from our 5 years experience with nationwide animal tracking, I would state the following: set up a central base base that serves not only for fighting animal diseases but as a tool for all organizations interested in animal identification. Gain experience before making major investments. The key success factors are the processes, training and acceptance. Allow the maximum value to be made from the base collected. Regulate access rights to protect the rights of the base owners, but impose no more base access restrictions than really necessary.

Start with a new base base, but minimize extra costs by taking over existing base. Be careful not to make things too complicated and costly by catering to everything which already exists in order to satisfy certain groups. There must be common procedures and standard interfaces. Use a single central base base to reduce costs and minimize response time for impact analysis.

Last, I would encourage you all to come to Switzerland and see yourself what we have in our solution. Talk to end users and familiarize yourself with the expertise we have built up. You are most welcome, and we would be very happy to collaborate with you.

Thank you very much.

[The prepared statement of Mr. Schmitz-Hsu can be found in the appendix on page 71.]

Senator TALENT. Well, I can talk to the Chairman and see if we can arrange a trip for the members of the Subcommittee to Switzerland. That might be rather popular. I do not know.

Thank you, Dr. Schmitz, for that. That was very, very helpful.

Let me ask a few questions of you. You mentioned how crucial business processes are. Could you be a little bit more specific with that? I want to make certain I understand what you are talking about there.

Mr. SCHMITZ-HSU. About business processes, from ordering the eartags, delivering the eartags, from registering the birth notifications over the whole cattle movement to their slaughterhouses, that you have fully impact this in a very streamlined fashion.

Senator TALENT. That is within the agency the base base and the system? Or are you talking about the producers or both?

Mr. SCHMITZ-HSU. That is for the agency which runs the base base.

Senator TALENT. OK.

Mr. SCHMITZ-HSU. You need to make sure that the system is consistent and simple to use for end users.

Senator TALENT. Interesting. Is the base base operational for hogs, sheep, goats, other animals?

Mr. SCHMITZ-HSU. Currently we have registration only of cattle. The system is set up so it can also handle pigs, sheep and goats. With pigs, sheep and goats, we currently only deliver uniform eartags to them, and we register who gets these eartags. We have the beginning of where the animal is born if later on, we see an

urgent need to trace back where this animal comes from, but we do not register where and when this animal has been for pigs, sheep and goats.

Senator TALENT. Are you moving in that direction? Do you think you will be there?

Mr. SCHMITZ-HSU. We will do so as soon as there is need for doing that. Currently, there is not enough need for doing that. Also we are working currently with conventional eartags, and for instance, for hogs, you cannot rely on conventional eartags when you want to register all their movements. You have to switch to a radio frequency ID. The system is already set up, and we have already a trial with a radio frequency ID with cattle.

Senator TALENT. Let us discuss that a little bit. In the list of the bullet point features in your solution, you mention the common numbering scheme and base collection systems, ability to exchange base with existing sources, including existing ID systems, multiple base entry systems, a solution integrating business processes. Does that mean that your system was technology-neutral as regards the technology used by a particular rancher? Radio frequency, eartags, bar code? Did it matter to your system what kind of technology they used, or were you able to keep it neutral?

Mr. SCHMITZ-HSU. It is technology-independent. If you look at the identification, it matters actually only when reading the ID from the animal; that is just the distance to the reader. This reader can be electronic. It can be your eye. From there on, the process is exactly the same if you are talking of electronic ID or conventional ID. Our system is set up; there are some differences between RFIDs and conventional eartags, but that is a rather minor thing to incorporate, and we have done this already.

Senator TALENT. That is up to the rancher, the producer about what kind of technology they want to use.

Mr. SCHMITZ-HSU. Actually it is important that you set certain standards, because then, it will also be market-driven in buying these kinds of products. If you are buying 30 million identical identification ID, say, eartags or whatever it is, that is certainly cheaper than if you are buying 20 different versions of IDs.

Senator TALENT. I get you. You set the standards, and then, there is flexibility in terms of which particular technology they want to use in meeting the standards.

Mr. SCHMITZ-HSU. Right.

Senator TALENT. Right; OK; did the system, as you were developing it, and actually, I should get back and establish for the record the time. You indicated in your testimony that your exports were being banned in 1996. You started the national ID program in 1998, which was several years later. How long did it take you to develop and implement this system once you got the mandate to do so?

Mr. SCHMITZ-HSU. In 1996, it showed up; it was evidence that BSE can be transmitted to humans. That was when this was certainly an urgent need on fighting this BSE. It took 2 years until legislation has passed a law to implement a central base base. That was in 1998. In 1999, we brought in our offer, and we got the contract in May 1999. In December 1, 1999, that means less than 6 months after we got the contract, we actually had already the na-

tional base base running, being able to register all newborn calves. Within less than 6 months.

Senator TALENT. How long did it take after that to get cows registered? You had the system ready, but how long before you had all the animals on the system?

Mr. SCHMITZ-HSU. We started with the newborn calves, and a year later, we registered all animals on the base base. We took our base from breeding associations to avoid that we had to go again to collect information on cows which were already registered in breeding associations' base bases. We had to register the remaining cows which were not in a herd. From the end of 2000 on, in principle, we had the whole national herd on the base base.

If you mean in terms of sufficient base quality, it took a little bit longer to get this all running.

Senator TALENT. It sounds like from the time you got the contract to the time the base base was ready, that was about 6 months.

Mr. SCHMITZ-HSU. Right.

Senator TALENT. Then another year or more, so you are talking a year and a half, maybe 2 years, to get all of this registered, and this was several years after the issue really arose. That is in Switzerland with 1.5 million cows; and the United States with roughly 100 million.

There have been some bills proposed in the other house to have a 90-day implementation deadline for implementing a system. Would you say that was a little bit too ambitious given the size of the task here?

Mr. SCHMITZ-HSU. It sounds to me very ambitious. You have to consider—it is for the U.S., it is really very urgent, and it was also for Switzerland. It took a long time, but I heard the figure that you lose $10 billion per year, so, with this ban that you have on your beef, and if you convert that to our hearing today, then, I must say we have, during the just the hearing here, we have, what, $2 million already lost again to the agriculture industry in the U.S., so there is an urgent need to proceed forward.

It is important, and that was also once the whole process was set up that we quickly had a base system implemented, and we could show, then, to the neighboring countries that we have done now something, that we are building up a base base, actually, a whole animal tracking solution which fulfills the international requirements.

Senator TALENT. You mentioned gaining experience before making major investments. I really appreciate, for the record, these lessons learned and would commend it to anybody who is considering how this process is going to be done. Would you say that your system evolved over time toward one particular kind of tracking device because it was better than others? In other words, I guess what I am sensing is that you consulted, you pulled together this base base. You began implementing it. While you were implementing the process, you were trying to learn from the process as you implemented it and did it step-by-step and concentrated on what was practical rather than sort of coming up with a plan whole cloth and then just implementing that without regard to the facts of imple-

mentation. That is a leading question, we lawyers say, but it seems to me that is how you did it.

Mr. SCHMITZ-HSU. The basic functionality is still the same. We have not changed on that. The principle is still the same. We have added certain services; we have added certain functions; we have especially increased the possibility to communicate electronically with the central base base; that is a central issue, also, to gain acceptance. I would just like to stress, again, the problem will not be the central base base, the computer system, and so on. The problem is to get base quality, to get the acceptance of the producers to participate.

The fancy system does not help if you do not get the base in as you need. There, you need to focus, and there, we made a lot of experience and learned many lessons, and I would have been happy if I would have been able to share at that time with somebody else who had made this experience already.

Senator TALENT. You mentioned several times how important it was for it to be user-friendly, for the processes to be simple and understandable. I guess the idea is to—tell me if I am wrong—is to create out there in the country among our ranchers and our cattlemen a sense that they are comfortable with this system; they know how to use it; it will work well for them, so you are not dealing with a lot of passive resistance all the time. Am I understanding you correctly?

Mr. SCHMITZ-HSU. Yes, that is an important issue, and we got a sufficient base quality, a real good base quality, only after some rewards for good notification were given to the producers and some penalties if they did not comply with the system. We have a mandatory system, not a voluntary system.

Senator TALENT. You have a mandatory system that most people feel comfortable with and are happy to participate in. That is a good way of saying it.

Mr. SCHMITZ-HSU. Right, it took awhile, but it was raising more and more—conviction that something has to be done, producers had from the very beginning. Actually participate and do the work, and so, that is an additional effort for them. We do not deny that. Finally, when they saw the system was good for something, and they can access their base, they can get the inventory, they can see that the base they enter for the national base base is actually also going to their breeding association, so they do not have to make the notifications two times, that is a crucial part.

Our system, our central base base is not on top of the existing base bases we had already but is on the bottom. It is the base. That is why there was quite a lot of opposition at the beginning, and people wanted to make it different; different breeding associations wanted, hey, make a national system that incorporates our system. Actually, fortunately, the Federal Government decided, no, we implement a new base base which will be the basis for the other services.

Very quickly, also, driven by the pressure of the producers, because they do not want to make notification several times, then, actually, the other agricultural organizations, they were somehow driven and forced to take the base from the central base base.

Then, there were additional services provided to these agricultural organizations, so that actually fulfills their need.

Senator TALENT. Just a couple more questions. I just thought the opportunity to have you here to get as much information as we can from you too valuable, really, to pass up or to minimize. You mentioned—I am going to read this—from lessons learned: allow the maximum value to be made from the base collected; regulate access rights to protect the rights of the base owner but impose no more base access restrictions than really necessary; make sure the benefit goes to the owners of the base, that means to the end users; involve third parties such as supermarket chains early in the process in order to add to the value for the end users; reward the good end users.

Now, there have been two issues that have been raised, one by Senator Harkin, and he is reflecting concerns of producers and others producers have raised that this lesson learned would implicate. One is I know our producers are very concerned about confidentiality. If we went out and just said oh, you know what? This stuff is going to be available, and it is really going to be good for niche marketing your products and all this stuff, they would initially, anyway, say wait a minute, we are not making our operations an open book.

The other that Senator Harkin raised, we do not want private, big supermarket chains sort of driving what the requirements of this base bank are. Now, did your ranchers have the same issues? If they did, what did you do to accommodate those issues?

Mr. SCHMITZ-HSU. See, the producers, they had exactly the same concerns as your producers here have. Confidentiality, oh, this goes—does the base go to the IRS and so on, all of these issues came up.

What we have, the regulation for base access, is we make a clear distinction between animal base and premises base; say, the animal base, that goes with the animal, and the new owner of the animal, he gets all the information, where this animal has been before, including the address of the previous owners. For this animal here, whereas, how many animals a premises has, that is something confidential, and that is only given out to those when the owner of—the actual producers give the consent that this has to be done.

We had to implement on our system really elaborate base access functionality to cover these rules. That fulfills, now, the need of the producers also, so if they make some—participate in some kind of supermarket chain program, they can authorize, by themselves, the supermarket chain, OK, I give you the right that you can access my base. Then, I do not need to tell you about my animals. You can go directly from the central base base.

Senator TALENT. Thank you, Dr. Schmitz. I appreciate that testimony.

Let me ask you, Dr. Marsh, do you want to comment on what you have heard regarding the Swiss program, what you think we could take from it? If you just have any comment on things that they are doing in Switzerland that maybe would not work here or would work especially well? I would sure like to hear it if you have

any comments. You look like you were listening as intently as I was.

Mr. MARSH. Yes, it was fascinating testimony, and I appreciate getting an opportunity to hear him. Even though we are geographically thousands of miles apart, I do not think we are on this issue and the challenges that we meet, be met with it, issues of confidentiality, who owns the base, where it goes, making sure that the technology that is used, make sure that the marketplace can still function and certainly State to State in our situation and potentially internationally.

I am intrigued by what is there. I am aware that others have reviewed this process, and it is important that we take those lessons learned. It is not something that is going to happen overnight. It is going to take awhile to put it in place. There have been questions about voluntary versus mandatory. I guess for me and our State, I am not sure what you would mandate just yet. We are not quite to that point yet, to say this is what we want, and that is why this is valuable that we have these species-specific working groups working under the USAIP to pound out some of those specific details so that they are not lost in the process.

Again, the number of issues and the lessons learned there are valuable for us, and we can take heed.

Senator TALENT. Do you have a gut sense of what a realistic timeframe would be?

Mr. MARSH. I am intrigued by Under Secretary Hawk's remarks that with regard to the premise allocator that that could be available by the end of this Federal fiscal year. Indeed, there are a number of base base systems in the States that have been used for animal health purposes, whether it is for brucellosis, tuberculosis, pseudo-rabies, et cetera; that there are base bases out there that have some of this base that could be transferred into the process.

I am aware of some States, Senator Nelson's State, for example, where you can go online and register a site. There will be those who will do that. That is a good tool, but I harken back to the United Kingdom again. Foot and mouth did not start in their major commercial operations; it started in a garbage feeder. At some point, you have to go out and get the balance of them, where those premises are located, and that will take some time, and that has been indicated in Dr. Schmitz's testimony as well.

It is important that we take a look at the processes that are in place. Our neighbor to the north in Michigan, for example, has been using RFID for several years, combatting their tuberculosis problem. There are lessons learned there in country; there are lessons learned from some of the others; FAIR and other processes are in-State, are in the country, rather, and if we are careful in evaluating those, then, we will not make the same mistakes twice.

Senator TALENT. Well, I have kept you two a long time, and I am grateful for that. We covered a lot of good issues. We do have another panel. Thank you, Dr. Schmitz; thank you, Dr. Marsh, for being here.

Oh, I am sorry, Ben, did you——

Senator NELSON. No, no, that is OK.

Senator TALENT. The third panel can come on up, then.

Senator TALENT. Our third panel is being seated, and I will, if Senator Nelson would like, would love to have him introduce the witness from Nebraska, and then, I will introduce the other witnesses.

Senator NELSON. Well, thank you very much, Mr. Chairman.

I appreciate so much the courtesy of being able to do this. It is really a pleasure for me to be able to introduce Joy Philippi from Bruning, Nebraska. She is a family farmer with 2,000 head of nursery hog operation, with that operation working with a local producer. She serves on the National Pork Producers Council board. She has been involved with the Nebraska pork producers for 10 years, the past-president in 2000. She serves on the species subgroup for swine on the USAIP working group. She is chairman of the NPPC Committee on Animal Health and Food Security, involved with the Nebraska State Group on Animal ID, and as I said, in her spare time, she also farms.

We appreciate very much her presence here today and her support in the past for our efforts to deal with agricultural issues of all kinds but particularly to help us understand, from the point of view of a pork producer, what is involved with animal identification, and I hope that you will be able to enlighten us—I hope to be able to stay here for a period—on what animal ID licensing could involve with respect to the small to medium size producers. Joy, thank you for being here, and thank you, Mr. Chairman.

Senator TALENT. I will introduce the other three witnesses, and then, we will start with Mr. John and just go from that way to that way, because that is how have it down on my paper.

We thank all of you for coming here, and, as Senator Harkin said, it is very important that we hear from people who really are doing this and will have to do it, so I want you to tell us everything you think we need to know. With that in mind, so that there is enough time to ask questions, if you could, you do not have to read your whole written statement; if you want to give a summary of it, that would be fine as well.

Mr. Mike John, who is Vice President of the National Cattlemen's Beef Association and is from Columbia, Missouri; Mike, thank you for coming; Mr. Bob Lehfeldt, of the American Sheep Industry Association from Lavina, Montana?

Mr. LEHFELDT. Lavina.

Senator TALENT. Lavina, I am sorry, and Senator Baucus referred to Bob before, and Ron Ostberg, who is a Montana Farmers Union member from Scobey, Montana, is with us today.

Mike, thanks for coming. You and I have discussed this privately, but I wanted everybody to have the benefit of your wisdom, so please give us your statement.

STATEMENT OF MIKE JOHN, VICE PRESIDENT, NATIONAL CATTLEMEN'S BEEF ASSOCIATION, COLUMBIA, MISSOURI

Mr. JOHN. Thank you for the opportunity to present testimony to you today on behalf of the State affiliates of the National Cattlemen's Beef Association. I appreciate being able to discuss animal identification, an issue of great interest and concern for cattle producers across the country.

The recent discovery of BSE in a Canadian cow in Washington has given this discussion a tremendous sense of urgency. Animal identification is a tool that can be used in conjunction with our animal health infrastructure to identify and isolate animals and premises that have been associated with animal disease. It is not a substitute for this infrastructure. NCBA will oppose efforts to pay for an animal identification system by cutting existing animal health infrastructure.

Animal identification is a confusing and complicated topic which has endured several years of debate to come to a consensus, and there is still much work to do. To forge broad consensus, NCBA worked with more than 70 organizations and over 400 individuals to draft what is known as the United States Animal Identification Plan or USAIP. As a matter of NCBA policy, we support the USAIP as the foundation of the national identification system and support its ongoing work.

The USAIP focuses on establishing technology standards so the system is uniform, workable and consistent. USAIP establishes radio frequency identification or RFID as the currently preferred identification method. RFID has been readily adopted by livestock producers. Adoption of the RFID standard within USAIP acknowledges the existing use of this technology.

Full and complete implementation of USAIP is estimated at $545 million over a 6-year period. The USAIP estimate includes the information system, base collection infrastructure and identification devices. Clearly, this amount is a tremendous outlay of resources for any party. A potential funding approach could be the Federal Government paying for establishment and approval of the standards, the Federal and State Governments partnering on infrastructure installation, and the Federal and State Governments cost-sharing with producers on the identification devices.

An effective animal identification program would provide the traceability needed to contain, isolate and eradicate the spread of an animal disease that has the ability to disrupt the livelihood of producers. The creation of a system for these purposes should not result in the invasion of a producer's privacy. Therefore, NCBA believes that any information provided by producers for the animal identification system should be exempt from release under FOIA; additionally, the Privacy Act protects private and personal base from release without the written consent of that party that provided the information.

The question of mandatory versus voluntary should revolve around how best to achieve the level of participation needed to make the system effective. In addition, privacy concerns, costs to producers and the appropriate implementation plan will have as much bearing on the success of the program as will whether it is mandatory or voluntary.

The USAIP calls for initially starting with a premise identification system then moving forward with individual animal identification. It is critical that a premise allocation system be defined soon that meets USAIP guidelines and recognizes the interstate nature of livestock movements. It is extremely important that implementation of the program be in step with how marketed and moved. We

must take into consideration constraints that exist at livestock markets, processing facilities and feed yards.

Additionally, many cattle are already identified through existing marketing and management programs. If the systems in which these cattle are already identified are consistent with the standards of the USAIP, then these systems should be available to provide base to USDA for the purposes of producer participation in the identification system.

It is important that there be international harmonization in animal identification standards and systems. Our five-nations working group is in agreement that there should be harmonization in our animal identification systems. NCBA supports the adoption of the RFID standard within USAIP. However, should Congress act on an identification bill, no statutory provision should be included which establishes the RFI technology standard. Keeping the technology standard within the regulatory responsibility of USDA maintains the flexibility needed to adopt new technology.

USDA has the authority under the Animal Health Protection Act passed in the 2002 Farm Bill to implement an identification system. NCBA will monitor the implementation of an identification program by USDA and, as previously stated, NCBA is supportive of an industry-implemented program that is accessed by USDA for animal disease issues only.

We are confident that the current path we are on will result in the development of an effective animal identification and traceability program for not only the cattle industry but also for all animals in agriculture.

Thank you for allowing me the opportunity to testify.

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

Senator TALENT. Thank you, Mike.

Ms. Philippi.

Ms. PHILIPPI. Philippi.

Senator TALENT. We are ready for your statement. Please go ahead.

STATEMENT OF JOY PHILIPPI, NATIONAL PORK PRODUCERS COUNCIL, BRUNING, NEBRASKA

Ms. PHILIPPI. Good afternoon, Mr. Chairman, and thank you, Senator Nelson, for your kind introduction. We would like to thank the Chairman and the Committee for holding this hearing today, and we would like to ask that our complete written statement is submitted for the record.

In recent months, it has become clear that the issue of a national animal identification system has become increasingly more important to animal health officials, livestock producers and consumers. Developing and implementing a national identification system is far more complicated than simply identifying every animal at birth. The pork industry considers a national animal ID system part of protecting the nation's critical food and agriculture infrastructure in case of an animal disease outbreak or intentional or unintentional introduction of a pathogen or toxin.

We believe that most Americans now better understand the importance of animal health in protecting food security and safety in

this country. We also believe that they are willing to support the development of an affordable, accurate and sustainable mandatory national animal ID system. I would like to focus my comments today on three areas: first, the pork industry's current mandatory swine identification system; ways to enhance the current swine system; and finally comment on where the pork industry sees outstanding issues in further developing the national animal ID system.

Today, we have five categories of mandatory ID for swine in interstate commerce: one, individual ID for all replacement breeding swine; two, individual ID for all breeding swine at commingling or slaughter; three, ID of feeder swine; four, market swine identified back to their owner at federally inspected plants; and, five, feeder swine movements across the state lines within a production system based on written health plans and production records.

The current interstate swine ID system has been in place since 1988, and we recognize there are several areas where enhancement is needed. First, the back tag system currently is being used to identify culled breeding swine has a low tag retention rate of about 15 to 20 percent. This retention rate is the result of an identification system that does not meet the species-specific needs in regard to handling the animals on the way to market.

When a national premises ID system is implemented, it would be possible to apply premises ID tags to our breeding animals, thereby identifying the source farm. Second, the identification of market hogs back to their last premises instead of the owners' mailbox will result in a more rapid and accurate traceback to the suspect premise. Improved accuracy could facilitate further traceback to origin premises because today, generally, hogs move in lots. Recordkeeping in our industry is by and large based on lot and group movements.

Today, as we speak, the U.S. pork industry is holding its annual business meeting in Atlanta, Georgia. We expect at least one public policy resolution to be presented in support of a mandatory national animal ID system and expressing support for the U.S. Animal Identification Plan or USAIP. The USAIP process has been underway since April 2002. Over 109 stakeholders representing 70 industry organizations have had input into the USAIP.

Let us be clear on what the USAIP is and is not. It simply defines the standards and framework for implementing and maintaining a national animal ID system for all of U.S. livestock. It includes standards for, one, national premises numbering system; two, individual group and lot animal numbering systems; and, three, performance standards for ID devices.

NPPC believes that the USAIP represents a blueprint for moving forward. We acknowledge that it does not have all of the answers and that there are outstanding questions. I would like to highlight five of those outstanding issues that require further development, careful consideration and possible Congressional action.

One, should the system be a mandatory or a voluntary system? Two, how do we protect and maintain the confidentiality of producer base? Three, how do we recognize the importance of species-specific differences? Four, how do we maintain technology flexibility; and, finally, five, funding: Who is going to pay for what?

The first issue is about mandatory versus voluntary system. Ours has been mandatory since 1988. From a disease management perspective, we believe the system must be a mandatory program. Otherwise, the ability to effectively manage diseases will be compromised. The second issue is about how to protect the confidentiality and security of the producer base. This issue of confidentiality has not been effectively addressed by either the USAIP or by USDA. We need to sort out whether USDA has clear authority to protect the confidentiality and security of the producers' base. If USDA does not, then Congress must assure that the Department has the appropriate authority.

Producers are concerned about who will have access to their vital economic and trade information, and until these issues are addressed, pork producers are willing to record the base locally but unwilling to report it nationally.

A third issue relates to species-specific implementation plans. There are vast differences between the species, including the diseases of concern, production practices, record keeping, animal movements, animal value. The cattle industry has embraced electronic ID, eartags or RFID as the identification device of choice for their species. RFID makes sense based on the value of a single bovine coupled with the frequent commingling of animals of different owners. RFID at $2 a tag does make sense on an animal that is valued at $1,200 versus a $90 animal.

If cost of identification is based on breeding females, a cow has one calf per year, and therefore, the cost per cow is $2 per year. On the other hand, a sow will have 22 to 24 pigs a year, and pork producers will face identification costs between $44 and $48 per sow per year. That is why group and lot ID is a cost-effective identification system to swine.

The fourth issue is related to technology flexibility. A system allowing species differences must allow for technology flexibility. New devices, methodologies and technologies come out every day, and I am sure that the committee has seen many technologies over the past several months. USDA must establish a national base platform for animal health management purposes and have the marketplace meet those standards. This not only encourages innovation and competition; it also drives down the cost to pork producers.

The fifth and final issue I wish to highlight is the issue of funding. Who pays for what? We believe that the national premises identification system is the basis for a national animal ID system, and it is a Federal responsibility. We also believe that USDA needs to develop the information system to allow animal movement base to be captured, stored, and accessed when needed whenever those base have anything to do with animal health management purposes.

In conclusion, Mr. Chairman, and members of the Committee, I have outlined why the National Pork Producers Council supports a mandatory national identification system. I would like to thank you again for holding this hearing, and I would be pleased to answer any questions at the appropriate time.

[The prepared statement of Ms. Philippi can be found in the appendix on page 83]

Senator TALENT. Thank you, Joy. That is very useful testimony.

Bob, why do you not go on ahead? I will tell the witnesses, we have been notified we have votes starting at 4 o'clock, and we can stay a little bit after 4 o'clock, because the first vote will probably be—we will have an extra few minutes to get over there to vote, but we are coming up against a deadline.

Bob, go ahead and go, please.

STATEMENT OF BOB LEHFELDT, AMERICAN SHEEP INDUSTRY ASSOCIATION, LAVINA, MONTANA

Mr. LEHFELDT. Mr. Chairman and members of the Committee, on behalf of the nation's sheep industry, I greatly appreciate your leadership in conducting this hearing regarding development of an animal identification program.

I am a sheep producer from Lavina, Montana, and today represent my state association and the American Sheep Industry Association. I can personally attest that livestock identification was a hot issue at our national board of director meeting in late January. ASI has been involved with the USAIP since initiation and intends to provide a sheep-specific ID plan to USDA APHIS this spring.

Our industry has a national animal health program in place. That includes a identification system, namely, the Scrapie Eradication Program. We have over 50,000 sheep operations nationwide, already enrolled with a premise identification and millions of identification tags distributed. This program, implemented by regulation in August of 2001, provides a basis for our view and we believe a model for fitting the sheep industry into a national animal ID system.

We approve national policy at our board meeting, and I believe these points are important for discussion. One, the cost of identification supplies and devices should be provided by the public sector. A national ID system for livestock should not duplicate our National Scrapie Eradication Program ID requirements. Transition into a livestock system must be planned and announced well in advance, with supplies available through a well-organized distribution channel.

We have a wide variance of production systems for sheep in the U.S., and the ID program should accommodate all, including group movement of animals through feeder and slaughter channels. A national ID system should contribute to the management, marketing and business needs of the US sheep industry. A national ID system for sheep should be thoroughly field tested before implementation to demonstrate that the technology is compatible with normal industry operations.

Implementation of this system should not economically burden any sector of the U.S. sheep industry. The system ought to be thoroughly reviewed and field-tested prior to implementation. This includes the base base function, which needs to be provided and maintained by the Federal Government. We must recognize the needs of the entire industry involved from auction markets to processors as well as ranchers such as myself.

It is important to remember on the cost side that cost of an ID on a $125 lamb is much larger than that on a market steer worth many more times. An additional item that is weighing heavily in

our sheep ID discussion is the need to identify sheep and lambs by lot or group, similar to our feeder and slaughter lambs today under our Scrapie Eradication Program requirements. Such a system makes more sense when hundreds of lambs per truckload are moving through the feed lot and packing plant.

Key issues that I believe must be addressed on the sheep ID group includes procedures for lost tags, compatibility of all ID tags and associated equipment on a national basis, and privacy of base collected by a national animal identification program.

Thank you, and I would be pleased to answer questions.

[The prepared statement of Mr. Lehfeldt can be found in the appendix on page 93.]

Senator TALENT. Thank you, Bob.

Mr. Ostberg.

STATEMENT OF RONALD OSTBERG, MONTANA FARMERS UNION MEMBER, SCOBEY, MONTANA

Mr. OSTBERG. Thank you, Mr. Chairman; also, I would like to thank or give a special thanks to Senator Max Baucus for his kind comments in introducing us earlier here today.

For the record, Mr. Chairman, and Senator Nelson, I am Ron Ostberg. I am a cattle producer in the west central part of Montana. I can also say that I come from a farming and ranching family; that we have had somebody from our family live on that land for almost 100 years. My granddad on my dad's side actually filed for homestead on the home place there on September 8, 1909. We are getting close to that. That is quite an accomplishment as well.

I am also here today representing the National——

Senator TALENT. Maybe you could have us out for the 100th anniversary.

Mr. OSTBERG. I would love to.

Senator TALENT. When we get back from Switzerland, we will——

[Laughter.]

Mr. OSTBERG. Maybe I could just go with you to Switzerland, and we could work that out.

Senator TALENT. We would celebrate there, yes.

Mr. OSTBERG. I am also here representing and testifying on behalf of the National Farmers Union and the Montana Farmers Union as well, where I am a lifetime member. The National Farmers Union is meeting today in my home state as we speak. They are conducting their 102d annual convention there, and one of the issues that they are working on is this specific issue here. As soon as they do get that policy identified and finalized, they will be sharing that with the committee, Mr. Chairman, and the Members of Congress.

I would like to highlight five of the major concerns that NFU and I have relative to the many animal identification proposals being considered and explain why these concerns must be addressed before any national animal ID program is further pursued or implemented.

No. 1 is the ability of an identification program to enhance both food safety and animal health, and there has been some discussion, and it is great to be able to listen to all of the comments that were

previously offered here today; there was some discussion specifically between Senator Harkin and Under Secretary Hawks in regard to how far the program was really going to go.

We talked about animal diseases, and then, Senator Harkin brought up the concern that was raised to him from Wal-Mart. Now, I would guess, and maybe I should not do that, but I have been known to do this before and get into trouble, but I would guess that Wal-Mart's concern would probably be food safety. That is something that the Committee needs to take into account when you look at the total programming here and not just address animal health issues, some parts of industry are looking for food safety, and I know consumers are looking for food safety.

I will try to go through these a little quick here. Otherwise, I will not be redundant. Everybody else has probably touched on some of the same concerns. The second issue that I would like to address is the cost burden of implementing and maintaining ID systems on livestock producers. That one has been talked about quite a bit; again, I would like to relate my comments to some of the other discussion that was held here earlier today.

Dr. Schmitz talked about the program that he had there in Switzerland, and that the and Senator Baucus talked about the branding program that we have in Montana. If I remember correctly, there is not too many states that do have a branding program, and I have been told that there are maybe 14 states in the United States that actually have a branding program. They tell us that Montana probably has the best branding identification system in the nation.

The program that I use out there right now on my farm and ranch is that I do brand all of my animals. That gives an ownership identification to those animals. I also eartag all of my animals. My eartags identify the lineal descent of the animals. I can look at a calf out there; I know immediately who the mother of that calf is. I can go back to the record books, and I can tell you who the grandmother and the great-grandmother was of that cow.

We do have that information there, and I would be more than happy to share that with any program if that would be something that they would care to work into or visit with them in regards to setting up something like that.

Going through this here pretty quick, in regards to the costs, I do want to touch a little bit on that. It has already been said, but I would like to say it again that the livestock producers are the ones who are going to be on the front lines on this program's initiation. We are concerned today that a disproportionate amount of the cost associated with an animal ID system will fall on the producers, particularly the small producers, in a way that makes them less positioned to remain competitive in the marketplace.

This was talked about earlier, but I would like to mention this again: according to the USDA, a livestock identification system is estimated to cost from $70 million to $120 million per year, and that is considerably more than the $33 million proposed in the 2005 fiscal ag budget. We believe that it is appropriate for the public to bear a substantial portion of both the development costs as well as those associated with the day-to-day management of the program.

The third issue that I would like to raise, the third concern, is the confidentiality of proprietary information that is collected. There has been a lot been said about that one already, so I will try not to be redundant on that. I do not think that I have any points here that—you do have my written comments, too, Mr. Chairman, so they are in that.

The fourth issue that we raise is the producer liability protection issue. Assuming an animal identification system does in fact enhance our capacity to detect and control those commodities and products which may have adverse food safety, human or animal health implications, the issue of legal liability must be considered. It should be expected that the use of a traceback system will prompt parties to attempt to establish that any products which do not meet safety and health standards resulted from actions taken by others within the food system.

Because the potential costs of identified food safety and health issues can be significant and will tend to increase as products move through the food chain, we are concerned about the process that will be utilized in establishing any liability and the potential financial obligations a process could create for market participants. Our final concern, and that one has not been voiced here yet today, and that is the relationship of an animal ID program to country of origin labeling, and I am sure that you have never heard of that one before. Just kidding.

Actually, we feel that mandatory country of origin labeling, as directed in the 2002 Farm Bill, should be immediately implemented. We believe that Secretary Veneman has the Congressional authority and discretion to implement this program in a common sense that bears minimum burden and cost on producers, processors and retailers.

Despite the 2-year delay of implementation of country of origin labeling included in the fiscal year 2005 omnibus appropriations bill, the law still requires USDA to move forward in promulgating a final rule by September 30 of this year. After the labeling program has been implemented and at the point an animal identification program is up and running, we believe it is necessary to coordinate the two programs so that U.S. livestock producers will not find themselves paying the bill for the benefit of processors and retailers without achieving any market benefits.

We would like to see the information gathered through a national animal identification program maintained and utilized to augment mandatory country of origin labeling at the retail level. It is our hope that the discussion of implementing an animal identification program does not delay implementing the already mandated country of origin labeling law.

American agricultural producers want a labeling program. American consumers want a labeling program. When the two programs are coupled, consumers will be better able to select food products with the knowledge that new steps have been taken to strengthen our capacity to identify and contain food pathogens or other food safety factors prior to the products reaching the retail market.

In closing, Mr. Chairman, the National Farmers Union and I ask that full consideration be given to all of our concerns before any legislative or administrative action is taken to implement an ani-

mal identification program. I would like to thank you again for the opportunity that I have had here to testify before you today. We both, the National Farmers Union and myself, look forward to working with members of this Subcommittee and other Members of Congress as development of an identification system moves forward.

That includes a trip to Switzerland, and I would be happy to answer any questions that you might have. Thank you.

[The prepared statement of Mr. Ostberg can be found in the appendix on page 96.]

Senator TALENT. Thank you, Mr. Ostberg. I thank you for summarizing your testimony and thank all of the witnesses for coming such a long way to give us the benefit of their practical experience, and I will recognize Senator Nelson.

Senator NELSON. Well, thank you, Mr. Chairman. I too thank our witnesses. This is obviously a very important issue, and it has to be resolved. Clearly, the lost opportunity and the lost costs or lost income from the BSE incident is an indication that we have to proceed to do something to improve not only animal health, but, as you say, food safety as well. Credibility in the world is important to that, but it is always about who pays. We understand that.

While the lost costs and lost income from the BSE incident probably far outweighs what the cost of this program is, nobody wants to minimize what the cost is, nor do we want to ignore who has to pay for it. We need to find a solution to that so that it is fair, not disproportionate and ultimately delivers a better product to the public so that we can all enjoy the commerce, and the ag industry can benefit from it as well.

Thank you very much. I appreciate it. Thank you, Joy, particularly.

Thank you, Mr. Chairman.

Senator TALENT. I thank the Senator for his remarks.

They have started the series of votes, so Senator Nelson may need to go. I am going to continue the hearing just for a couple more minutes. I cannot pass up the opportunity to ask you all to comment on a couple of things anyway.

Let me find Dr. Schmitz's testimony here. Yes. I have consistently heard concerns, which I can certainly understand and, in fact, share, about confidentiality. Mr. Ostberg shared it and made the point, that it was redundant, because others had said the same thing. I do not know if you all were listening to Dr. Schmitz's testimony about what was going on in Switzerland, but there is an interesting point that he has raised that we are going to have to confront at some point.

He says allow the maximum value to be made from the base collected; regulate access rights to protect the rights of the base owners but impose no more base access restrictions than really necessary. Make sure the benefits go to the owners of the base; that means to the end users. The way it works in Switzerland, I take it, is that he mentioned breeding associations have access with the permission of the producers. If you have a relationship worked out with some kind of an end buyer or supermarket or something, they may be allowed to have access to facilitate that relationship.

They seem to have opened it up there a little bit more than we anticipate opening this up or than we are comfortable doing at this stage. Let me ask two questions relating to the base base and just get your comments on it. First of all, are you and the industries you represent more comfortable with the Government having access to base that is largely owned and operated by a private entity or association, as I understand it is in Switzerland, or vice versa. In other words, would you be more comfortable with the Government having access to base managed by a private association or ownership, or would you be more comfortable if there were private owners that had access to Government-run base and—and this relates to that second question there—how comfortable, having heard what Dr. Schmitz said, how open are you to that situation where if once we developed this system, if a producer gives permission, allowing the access to the base by a breeding association or a retail buyer or something?

I was not marvelously clear with that, but you all are intelligent, and maybe you got it enough to comment on it. Would anybody like to share?

Mr. Ostberg, please, go ahead.

Mr. OSTBERG. Mr. Chairman, Senator Talent, I would love to address that one.

One of the main concerns that I have, and I guess this one might not be too hard to guess and probably would speak for a lot of others would as well, would be when it comes to the pocketbook is how the confidentiality issue concerns us. Dr. Schmitz made the comment in regards to information becoming available to IRS. IRS knows more than enough about me already, and I do not think I could tell them anything else, including the numbers of cattle I have. They already know that. I do not have any concerns in that regard.

Where I do have the concern, again, is back to the pocketbook, and that is when it comes to marketing these animals. We have seen this information or this kind of information used against us in the market prices that we receive; no matter what the commodity is, we have seen this a number of different times. Your question, Mr. Chairman, was specifically in regard to whether we let the Federal Government address this issue or private enterprise.

Senator TALENT. Just generally, if you heard Dr. Schmitz's description of how they have allowed access for certain purposes with permission, which is one of the ways that they make this pay for itself; in other words, this helps facilitate transactions, so I know you have all just heard it for the first time. I read it, but I have really just heard it for the first time. You may not want to comment, but if you have it, I would love to hear it.

Mr. OSTBERG. My comments on that, Mr. Chairman, would be that either way we go, even with the Government, the information is public. Private enterprise's is public. There was some discussion earlier here today that addressed the concern or the request, actually, that was conveyed to the committee here that they come up with some specific language that addresses the proprietary information and the withholding of that information anyplace, and again, I suppose that we could include some language in there that

would provide for, yes, if we have the consent of the individual producers.

Now, depending again on how far you go with this ID system here, and to cover the food safety issue, you need to go much further than just from the producer to the processor. There are too many people and too many other interests out there that have an interest further down the food chain. You need to address that concern to other parts of industry as well.

Thanks for the question, Mr. Chairman.

Senator TALENT. Mike.

Mr. JOHN. I would like to address that just briefly, Senator.

It depends on the perspective that you take on what the goal of the ID system is, and if it is animal health and disease related, then probably a combination of private and Government-type participation would be a more reasonable direction than just saying it is going to be one way or the other. I would say as far as keeping costs out of the system that if there can be a competitive component in the free market system to deal with managing the production and the communication between the segments that we will probably see it offered at a lower cost and maybe a more efficient direction than having it all contained in a centralized Government base base.

As it relates to analysis for tracking animals and isolating an animal disease, obviously, the Government is going to have to have access to that base in some manner, and good science will decide whether that means it comes from a single base base with just the key components of that ID or whether it is going to come from a series of private base bases.

As far as the components of communicating between the segments on the things that add value to animal agriculture, those need to be kept privately.

Senator TALENT. OK; yes.

Ms. PHILIPPI. If I could add just a little comment there, too, I have been in a couple of meetings on this confidentiality discussion, and one thing that was brought forward was we do not mind if the Government can have access to come back and find where our premise is; we do not want that public. Because especially in our industry, we have those that would love to know where every hog farm is in the United States.

Senator TALENT. Right.

Ms. PHILIPPI. We have discussed that at length. The other thing is for the animal health issues, we believe the Government needs to have access to that.

Senator TALENT. Yes, I would just keep that in mind, because we have all talked about the costs of the systematically emergency, and to the extent that with, of course, the permission of producers, the system can be involved in adding value, that generates streams of income that might help to pay for the system, which, of course, we would all like, because, to that extent, neither the taxpayers nor the producers have to pay for it.

That is the first time I have heard of it. I wanted to get your comments.

I would have other questions, but I am told there is about a minute and a half left in the first vote, and on the off chance that

for the first time in its history, the Senate closes a vote on time, I better get over there to vote.

I am very grateful, the whole Subcommittee is, to you all for coming such a long way and for the great contribution that you have made to the hearing, and I will adjourn the hearing now.

Thank you.

[Whereupon, at 4:16 p.m., the Subcommittee was adjourned.]

APPENDIX

March 4, 2004

Missouri • United States Senator

JIM TALENT

http://talent.senate.gov **NEWS**

For Immediate Release:
Thursday, March 5, 2004

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SEN. TALENT HOLDS HEARING ON NATIONAL ANIMAL IDENTIFICATION PLAN

(WASHINGTON, D.C.) U.S. Senator Jim Talent (R-Mo.) today held a hearing in his Agriculture Subcommittee to examine the development of a national animal identification plan to trace livestock from farm to market.

"America's food supply remains the safest, most abundant and most affordable in the world," said Talent. "The goal of this hearing is to examine workable options to implement a national animal ID system so that in the event of a discovery of a foreign disease, we can allow government officials to trace the animal, and every animal it came in contact with as it moved through the production chain within 48 hours."

Sen. Talent, Chairman of the Subcommittee on Marketing, Inspection and Product Promotion of the Senate Agriculture, Nutrition and Forestry Committee, said he has been discussing the issue with agriculture leaders to make certain that any animal ID system is efficient, effective and not burdensome to our producers.

At the hearing, Sen. Talent heard testimony from **Bill Hawks**, USDA Undersecretary for Marketing and Regulatory Programs, **Mike John**, the Vice President of the National Cattlemen's Beef Association, from Columbia, Missouri, **Dr. Fritz Schmitz-Hsu**, former CEO of Tierverkehrsdatenbank AG of Switzerland, and other experts.

Dr. Schmitz-Hsu, an architect of Switzerland's Animal ID program, testified that it took three years for his country, which has only 1.5 million cows, to get their system up and running with full participation.

"This hearing demonstrated that developing and implementing an Animal ID program, if we are going to do it right, is not going to be quick and it is not going to be easy," said Talent. "We have a witness who testified that it took the Swiss three years to have a fully

functioning system with full participation from all producers and we have feed lots the size of Switzerland in the U.S."

The U.S. Animal Health Association and the administration have been working closely with a team of animal agricultural industry representatives and others to develop an animal identification plan for the past two years. More than 100 animal industry professionals, including the National Cattlemen's Association, and state and federal government agencies have been involved with the development of the program.

"The discovery of a single BSE positive animal imported from Canada was a catalyst for a national animal ID program," said Talent. "There are still some concerns we need to address, but I am confident we can develop a workable, cost effective program that meets the needs of our producers, our domestic industry as well as our trading partners," added Talent.

Sen. Talent said he is committed to working with the administration to develop an animal identification program that works for Missouri's farmers and ranchers.

On Friday, Sen. Talent plans to meet with representatives from the local livestock and cattle industry in Mt. Vernon, Missouri to collect additional feedback on a national Animal ID plan.

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Statement of Senator E. Benjamin Nelson
Agriculture Subcommittee on Marketing, Inspection and Product Promotion Hearing on Animal ID Program
3/4/04

Mr. Chairman, I want to thank you for holding this very important hearing. I would also like to thank the members of today's panels for coming to the subcommittee to offer their views on a national animal identification program. Because of the timeliness of this issue, I appreciate your collective commitment to appear before this subcommittee today.

Work on a national animal ID program has been progressing through its early stages of development for the last several years, with the issue being thrust forth on the public radar due to the first detection of BSE in the United States last December.

Although I wish we were addressing this matter under different circumstances, I do believe it is critical that we use the momentum for change generated by the BSE case to move forward in working through the various concerns surrounding an animal ID program with one goal in mind: full implementation of a quality program at the earliest date possible.

Let me emphasize that I do not want to cut corners, because that will only lead to problems down the road. But, as our producers and ranchers languish under closed export markets, there is a costly lesson to be learned. Therefore, we must move without delay to create a program that will play a contributing role in improving food safety and animal health, while providing a valuable tool in protecting the livestock industry from foreign animal disease outbreaks.

Today, I will be particularly interested in comments from our panels on three topics.

First, I would like to know the panels' views on where we will find the funding for this program. USAIP has estimated that once the ID program is fully in place, costs could approach $122 million annually, with ID tags accounting for nearly $100 million of that amount. The National Farm Animal Identification and Records Program (FAIR), another USDA funded ID pilot program, estimates that its program would cost $540 million over a five-year period.

Currently, USDA has $33 million in the FY2005 budget to accelerate development of an animal ID system, however, this is only a fraction of the total cost. In order to alleviate the concerns of producers, especially smaller producers, that they will be burdened with the majority of the development and annual management costs of the program, we must find an adequate cost-share balance between the livestock industry and the public.

Second, as you know, producers are concerned about public scrutiny and government intrusion of their records. In general, there is strong support for a program where only the appropriate state and federal officials would have access to the animal ID information through the performance of their duties, with ample safeguards to protect that information from any damaging effects caused by public disclosure. Therefore, I am interested in the panels' views on the best way to protect private or proprietary information within a national animal ID system.

Finally, I believe that, in conjunction with the implementation of an animal ID program, we should restore the original September 2004 deadline for mandatory country-of-origin labeling as directed in the Farm Bill. As you move farther away from the beltway, the support for COOL grows like a wildfire on the prairie. I have personally experienced this wave of sentiment in my state. In my opinion, I find that both an animal ID program and COOL go hand in hand. I would appreciate the panels' addressing this issue.

I believe today's hearing is not only appropriate and necessary, but should be considered a sign of this subcommittee's, and the larger agriculture committee's, dedication to finding a positive outcome in the debate over an animal ID program.

I commend your hard work and dedication to this issue. I look forward to a continued level of coordination and communication between USDA, the Congress and the various working groups as we join together in finding a resolution to this matter.

STATEMENT OF WILLIAM HAWKS
UNDER SECRETARY FOR MARKETING AND REGULATORY PROGRAMS
U.S. DEPARTMENT OF AGRICULTURE
BEFORE THE SUBCOMMITTEE ON MARKETING, INSPECTION, AND PRODUCT PROMOTION
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
U.S. SENATE
March 4, 2004

Mr. Chairman and Members of the Committee, thank you for the opportunity to participate in this hearing on a national animal identification system. Today, I would like to discuss the purpose and benefits of a national animal identification system, provide an overview of the current status of animal identification systems and present the plan of the Department of Agriculture (USDA) for implementation of a national identification system.

Background on animal identification systems

The advent of increased animal disease outbreaks around the globe over the past decade, especially the recent BSE-positive cow found in Washington State, have intensified the public interest in developing a national animal identification program for the purpose of protecting animal health.

Livestock identification was first used to indicate ownership and deter theft. Then, in the early 1960s, USDA's Animal and Plant Health Inspection Services (APHIS) began using tags, tattoos, and brands to meet statutory regulations to trace the movements of animals during disease outbreaks and for eradication programs. Today, the purpose of animal identification systems remains primarily to address veterinary and animal health issues. Most individuals associated with livestock recognize that early identification of animal disease can contain and reduce the costs associated with a disease outbreak. Other benefits of a national animal identification system in addition to animal health include facilitating value-added production and

marketing programs. However, it is important to point out that no animal identification program by itself will prevent an introduction of animal disease, ensure safe food or prevent a recall.

U.S. programs. While there is currently no nationwide animal identification system in the United States for all animals of a given species, some segments of certain species are required to be identified as part of current program disease eradication activities. In addition, some significant regional voluntary identification programs are in place, and others are currently being developed and tested. Over the past several years, USDA has supported several state or state sponsored animal identification programs. For example, either through cooperative agreements or research grants, APHIS and the Cooperative State Research, Education, and Extension Service (CSREES) have funded projects in Alabama, Iowa, Kansas, Michigan, Montana, New Mexico, Texas, Utah, and Wisconsin. In addition, a number of states have contacted USDA and expressed interest in developing and testing animal identification systems.

The investments made by USDA in identification projects as well as private sector investments in these and other projects have generated data and experience that provide a platform on which to build a national system. As an example, the National Farm Animal Identification and Records (FAIR) Program is an animal identification program supported by the USDA's APHIS and the Holstein Association USA, Incorporated, a non-profit breed registry organization led by dairy producers. Administered by the Holstein Association, FAIR provides the infrastructure and information system that allows for both premises of origin determination and animal tracking through two unique numbers. The first number is a premises number with a unique number assigned to each production unit for participating premises. The second number is an animal number, which uses the American Identification Numbering (AIN) System to assign an official number for each animal. FAIR uses either a visible or an electronic identification tag

to track animals from farm to market, and market to slaughter. As of February 25, 2004, almost 8,200 farms were participating in FAIR. Of this total, 1,500 farms had animals with electronic identification tags. While FAIR is a national program, over 80 percent of the farms with enrolled animals and over 90 percent farms with animals using electronic identification tags are in Michigan.

Another example is the State of Michigan, which launched an Electronic Identification (EID) Program as a pilot project in November 2001 as part of the State's bovine tuberculosis (TB) eradication plan. The program was developed and implemented through a cooperative agreement from APHIS. EID uses a tag imbedded with a radio frequency identification device (RFID) and marked with a unique, individual number that will not be duplicated. The project made tags available to producers at no charge in the Northeast Lower Peninsula or those with accredited herds. As of 2002, 432 herds, representing 17,000 individual animals, had been TB tested and tagged with RFID tags. Each RFID tag is linked to a database that includes information specific to that animal, including date of birth, sex, and type/species. EID is also tied to the FAIR Program to ensure accurate individual animal identification, tracking and coordination of TB test results and herd status.

APHIS also provided funding for the Wisconsin Livestock Identification Consortium initiative, an industry managed and controlled information system. The Consortium's program, the Animal Identification and Information System, commonly referred to as A-II, was designed in collaboration with the Wisconsin Department of Agriculture, Trade and Consumer Protection and USDA. The goals of the Wisconsin livestock identification project are to: produce a fully operational, scalable livestock identification and information system; provide the basis for an system to cover all major livestock species; support a national system through compatible

regionalized data systems in partnership with added-value service providers; demonstrate the feasibility of providing a new service integral to obtaining value from identity-preserved livestock products; provide information on how to enhance the marketing of livestock products; and serve as a model for public/private partnerships that serve both the producer's added-value programs and that of the regulatory agencies.

In addition to programs directly funded by USDA, a more comprehensive U.S. animal identification plan has been developed by an industry-state-Federal partnership including more than 100 animal industry and state and Federal government professionals representing more than 70 associations. This plan is the United States Animal Identification Plan (USAIP). While implementation details of the plan are still being worked on, the USAIP describes an information system and infrastructure to enable the identification of all animals and premises potentially exposed to an animal with a disease of concern within 48 hours. .

The USAIP identifies four key data elements that require standards: (1) a uniform premise identification system; (2) a uniform and nationally recognized individual animal identification numbering system; (3) a uniform and nationally recognized numbering system for groups or lots of animals; and (4) a uniform numbering system for non-producer participants (such as tag distributors, animal health officials, laboratories, processing plants).

Under USAIP, the information system uses identification of each premise and the recording of U.S. Animal Identification Numbers and U.S. Group/Lot Identification Numbers. USAIP then associates the animal ID data to each premises where the animals or group are located and the specific dates an animal was at a location. Species specific working groups are currently working within the framework of the USAIP to develop animal identification implementation details for: bison, beef cattle, dairy cattle, swine, sheep, goats, camelids (alpacas

and llamas), horses, cervids (deer and elk), poultry, and aquaculture. While USAIP suggests the potential use of alternative technologies to identify animals if appropriate standards are established, the focus is to foster the adoption of national standards for the use of RFID devices in animals.

Governance of USAIP is planned as a joint Federal/state responsibility with oversight and input from industry. For example, State governments would maintain a state premises database system, submit premises data to a national premises repository, maintain intrastate animal movement database, and report interstate movement to an national identification database. The USDA would allocate U.S. Animal Identification Numbers, administer the national premises repository, including the allocation of premises numbers, and administer the national animal identification database. In addition, APHIS and individual state animal health entities would ensure uniformity of operation across the United States. The USAIP notes that costs would be substantial and recommends both public/private funding to cover the cost of the program.

The United States is not alone in developing animal identification systems. Most developed countries have either already adopted or are planning to adopt some system to identify and trace the movement of livestock within their borders.

EU experience. The European Union (EU) has adopted the most comprehensive program of animal identification and tracking. Under EU rules, the basic objective of animal identification and tracking is to control infectious diseases. However, different identification and registration systems apply to different types of livestock. Depending on the individual needs of the different species, those systems include several elements like identifiers, registers, or passports.

Illustrative of the EU system is the current system operating in the United Kingdom (UK) for cattle. The British Cattle Movement Service (BCMS) is the agency that is responsible for cattle tracing for Great Britain. The four elements of the cattle identification and registration system are: tagging (cattle must have a unique number); farm records (records of cattle births, imports, movements and deaths); passports (recording where cattle have been throughout their lives); and inclusion in the cattle trace scheme (CTS).

CTS records the identification and death of cattle, the movements from birth to death of cattle issued with passports (since 1998), and the movements of older cattle (since 2001). However, electronic tagging of cattle is not compulsory within the EU or UK. The Government plans to recover the costs of running the CTS from industry beginning April 2004 at the earliest.

Other animals in the UK are not part of the CTS but must be identified. For example, pigs under 1 year of age moving direct to slaughter and pigs over 1 year of age moving to any destination must be identified with a slap mark on each shoulder area of the pig. Sheep are also required to be identified and the UK's Department of Environment, Food and Rural Affairs intends to run a pilot to test the effectiveness of electronic tracing in a real time environment within the sheep industry. The pilot was set to begin in December 2003 and run through December 2004 with a report due February 2005.

Canadian experience. The Canadian Cattle Identification Program is an industry-led initiative to promote beef consumption through assurance of efficient traceback and containment of serious animal health and food safety problems. The program is administered by the non-governmental Canadian Cattle Identification Agency (CCIA), which is led by a Board of Directors made up of representatives from all sectors of the cattle industry and the government. The program is regulated and enforced by the Canadian Food Inspection Agency (CFIA). In the

event of a health or safety issue, the CFIA is given access by the CCIA to the record of the herd of origin.

Unlike the UK program, there is no requirement that cattle movements be identified from birth to death. Rather, under the Canadian program, a unique national identification ear tag is applied by the time an animal leaves the herd of origin. Currently there are 29 approved tag options for use in the Canadian Cattle Identification Program (including 27 bar-coded plastic dangle tags and 2 electronic button tags). However, on January 1, 2005, the CCIA is moving to electronic tags (radio frequency). The program applies to all bovine and bison animals.

Canada also implemented a Canadian Sheep Identification Program on January 1, 2004. This program is also an industry-led initiative (Canadian Sheep Federation). Under this program, producers must apply an approved national ID ear tag (bar-coded tags are not required) to all lambs born on their premises before they leave the farm, and to ensure that all ovine animals bear an approved tag before they leave the premises. Unlike the cattle program, the sheep program requires sheep producers to keep records of the movement of animals. This decision was made mainly to keep costs low for producers by not requiring bar-coded tags.

Australian experience. Australia has also developed a National Livestock Identification Scheme (NLIS) for identifying and tracing livestock. The NLIS uses machine-readable RFIDs. NLIS approved devices come in the form of an ear tag or rumen bolus/ear tag combination. Cattle identified with NLIS devices can be electronically read as they move through the livestock chain. At time of reading, each owner's property identification code, similar to the premises ID proposed in the US system, can be recorded and linked to the NLIS device. This transaction information is then stored in the secure central NLIS database. While the program is voluntary, all state and territory governments, together with industry, have agreed to aim for the

introduction of the NLIS by July 1, 2004. State governments underpin NLIS with legislation governing the use of NLIS devices and some states specify penalties for misuse. Australia also has developed a voluntary National Flock Identification Scheme (NFIS) for the permanent identification of sheep and lambs. NFIS relies on visually readable ear tags printed with property identification codes and do not contain a RFID. It is the aim of all state and territory governments to introduce the NFIS by July 1, 2005.

In addition to animal health, another reason Australia opted for NLIS is to facilitate access to European market. To supply to the EU, a producer must be accredited under the government's European Union Cattle Accreditation Scheme (EUCAS). Accreditation requires a series of conditions to be met relating to the eligibility of cattle, the introduction of cattle, and the use of Hormonal Growth Promotants. In addition, producers must use NLIS tags or rumen boluses and interact with the NLIS database to provide full and accurate records of the status and location of their EU accredited cattle.

Lessons learned. There are a number of important lessons that have been learned from the work that has been ongoing both within the United States and the rest of the world.

First, it is critically important to get support from industry as we shape an animal identification system for the United States. It is clear from experiences from across the United States and in other countries that producers recognize the need for and are willing to help in designing an appropriate animal identification system.

Second, there is no "one size fits all" technology. It is likely that some technologies will work better for some species than for others. Rather than focus on a specific technology, we should focus on the design of the identification system. What information should be collected

and when should it be collected? Once the identification system is designed, the market will determine which technologies will be the most appropriate to meet the needs of the system.

Third, both public and private funding will be required for any system to become fully operational. Databases must be maintained, programs must be monitored, and equipment must be purchased. Most countries receive support from their governments in developing and maintaining their identification systems.

Issues to consider in scaling to a national system

We believe that in designing a U.S. system important factors to consider are the diversity and complexity of our animal industries and the lack of experience with animal identification for a large number of U.S. producers. This extreme diversity and complexity makes immediate scaling up of current projects that have been funded by USDA difficult if not impossible until a thorough evaluation of those projects for potential use on a national scale and for a significantly broader scope than initially tested can be conducted. While many dairy producers use individual animal identification for production management purposes, there were 95 million cattle and calves in the United State on January 1, 2004, and only 9.0 million were dairy cows. The number of cattle and calves far exceeds those in the U.S. pilot programs and identified in the foreign country ID systems that were described earlier. Although cattle production varies regionally, cattle and calves are produced in every State. Texas ranks as the nation's leading producer of cattle and calves with 14 million head on January 1, 2004. Other States ranking among the top 5 cattle and calf producing States include: Kansas (6.65 million head), Nebraska (6.25 million head), California (5.2 million head), and Oklahoma (5.1 million head). One-third of all cattle and calves on January 1, 2004, were located in the top 5 producing States.

Of the 95 million head of cattle and calves in the United States on January 1, 2004, a total of nearly 14 million head of cattle and calves were on feed in feeding operations on January 1, 2004. In 2003, nearly 38 million head of calves were born, which would determine the number of new individual cattle identification numbers, along with cattle imports, that would have to be issued each year when the program is fully implemented. Some of these animals die on farms. About 4 million head of cattle and calves were estimated to die due to disease, predators, and other causes in 2003.

Imported animals would also require identification. In 2002, 2.5 million head of cattle and calves were imported into the United States. Imports from Canada accounted for two-thirds of total imports in 2002 and the remaining one-third were imported from Mexico. The finding of BSE in a cow in Canada on May 20, 2003 resulted in a ban on imports of cattle, calves, and beef from Canada. On August 8, 2003, USDA announced conditions for resuming imports of certain beef products from Canada. Imports of cattle and calves from Canada continue to be restricted. Reflecting this restriction, U.S. imports of cattle and calves dropped to 1.5 million head during the first 11 months of 2003, with Mexico comprising about two-thirds of all imports. Our national animal identification system should be compatible with foreign systems to allow for tracking to the export country, so that their identification system could be utilized as well in an animal health emergency.

An identification system would also account for exports and the United States exported nearly 450,000 head of cattle and calves in 2001, with about two-thirds of all exports going to Canada and about one-third going to Mexico. Over the past two years, the U.S. supply of feeder cattle has tightened and exports of cattle and calves have fallen off sharply. In 2002, U.S. exports of cattle and calves dropped to 244,000 head and declined to 94,000 head through the

first 11 months of 2003. The confirmation of a BSE in Washington State on December 23, 2003 has caused importing countries to restrict the importation of cattle and calves and beef products from the United States.

The complexity of implementing an identification system is also evidenced by the existence of 1.03 million cattle and calf producers located in all 50 States in 2003, with about 0.9 million cow-calf producers. Three-fifths of U.S. cattle producers had fewer than 50 head and 99 percent had fewer than 1,000 head. Fifteen percent of all cattle and calf producers are located in Texas. Only two other States had more than 50,000 cattle and calf producers in 2003—Oklahoma and Missouri. Thirty-four States have more than 10,000 producers.

The national identification system must also accommodate the nation's 95,189 cattle feeding operations that operated in 2002. Ninety-eight percent of these feedlots have less than 1,000 head capacity and are primarily located in the Corn Belt. On average, feedlots with less than 1,000 head capacity marketed about 40 head per year. The 2,189 feedlots with capacity of 1,000 head or more accounted for over 86 percent of all cattle marketed from feedlots in the United States in 2002.

The U.S. hog industry is also interested in participating in a national system at the outset. This industry, too, presents a challenge due to its size and complexity. The U.S. had 60.0 million hogs on December 1, 2003. In 2003, 100.4 million head were born, about 7 million head were estimated to die due to disease, predators, and other causes and 100 million head of hogs were slaughtered. Hogs are produced in every State. Iowa ranks as the nation's leading producer of hogs with 15.8 million head on December 1, 2003. Other States ranking among the top 5 hog producing States include: North Carolina (9.9 million head), Minnesota (6.4 million head),

Illinois (4.0 million head), and Indiana (3.1 million head). Nearly two-thirds of all hogs on December 1, 2003 were located in the top 5 producing States.

In 2003, 7.1 million head of hogs were imported into the United States essentially all of which were imported from Canada. The United States is not a major hog exporter.

In 2002, there were 75,350 hog producers located in all 50 States. Two-fifths of these producers had fewer than 99 head and 57 percent had fewer than 500 head. In contrast, 0.1 percent (110 operations) of hog producers had 50,000 or more head. These large producers accounted for nearly 50 percent of all hogs marketed in 2002. Thirteen percent of all hog producers are located in Iowa followed by Minnesota with 8 percent and Illinois with 6 percent.

The U.S. sheep industry is another priority species for participation in a national identification system. On January 1, 2004, there were 6.1 million head of sheep and lambs on farms. The 2003 lamb crop was 4.1 million head in 2003, which was a new record low. In 2002, 3.4 million head of sheep and lambs were slaughtered in the United States. The number of sheep and lambs has trended downward since peaking at 56.2 million head in 1942. Sheep and lambs are produced in nearly every State. Texas ranks as the nation's leading sheep and lamb producer with inventory of 1.1 million head on January 1, 2004. The other top 5 States include California (0.7 million head), Wyoming (0.4 million head), South Dakota (0.4 million head), and Colorado (0.4 million head).

In 2002, there were 64,170 sheep and lamb producers. About 10 percent or 6,800 sheep and lamb producers were located in Texas in 2002 and another 4,600 producers were located in Iowa. Other States with over 3,000 sheep and lamb producers in 2002 included Ohio and Oregon.

In addition to the diversity and complexity of the U.S. livestock industries, there are many nonproducers that must participate in a national identification system. For example, there were 3,233 U.S. livestock slaughter plants in 2003, of which 879 were under Federal inspection. Most of these plants slaughter fewer than 1,000 head annually. Three-fourths of the cattle slaughter plants, nearly two thirds of the hog slaughter plants, and 85 percent of the sheep and lamb slaughter plants slaughtered fewer than 1,000 head of each species and these plants accounted for less than 1 percent of total slaughter. In contrast, the Federally inspected plants that slaughtered over 1 million head of each species accounted for over 50 percent of total cattle slaughter and 88 percent of hog slaughter in 2002.

USDA also estimates there are 7,775 posted stockyards, bonded dealers and market agencies involved in the buying, selling, and marketing of livestock in the United States, and many of these would have to report in a national identification system that kept track of animal movement. Some of these stockyards, dealers, and market agencies may deal exclusively with species other than cattle and calves.

In addition to the large numbers of animals, producers and nonproducers that must be accounted for in a national system, there is also a decided lack of experience with individual animal identification in the United States, and where it exists, the systems used are quite diverse. A large number of producers, especially cow-calf operators, do not currently individually identify their animals. Thus, a major component of implementing a national system will be educating livestock producers and processors as to how the system would operate and their responsibilities.

Under a national animal identification system, producers and processors would be responsible for registering animals and recording their movement over an animal's lifespan. It is

envisioned that each animal would be identified, and its movements would be catalogued through time. Producers, marketers and livestock processors would have to be educated on the premise and livestock numbering systems, the technologies for recording an animal's movements, and other aspects of the program. To meet the educational needs of livestock producers and processors, USDA will need to work in concert with States, organizations, and other stakeholders.

Another issue is the authority of USDA to implement a national identification system. The Animal Health Protection Act (AHPA) was enacted to enable the Secretary of Agriculture to prevent, detect, control, and eradicate diseases and pests of animals in order to protect animal health, the health and welfare of people, economic interests of livestock and related industries, the environment, and interstate and foreign commerce in animals and other articles. The AHPA gives the Secretary a broad range of authorities. The Secretary is specifically authorized to carry out operations and measures to detect, control, or eradicate any livestock pest or disease. The Secretary may also prohibit or restrict the importation, entry, or interstate movement of any animal, article, or means of conveyance to prevent the introduction into or dissemination within the United States of any livestock pest or disease. The Secretary also has authority to cooperate with other Federal agencies, States, or political subdivisions of States, national or local governments of foreign countries, domestic or international organizations or associations, Indian tribes and other persons for the purpose of detecting, controlling, preventing, or eradicating any livestock pest or disease.

A system of animal identification could facilitate the detection, prevention, control, and eradication of pests and diseases of livestock. We believe the provisions of the AHPA authorizing the Secretary to carry out operations and measures to detect, control, or eradicate

livestock pests or disease provide the Secretary with ample authority to establish and implement either a mandatory or voluntary system of animal identification. Also, the AHPA enables the Secretary to enter into agreements with States or other stakeholder organizations to implement either a mandatory or voluntary animal identification program.

A national animal identification system would provide information on animal numbers by location and the movement of those animals over their lifespan. The potential disclosure of individual producer and processing plant information gives rise to concerns about the accessibility and the confidentiality of the individual records contained in a national animal identification database. Under the Freedom of Information Act, agency records are accessible to the public. However, agency information contained in a database that would reveal confidential business information is not accessible to the public under the Freedom of Information Act. Another concern is whether Federal agencies could access information in the national animal identification database for their program purposes.

Uncertainty over the confidentiality and accessibility of information in a national animal identification database may cause some livestock producers and processors to delay participation in a national animal identification system until these issues have been resolved. Federal legislation addressing the confidentiality and accessibility of information in a national animal identification database may be needed to address the concerns of livestock producers and processors and expedite the implementation of a national animal identification system.

USDA's goal for a national animal identification system

Our goal is to create an effective, uniform, consistent, and efficient national system. We believe this goal can be achieved by adhering to several key objectives.

First, the system should allow producers, to the extent possible, the flexibility to use current systems or adopt new ones. Producers should not be burdened with multiple identification numbers, systems, or requirements.

Second, this flexibility can best be achieved by having a system that is technology neutral, so that all existing forms of effective technologies and new forms of technologies that may be developed in the future may be utilized. In this regard, we also expect successful pilot programs, particularly those USDA has funded to date, will play an important role in scaling up during the transition period to a full national program.

Third, the national identification system should use and build upon the excellent data standards developed by the USAIP. Provisions to ensure data confidentiality are an essential part of this objective.

Fourth, the system must not preclude producers from being able to use it with production management systems that respond to market incentives. We want a system that will be compatible with the alternative management programs now being used to improve animal health and quality.

Fifth, the architecture for the national identification system must be designed so that the system does not unduly increase the role and size of the government. The President 's budget proposal for fiscal year 2005 requests $33 million to fund that year's activities for system implementation. No funds have been appropriated for fiscal year 2004. Since we plan to initiate implementation during fiscal year 2004, we are considering alternative methods of funding.

Phased implementation plan for a U.S. system

USDA plans to move forward with implementation of a national animal identification system in 2004, first on a voluntary basis, and eventually with a requirement for premises and

individual identification for all animals. Although we are still developing our specific timeline for implementation and deciding on a funding mechanism, we can provide some preliminary and general indications of activities for 2004. Our implementation would begin with an assessment this winter and spring of the existing premises and animal number allocation systems now in use. This review would identify, validate and verify the capabilities of current systems in operation and determine the capacity of any of these systems to serve as a national premises and animal number allocator and repository. Based on that review, we would select the most promising infrastructure to fund to develop the national premises allocation number and repository system and an animal identification allocation number and repository system.

Our first priority is to get the national premises allocator and repository in place in fiscal year 2004 and begin allocating premise identification numbers to cooperating states, tribes and certain other entities that are ready to register premises. We would envision providing some funding through cooperative agreements to states, tribes and the other entities so that they could develop the capacity to interface with the national number allocators and repositories. Once cooperators have integrated with the national systems and premises are being registered, we would be in position to issue animal identification numbers to producers through these early cooperators.

The technologies used by producers and nonproducers to identify and track movements of animals would be worked out through the cooperative agreements with the input of states, animal health officials, producers, and industry; USDA plans to be technology neutral. Our interests are in setting information standards, developing a database system to which states and other entities can readily connect, and receiving data from these entities. At this point, we do not envision any significant Federal funding being used for individual animal tags or other such

devices, however, funding of select electronic readers could be accommodated under the agreements with some cooperators. We envision third party premises allocation would be coordinated with the state animal health official for the state in which the premises is being allocated.

Starting in fiscal year 2004, we would also focus on identifying and qualifying third parities, such as private industry and trade associations, that have identification products or programs, so they could be integrated into the national system. In early fiscal year 2005, we would then be in a position to issue premise and animal identification numbers to third parties and to begin receiving information from third parties into the system.

Many issues must be resolved before we can accomplish the tasks just identified for 2004 and beyond. We look forward to working with the nation's producers, industry, animal health officials, state governments, the USAIP Steering Committee and the Congress to successfully achieve a national animal identification system.

Thank you and we would be pleased to respond to any questions you may have.

Testimony of
Dr. Bret D. Marsh
Indiana State Veterinarian

Before The
Subcommittee on Marketing, Inspection and Product Promotion
Of the
Committee on Agriculture, Nutrition and Forestry

United States Senate

March 4, 2004

Chairman Talent, Ranking Member Baucus, Members of the Subcommittee, thank you for this opportunity to testify. I am pleased to appear before you today to discuss the development of a national animal identification plan.

The events of September 11, 2001 illustrated to all Americans how vulnerable our infrastructures are to terrorist attacks. In the *National Strategy for Physical Protection of Critical Infrastructure and Key Assets,* released in February 2003, President Bush identified Agriculture and Food as one of the critical infrastructures of the country. Additionally, the President, by signing Homeland Presidential Directive #9 on January 30, 2004, further emphasized the critical need for a national policy to defend American agriculture and the nation's food system from terrorist attacks, major disasters and other emergencies. These definitive actions clearly illustrate the importance of this sector, and it confirms the long-held beliefs of American agriculturalists that significant safeguards must be put in place to protect it.

The identification of livestock in the United States (US), by both premise and individually, is critical to producers, veterinarians, state and federal animal health officials and laboratory diagnosticians to efficiently and effectively respond to an animal health emergency. The use of animal identification systems has always been important but it has become increasingly important in a post-9/11 environment where we realize that American agriculture is a potential target for terrorist activities. A heightened sense of awareness of the vulnerability of animal agriculture has energized the need for an effective national animal identification program. The safety of the nation's food supply, animal and human health are at risk, and the nation must be prepared to respond.

A successful plan, and the implementation thereof, must acknowledge three key tenets. By understanding the impact of these three tenets, the national effort to establish an animal identification system will have greater success.

Animal Identification is Not New

The first tenet is the recognition that the identification of animals has been an important function of animal production for centuries. The identification of animals is not new. Animal agriculture has utilized a wide range of identification devices to determine ownership, to designate selected animals of superior breeding, and to control and eradicate diseases. Brands, tattoos, ear tags, ear notches, back tags, group or lot numbers, and microchips are a few of the many identification systems used over the decades. Brands, for example, have been used for centuries to establish ownership of animals or to designate an animal as infected with a specific disease. Ear tags have been used for decades in national eradication initiatives, including, but not limited to, brucellosis, tuberculosis, classical swine fever (hog cholera), pseudorabies, and scrapie. Tattoos have played a critical role in the national brucellosis eradication program by providing the means of identification for cattle vaccinated against brucellosis. Ear notches have been used successfully in swine for many years. Back tags have been used in the livestock marketing system to identify animals for traceback purposes to support many of the national eradication programs. Unfortunately, none of these identification techniques has provided producers with rapid traceback capability. Indiana has participated in all of these identification programs over the decades, and the shortcomings of the current means of identification and the lack of a national system have resulted in an inadequate traceback capability that exposes our commodities to the spread of disease.

Although the nation's animal producers have extensive experience with a variety of independent identification systems, it has become increasingly apparent that a comprehensive national animal identification plan is essential to the continuing success of American animal agriculture. While the identification of animals is not new, the critical need for a new plan with new goals is new. This effort must capitalize on the nation's long history of using identification in animals by leveraging the collective expertise of producers, veterinarians and other stakeholders to determine the best ways to select the appropriate means of identification and to implement the new plan.

The United States Animal Identification Plan (USAIP)

The second key tenet is the recognition that a new plan that incorporates these new goals already exists. The United States Animal Identification Plan (USAIP) is the result of lengthy deliberations to provide a workable template to meet future US animal identification needs. Developed over the last two years by over 400 animal industry and state/federal government professionals representing more than 70 allied associations/organizations, it addresses the gaps in our current identification programs by addressing three important areas. The first is the goal of establishing a uniform premise identification system. Second, establishing a uniform, nationally recognizable numbering system for individual animals or for groups/lots of animals. Third, utilizing the premise and individual animal data to deliver credible information on the movements of animals within 48 hours of the discovery of a foreign animal disease in the United States. The United States Animal Health Association (USAHA), after careful review of the draft USAIP, passed a resolution in October 2003 endorsing it as a work in progress and encouraged USDA to establish species-specific working groups to further refine the document. The Species-Specific Working Groups have been established, and they are currently meeting to ensure the

Animal populations around the globe have been destroyed because of the introduction of catastrophic diseases. The United Kingdom was ravaged by foot-and-mouth disease (FMD) three years ago, and over six million head of livestock had to be destroyed to contain the disease in a country the size of the state of Oregon. Taiwan's swine industry was decimated by classical swine fever (CSF), and the industry there has not regained its global prominence. These events illustrate the critical need for a national identification system that provides the best means to conduct traces of animals in the most time-efficient manner possible. The USAIP goal to achieve a traceback system that can identify all animals and premises potentially exposed to a foreign animal disease within 48 hours of discovery is essential to the successful protection of America's agricultural assets.

In the fall of 2002 the US Department of Agriculture (USDA) conducted a tabletop exercise to simulate an intentional introduction of foot-and-mouth disease virus (FMDV). It became readily apparent during this exercise, as has been the case in similar exercises conducted by state animal health officials across the country, that to be effective in responding to the disease threat the locations of animals must be determined **prior** to the outbreak. During an exercise we held in Indiana, it became apparent that to begin to identify the locations of susceptible animals after learning of a disease incursion would result in catastrophic losses. The USAIP establishes a system to provide a uniform premise identification system. It is imperative that an effort be taken to assist the states in identifying all livestock locations within the country. Without this resource of information the viability of the affected commodity could be seriously compromised.

Individual animal identification or group/lot identification has been utilized for many years, and the USAIP ties this information to a specific livestock location. This is especially important when determining the birth origin of certain animals, the premises where the animals have been kept and the final destination of the animals. Utilizing individual identification tied to specific premises provides a much more effective tracing tool especially in disease events similar to the bovine spongiform encephalopathy (BSE) case in Washington state in December 2003. Unfortunately, several head of cattle could not be found at the close of the BSE epidemiological investigation using current identification technologies. The USAIP states that Radio Frequency Identification Device (RFID) is currently the preferred identification method for some types of livestock when individual animal identification is needed. The ability of producers to effectively trade their product in the marketplace requires a standardized system of individual identification, and the RFID is the technology of choice.

Establishing a Workable Timeline and Budget for Implementation

The third key tenet is the recognition that the successful implementation of the national animal identification plan will require a realistic timeline and budget. While the BSE case in the state of Washington has energized the need for a national animal identification program, a workable timeline is essential to the successful implementation of the plan. Further, while the US cattle industry has been the focus of much of the discussion on this issue, the needs of the other animal commodities must be addressed. To launch a national program without the proper infrastructure will delay the implementation of the USAIP, and it may lead to the failure of the effort. Secretary of Agriculture Ann Veneman has tasked USDA's Chief Information Officer to develop the applicability of the USAIP to their commodities.

information technology component that will support the USAIP. The United States must have the ability to gather, store and retrieve data on hundreds of thousands of premises nationwide. This system must be flexible to respond to evolving animal identification technologies, store key data elements on premises and animals nationwide, and satisfy the 48-hour traceback goal outlined in the USAIP. Issues associated with confidentiality of the information are also being addressed as the system is being developed. This database system must be functional before any mandate to implement the system is promulgated. The consequences of moving forward without this essential data management system will severely hamper the long-term success of the endeavor.

Additionally, the time needed to identify the livestock premises in the states will be dependent on the number of premises to be located. For example, the National Agricultural Statistics Service (NASS) of USDA reports 68,000 herds of cattle in Missouri. If, for example, these premises are to be identified within 90 days, the State of Missouri must register 765 herds per day. A similar calculation for the state of Texas with 151,000 herds of cattle will require the registration of 1,678 herds per day to meet the 90-day timeline. In Indiana we have established a partnership with our commodity organizations to address the identification plan. For example, the Indiana Beef Cattle Association has recently named an Identification Working Group to address the specific needs of Indiana beef producers, and we will have on-going discussions with all segments of the beef industry to more this effort forward. Therefore, a reasonable timeline must be established for states and commodity organizations to implement the program, and this is one of the tasks given to the Species Specific Working Groups that are functioning under the goals established by the USAIP.

The implementation and maintenance of a national animal identification program will require significant resources. Stakeholders in the USAIP recognize the value of the plan, and yet, they also recognize the potential costs associated with its implementation. A public/private partnership must be forged that will effectively address the budget issues inherent in the plan. Resources must be identified at the federal level to protect animal agriculture through the USAIP, particularly in the formative stages of implementation. This effort will fail without the commitment of the federal government to leverage the efforts of the states to implement a national animal and premise identification plan.

The three key tenets addressed today: the recognition that animal identification is not new and leveraging the national experience with various identification systems is essential; that a plan exists to address the national need for a comprehensive animal identification system; and that a workable timeline and budget that addresses the uniqueness of each commodity must be established for the implementation of the new plan; are intended to draw attention to the fundamental aspects of a successful effort to launch a sustainable national animal identification plan.

Chairman Talent, thank you for the opportunity to address the Subcommittee on this very important issue. I look forward to your questions.

Testimony of Dr. Fritz Schmitz-Hsu
Before the United States Senate Committee on Agriculture
Subcommittee on Marketing, Inspection and Product Promotion
March 4, 2004

Mr. Chairman and Members of the Committee, thank you for the opportunity to participate in this hearing on issues related to the recent BSE-positive cow found in Washington State and the resulting need for the United States to implement an animal identification and tracking system. Respected Senators, Ladies and Gentlemen, I am very happy to report to you today on the experiences with animal tracking in Switzerland.

To introduce myself, I am currently a scientific collaborator in a joint venture of the Swiss Association for Artificial Insemination and the Swiss College of Agriculture, where I am doing research and development in animal breeding. For education, I received my doctorate in animal breeding from the Swiss Federal Institute of Technology in Zurich, and was for four years a postdoc at Cornell University in Ithaca, New York. But I am here today because for four and a half years from its inception, I was CEO of the Tierverkehrsdatenbank AG (TVD AG, the Animal Tracking Corporation) in Switzerland. The TVD AG is the entity responsible for the design, implementation and operation of the Swiss animal identification and tracking system.

Restoring Trust in the Swiss Beef Supply through an Animal Tracking Database

In the nineties, Switzerland - suffering under outbreaks of BSE resulting from imported feedstuff - was subject to a ban on the import of Swiss animal products by European and other countries. After due consideration of this, and of the danger of contagious diseases to the Swiss national herd, the Swiss veterinary authorities concluded there was an urgent need for an up-to-date animal tracking system. The solution had not only to address the problem of animal health, but also help restore trust in Swiss animal products and promote food safety. A survey of animal tracking systems in other countries was conducted in 1998 by the Swiss Federal Veterinary Office and an expert panel. No suitable solution was found. The existing systems were found unsatisfactory for several reasons:

- Many were too complicated or based on outdated technology
- Many of the solutions did not reflect the realities of the agricultural environment
- Many of the solutions were too technology and theory driven
- Many were government run and suffered a high cost of ownership

The Swiss veterinary authorities concluded that the most effective solution would be to rely upon the private sector for the solution. The advantages this would bring were:

- Faster set-up and a more quickly operational system

- Increased support by the stakeholders due to the fact that the new system and data collected could be more easily used for other purposes

Because the solution would be, in effect, a monopoly, strong government influence and regulation would be necessary. The Swiss parliament passed a law governing the creation and operation of the animal tracking system for Switzerland, and continues to provide oversight of the operations of the TVD AG.

Encourage Private Sector Involvement from the Inception

To engage the involvement of the private sector in the design of the system, a competitive bid process under WTO rules was chosen. To participate in the competitive bid process, a consortium of interested Swiss agricultural organizations formed the TVD AG. I was chosen to serve as CEO. The organizations that came together did so because they recognized the impact and the potential the central animal tracking database could have on their business. They judged it to be in their interests to participate. Together with our technology partner, the Swiss subsidiary of the American company Computer Sciences Corporation, we bid and won the contract.

I understand there is great interest in how the private sector and the Swiss government arrived at a collaborative effort. At the beginning, the Swiss government visited with all important agricultural organizations on how to define certain technical aspects of the system. Many of the organizations did not support the Swiss government's vision of the system. More or less every organization had its own version of the animal identification plan, and some wanted to offer their services to run the database. But fortunately, the Swiss government had already a very strong opinion on how the final solution should look: a central database run by an independent company collecting data directly from the system participants.

After not being able to change the government's opinion, the organizations decided that it was in their interest to follow the government's plan. The fear that any one company or organization could run the future centerpiece, the animal tracking database, was a strong motivation for all important organizations to create a new, neutral company (TVD AG) in order to participate in the bid. It was soon obvious that everyone had to pull together. The pressure of Swiss products actually being banned or risked to be banned by other countries made it very obvious to everyone that an animal tracking database was needed. And many agricultural organizations had more trust in a private company (especially if they themselves would be a shareholder) to run the database than if a government agency would do so.

At the same time the organizations tried to influence the government in such a way that they obtained access to the database, so that they could use the valuable data collected by TVD AG for their own purposes. There was recognition that this data has great value to the organizations. Access rights are given according to the following principle: data about the animal goes with the animal and data about the premises are accessible only by those having a contract with the premises (or at least the premises have the possibility to deny access to their data). The Swiss

animal tracking database system has therefore an elaborate functionality on access rights.

Some organizations were motivated to join in because they can obtain the data cheaper from TVD AG, rather than collecting it themselves. In fact, several organizations have stopped collecting their own data and instead have asked TVD AG to collect the data they need. With the efficiencies gained through using the animal tracking database, the agricultural organizations are more or less forced by their members to get their data from the animal tracking database to avoid reporting to multiple organizations. Another incentive to cooperate is that certain data resides solely in the animal tracking database, hence certain value-added services can be offered only in collaboration with TVD AG. In Switzerland it was not very obvious for the animal organizations to collaborate with the government, but laws and common sense and in some cases also pressure by the producers made it possible.

Focus on Quick Wins and Offer Subsequent Refinements

We knew that it would take time and be difficult to gather information on the complete national herd. It was decided therefore to take an iterative process, with early implementation, focus on quick wins and refinement based on experience. Features of the solution are:

- A common numbering scheme (animal identification) and data collection system according to EU requirements
- Common processes implemented nationwide rather than different processes by cantons (corresponding to your states)
- The ability to exchange data with existing sources, including the incorporation of existing identification systems
- A user-friendly interface optimized for the realities of the users. This is now Internet based and very cost effective
- Multiple data entry systems (cards, readers, Internet, batch file transfer etc.) with strong data access functionality
- A solution which takes into account the needs of the user for training and support, and the difficulties of implementation in the field
- A solution that integrates the business processes
- A fully scaleable solution easily expandable for additional needs of the public and private sectors

All basic services of the solution were fully operational within 6 months of winning the contract. Enhancements, especially for improving data quality, and provision of additional services, were added on an iterative and step-by-step basis over time.

Self-Sustainability of the System was in Place from the Beginning

The Swiss parliament decided that funding for setting up the entire system would be provided by the Swiss government but that operational costs have to be covered by the users. That means the producers, traders and slaughterhouses.

In Switzerland we therefore started with a fee associated with the ear tags applied to the animals ($2.00 per calf in 1999, $4.00 since January 2004), and since 2003 also a fee ($4.00 since January 2004) per slaughtered animal to provide funding of the operational costs. Since these fees are uniformly applied, the system is fair, and the cost can be passed on uniformly to the consumers, without penalizing the producers. In addition, and of crucial importance to the success of the system, it was decided that the database would be made available for commercial value-added services, provided that the owners of the data gave their consent. Thus, today not only producers can use the database for their inventory purposes, but also agricultural organizations (e.g. breeding associations), government organizations, slaughter houses (meat packers), supermarket chains, and soon even consumers. In particular some food safety and quality programs operated by the supermarket chains rely on the animal-tracking database. We expect others to follow. This provides an additional source of revenue, which helps fund the operation of the whole animal-tracking system. Over time, the cost to the government for running the animal identification and tracking system (excluding investments) was reduced from 60% in 1999 to less than 20% in 2003 and completely self-funding since the start of 2004.

Data Quality Assurance and Compliance are Critical

Another crucial aspect of the solution is the data quality. I cannot stress enough how important this aspect is. The value of the solution is directly dependent on the quality of the data. We have found in Switzerland that the best way to promote good quality is firstly through streamlined processes, secondly with value-added services already mentioned (the animal holders have an incentive to participate), and especially by rewards for good quality data and penalties for missing or false data. Each user is responsible for the correctness of his data. Those with high quality receive a financial reward from the agricultural department, as the costs of prevention are lower than the costs of correction.

Lastly, we have an inspection process. Each user must perform his own inventory control on a regular basis. In addition, audits by the cantonal authorities are conducted on a periodic basis, at least 10 % of the participants are checked per year. Our data quality has increased enormously over time, and the need for staff in our office for data correction has dropped substantially.

Another aspect I would like to emphasize is the value of the business processes associated with the system. These have been consistently refined over five years in Switzerland and the experience gained is extremely valuable. The processes are more crucial to the success of the solution than the software itself. We and our partners from CSC Switzerland have invested greatly in the processes and provide the expertise that we need. Experience is what counts for designing and

running the business processes (ordering and delivery of ear tags, notification of births, movements and slaughter etc.).

We have a constantly evolving system and plan to offer additional value-added services, more refined food safety, and increased use of radio frequency ear tags and automation. This will all be introduced on a measured, step-by-step, and cost effective basis.

We also consider cooperation with foreign countries as desirable. The agriculture business is global. Animals are imported and exported. Their data should go with them. Diseases cross state and country boundaries. It is essential that cooperation in health and food safety becomes an international norm. We are therefore very happy to cooperate with you as you set up your animal tracking system.

Lessons Learned from the Swiss Experience

Regarding lessons learned from our five years experience with nationwide animal tracking, I would state the following:

- Set-up a central database which serves not only for fighting animal diseases but as a tool for all organizations interested in animal identification.
- Do not try to do things too cheaply. The costs of correction are greater than the costs of prevention.
- But gain experience before making major investments. Use a step-by-step process, and examine the results after each step. Be practical. Avoid the dominance of theory and technology. The key success factors are the processes, training and acceptance.
- Provide adequate training and support for the end users. The end-user domain is where the problems will occur. End users who are well supported by a help desk accept the solution much better. We initially underestimated the size of this need in Switzerland.
- Allow the maximum value to be made from the data collected. Regulate access rights to protect the rights of the data owners, but impose no more data access restrictions than really necessary. Make sure the benefit goes to the owners of the data – that means to the end users. Involve third parties such as supermarket chains early in the process in order to add to the value for the end users. Reward the good end users.
- Start with a new database but minimize extra costs by taking over existing data.
- But be careful not to make things too complicated and costly by catering to everything, which already exists in order to satisfy certain groups. There must be common procedures and standard interfaces.
- Use the Internet to reduce cost and training needs for the smaller end users.

- Use a single central database to reduce costs and minimize response time for impact analysis. 48 hours is your stated target for a US solution, but that is much longer than is necessary or desirable.
- Maintain trust in the solution. The government is the protector of the interests of agriculture, and of public health, rather than a dictator and cost generator. Involve the end users in the decision making process. An end user must for example be involved in decisions regarding access to his data. Communication to all involved is vital. A process for handling end-user feedback is also vital.

Lastly I would encourage you all to come to Switzerland and see yourself what we have in our solution. Talk to end-users and familiarize yourselves with the expertise we have built up. You are most welcome, and we would be very happy to collaborate with you.

Thank you very much!

Animal Identification

Testimony

of

Mike John, Vice-President

of the

National Cattlemen's Beef Association

Hearing of the

Senate Agriculture Subcommittee on Marketing, Inspection and Product Promotion

Senator Jim Talent, Chairman

March 4, 2004

Washington, DC

Testimony of Mike Johns, NCBA Vice-President, Senate Agriculture Subcommittee on Marketing, Inspection and Product Promotion, Senator Jim Talent, Chairman, Thursday, March 4, 2004, Washington, D.C.

I am Mike John, Vice-President of the National Cattlemen's Beef Association.

Mr. Chairman. Thank you for the opportunity to present testimony to you today on behalf of the members and state affiliates of the National Cattlemen's Beef Association. I appreciate being able to discuss animal identification, an issue of great interest and concern for cattle producers across the country.

Animal identification is not a new issue to NCBA, cattle producers, or USDA. In fact, NCBA has been very engaged in the development of identification systems for almost 10 years. In 2000, NCBA adopted standards as an organization so that the identification industry would have some commonality. Throughout this time, we also worked with USDA representatives knowing that at some point, we would be testifying at hearings such as this one about the role, purpose and potential pitfalls of a national animal identification system. As many have readily conceded, the recent discovery of BSE in a Canadian cow in Washington has given this discussion a tremendous sense of urgency. This sense of urgency has manifested itself in congressional hearings, the media, in cattle associations at the state and national level, and in the marketplace of technology.

Recent discussions have focused heavily on technology—the technological capability to track animals from farm to plate—using the newest and most effective technology or finding new uses for existing technology. But technology is not the start of the discussion. The discussion begins with why identification is important, and how it can be used as a tool to contain animal disease and protect the United States cattle herd, our greatest asset. Beyond technology, there are many questions that producers have about animal identification that become policy questions for Congress, USDA and NCBA. I hope to give some context to these issues and to pose some potential solutions.

Animal Identification is a Tool

Animal identification is a tool that can be used to identify and isolate animals and premises that have been associated with animal disease. We have had a mandatory animal identification system in our country in the recent past, the brucellosis eradication program. This program required that animals be vaccinated for brucellosis, tattooed, and tagged with a permanent metal identification clip tag. While this program was established to eradicate brucellosis, the result was a traceability program that has helped USDA and states over the years identify other diseases such as tuberculosis. Though the early days of the brucellosis program were very difficult for all parties—including producers, states, USDA, and even Congress—the program has successfully eliminated brucellosis from all but a few places in the United States. The downside of the success of the brucellosis program is that as states have become brucellosis free, vaccinations for the disease ceased, and, as a result, so has the tagging with the metal clip tags. Our task today is to increase the level of identification so that we can expediently contain a disease upon discovery.

I emphasize that identification is a tool to use in conjunction with our existing animal disease surveillance and monitoring infrastructure—it is not a substitute for that infrastructure. We do not wish to follow the examples of Europe, where too much emphasis was placed on identification and not enough emphasis on infrastructure. Though much is made of the many EU tracking systems, the EU has been subject to a BSE epidemic, Food and Mouth Disease outbreak, Dioxin contamination, and PCB contamination, all due in part to weak science-based infrastructure.

I must state that NCBA will oppose efforts to pay for an animal identification system by cutting existing animal health infrastructure. To do so would be the equivalent of cutting a city's fire department to pay for a fire extinguisher for every household. Although having a fire extinguisher in every home is good policy, to do so at the expense of the fire department could open up the community for larger and more destructive conflagrations.

Development of a National Identification System

Animal identification is a confusing topic for many because everyone has their own notions about what it is, how it works, what it can do, how it can be done, and the best technology with which to do it. The development of such a system in these kinds of circumstances can be difficult. That is why dialogue and consensus building is so very important. It has taken time within our own industry and association to develop consensus, and that came only after years of debate.

Concurrently, other groups and organizations were having similar discussions. Once groups had a certain level of internal consensus, it was time to bring these groups together. That began to occur two years ago when the National Institute for Animal Agriculture began hosting meetings which culminated in the development of the United States Animal Identification Plan (USAIP). More than 70 organizations and over 400 individuals have worked diligently to draft the USAIP plan. This level of support is unprecedented in the history of developing programs of this magnitude and importance. The full text of the USAIP is available at www.usaip.net.

Following development of the broader plan, members of the USAIP have established individual species working groups to outline specific areas of interest or concern within that species. The bovine working group has met January 27 and February 12 with the next scheduled meeting on March 10. The purposes of these meetings are to continually refine the implementation of an identification program, answer unanswered questions, develop pilot programs, and discuss industry education. As a matter of NCBA policy, we support of the USAIP as the foundation of the national identification system and support the ongoing work of the bovine working group.

We recognize however, that many questions remained unanswered within the plan and within the minds of cattle producers across the country, Congress, USDA and interested parties. These questions form the basis for the animal identification policy questions that are the subject of today's hearing. These questions include:

- What will it cost? Who will pay?
- How will our producers' information be protected?
- Will this system be mandatory or voluntary?
- How will it be implemented and how will any burden be shared?
- What will other countries need to do and how will their information be integrated?
- What technology will be used?
- What authority does USDA currently have? Is additional authority needed?
- How can this system be used to add value?

Cost

Full and complete implementation of USAIP is estimated at $545 million over 6 years. This is inclusive of all the species in the plan. Other publicly released commercial estimates mirror this figure. The USAIP estimate includes the information system, data collection infrastructure, and identification devices. Clearly, this amount is a tremendous outlay of resources for any party. The identification system would provide the infrastructure needed to ensure traceability in the event of a crisis. Past infrastructure projects similar to this one have been partnerships between producers, the industry, and state and federal government. Due to the outlay of resources required, it is proper to discuss which parties would be responsible for funding the identification program.

The USAIP focuses on establishing technology standards so that the system is uniform, workable and consistent. Accordingly, we believe it is appropriate that establishment and approval of these standards is a proper role for the federal government. The implementation of the plan means the installation of the infrastructure, networks, and reading capabilities. This will entail a tremendous investment in hardware

across the country. This type of investment has typically been a partnership and cost sharing effort between states and federal government. The identification device, which is the cost most associated directly with an individual producer, could be paid by producers utilizing available state or federal dollars to assist in the cost, especially for those producers in need of assistance.

To summarize, an approach could be the federal government paying for establishment and approval of standards; the federal and state governments partnering on infrastructure installation; and the federal and state governments cost sharing with producers on the identification device.

Confidentiality

Producers are extremely concerned that the information that becomes part of an animal identification system could fall into the hands of those who would use it illicitly. Indeed, NCBA was part of a lawsuit in which an environmental group used the Freedom of Information Act (FOIA) to gain access to private producer financial records in an effort to "destabilize" ranching. This use of private financial data for these types of purposes is inappropriate. For these reasons, NCBA believes that any information provided by producers for the animal identification system should be exempt from release under FOIA. Additionally, the Privacy Act contains several provisions that protect private and personal data from release without the written consent of the party that provided the information. Making the Privacy Act apply to data provided under this system, would add an additionally layer of protection for producers privacy. Clearly, we recognize that the purpose of the identification system is to provide information that USDA needs in the event of an animal health crisis, and our comments on FOIA and the Privacy Act would not in any way preclude USDA from getting the information needed to respond to a crisis. NCBA believes that producer confidentiality is crucial to a successful animal identification program.

Mandatory vs. Voluntary

The most popular question that arises when talking with producers about identification is the question of voluntary versus mandatory. Unfortunately, this question is becoming a litmus test among some as to whether or not they will support or oppose the establishment of an identification system. We recognize that to be successful, we need to have high levels of participation in the program. Our policy is that we should determine in a sound statistical manner what this level of participation is, and the frequency of identification that is necessary to protect the health of the U.S. cattle herd from disease. It is fair to assume that you could have much higher participation with a well-designed voluntary program than you would if you had a poorly designed, under funded, poorly managed, uncoordinated, mandatory system. One needs to look no farther than the previously mentioned brucellosis eradication program to know that the early days of that program were full of strife due to the well-meaning but ineffective manner in which it was initially implemented—especially on livestock that moved interstate.

The question of mandatory versus voluntary should revolve around how best to get the level of participation needed to make the system effective, and that will be driven more by available funding and an implementation plan that makes sense, rather than a litmus test. NCBA supports an industry-implemented animal identification system that protects producers but provides government with appropriate access government to contain animal health outbreaks.

Implementation

The USAIP calls for initially starting with a premise identification system, then moving forward with individual animal identification. Some have criticized the USAIP recently as having unworkable implementation timetables. The key here is not artificial deadlines, but a framework for implementation that makes sense. The timetables will be adjusted as funding is available and progress is made.

It is extremely important that implementation of the program be in step with how cattle are marketed and moved. We must take into consideration the constraints that exist at livestock markets, processing facilities and feedyards. Accordingly, animals should be identified at or before the first time they enter commerce. We must also develop procedures for livestock that are sold on a private treaty basis that may avoid these facilities until they are sold to a packer.

Additionally, many cattle are already identified through existing marketing and management programs. If the systems in which these cattle are already identified are consistent with the standards set by USAIP, then these systems should be available to provide data to USDA for the purposes of producer participation in the identification system. This is an example where the marketplace has adopted USAIP standards, and Radio Frequency Identification (RFID) is already ahead of our current regulatory systems. These programs should not be put at risk while our regulatory structure plays catch-up with where the majority of the marketplace already is.

The key to effective implementation is solid standards—which USAIP provides—combined with flexibility for mode of marketing, regional differences and existing programs. The standards of USAIP are the driving force in ensuring that the system works and is functional.

To ensure that the animal identification system is successful, pilot programs should be implemented in different regions of the country. This would allow the plan to be tested using different production and marketing systems and recognize environmental differences. These pilot programs would be the first phase of implementation. NCBA encourages Congress to provide adequate funding for these projects.

International Considerations

As we have seen with the recent case of BSE and avian influenza, it is important that there be international harmonization in animal identification standards and systems. As we resume trade with Canada and Mexico we need equivalency in traceability. We not only need expedient identification and containment of animal disease within our borders, but across our borders and around the world. In our five-nations alliance with Mexico, Canada, Australia, and New Zealand, there is common agreement with our counterparts in these countries that there should be harmonization in our animal identification systems.

Technology Considerations

USAIP establishes Radio Frequency Identification (RFID) as the currently preferred identification method. Other technologies—DNA, retinal imaging, boluses, implants—could be integrated into the system as standards and practical applications of the technology evolves. RFID has been readily adopted by livestock producers. Millions of these tags are already in use and have been in use within many of the existing identification programs. Adoption of the RFID standard within USAIP acknowledges the existing use of this technology. To adopt another technology at this point would make the millions of RFID tags of no use to current users and hamstring the ability of our industry and USDA to expedite implementation of an identification system. NCBA does not wish to engage in, nor do we wish Congress or USDA to engage in technology fights because every firm or entity has a plant, or an employee located in someone's district. RFID can be most readily integrated today into operations across the country. NCBA wants to foster and environment that is a catalyst for competition, innovation and efficiency.

NCBA and the National Milk Producers Federation recently sent a joint letter to USDA urging USDA to "fully support the first step in plan implementation by recognizing and supporting the use of a standardized RFID system as the foundation of the system when individual animal identification is required." USDA should adopt this standard which would enable all states and all producers to begin implementing the system in short order. To delay implementation so that entities can debate or cajole does not assist in implementing the identification system in a timely fashion. It is imperative that USDA adopt the RFID standard consistent with USAIP sooner rather than later to enable to department to meet its stated objective of implementing an identification system soon. Nonetheless, should Congress act on an identification bill,

no statutory provisions should be included which establishes the technology standard. Keeping the technology standard within the regulatory responsibility of USDA maintains the flexibility needed to adopt new technology.

Current Statutory Authority

NCBA understands that USDA has the authority, under the Animal Health Protection Act passed in the 2002 Farm Bill, to implement an identification system. Therefore, no additional authority is needed. NCBA will monitor the implementation of an identification program by USDA, and as stated previously, NCBA is supportive of an industry-implemented program that is accessed by USDA for animal disease issues. The recommendations in this testimony could be utilized by USDA under their existing authority. Should we or USDA identify gaps or areas where additional authority is needed, we will work to address the shortcoming legislatively. Should Congress move forward in passing statutory provisions related to animal identification, we will work to make the above testimony part of the legislation.

Value Added Opportunities

The purpose of the animal identification system described in the above testimony is for animal health and related purposes. The system as described will not provide management information to producers or to parties in the chain of production. It is for the purpose of providing USDA the information needed to manage animal health issues. However, the identification device used, such as the RFID tag, could be used to facilitate or enable producers to participate in programs that provide management data. Indeed, many producers are already participating in these value added, information management programs and if those programs meet the USAIP standard, they could be used by USDA for participation in the identification system for animal health. We encourage the optimization of benefits from animal identification that can provide additional value to our producers.

Conclusion

NCBA has long recognized the importance that identification can play as part of our animal health infrastructure. That is why we have invested so much both internally, and as part of the USAIP development. We know that many questions exist and we are committed to addressing each question, answering it, then moving forward. At this point, USDA can make an important move forward by adopting the USAIP recommendation for RFID technology as the identification standard.

The USAIP is an outstanding starting point for efforts to develop an effective animal identification and traceability system that will benefit producers, consumers and government. The U.S. has the healthiest cattle herd in the world. Our system can and will protect animal health by engaging the long standing partnerships that brought us to this level, including partnerships within the federal and state governments' animal health infrastructure, veterinarians, producers and other livestock professionals. It's a partnership built on principle and a commitment to do what is right.

We are confident the current path we are on will result in the development of an effective animal identification and traceability program for not only the cattle industry, but also for all of animal agriculture.

Thank you for the time and I will be happy to answer any questions.

Statement of

Ms. Joy Philippi
Pork Producer, Bruning, Nebraska
National Pork Producers Council
Before the
U.S. Senate
Committee on Agriculture, Nutrition, and Forestry
Subcommittee on Marketing, Inspection,
and Product Promotion
Washington, D.C.
March 4, 2004

Good Morning, Mr. Chairman, Mr. Ranking Member, and Members of the Committee:

I am Joy Philippi, a pork producer from Brunning, Nebraska. I also currently serve on the National Pork Producers Council Board of Directors. I own and operate a 2,000 head nursery, which handles approximately 14,000 head of weaned to feeder age pigs per year for our local producer network.

I would like to thank the Chairman for scheduling this field hearing on such an important issue. In recent months it has become clear that the issue of a U.S. national animal identification system has become of increasingly more importance to animal health officials, livestock producers and consumers. The issue of developing and implementing a national animal identification or national animal ID system is indeed far more complicated than simply identifying animals at birth. The National Pork Producers Council appreciates the opportunity to further examine the issue of a national animal identification as the U.S. Department of Agriculture and Congress moves forward on developing a national system and considers the consequences for U.S. pork producers.

We consider a mandatory national animal identification system part of protecting the nation's critical infrastructure—food and agriculture--in case of animal disease outbreak or intentional or unintentional introduction of a pathogen or toxin. We believe that most Americans now understand how important animal health is to protecting the food security and safety in this country and is willing to support the development of an affordable, accurate and sustainable mandatory national animal identification system.

We believe that such a national animal identification system should reflect the following principles:

- a single, mandatory national program with uniform foundation standards;
- a practical and effective tool for improved animal health management, including surveillance, assessment, and response to the intentional or unintentionally introduction of foreign pathogens or toxins;
- an ultimate goal of a 48-hour traceback system capable of identifying premises that had direct contact with a diseased animal;
- the inclusion of all livestock species, as defined in the 2002 Farm Bill;
- part of a national critical infrastructure plan to protect the food and agriculture sector;
- a credible system to meet the demands of our international trading partners in a post-BSE world, this should include harmonization across North America, and finally;
- a system that must not place U.S. pork producers at great financial peril due to onerous additional requirements and costs.

This morning, Mr. Chairman and Members of the Committee, I would like to explain what the U.S. pork industry has been doing since 1988 regarding swine identification and where we see opportunities for our pork producers to improve their current market swine identification system and fold it into a mandatory national animal identification system. Finally, I would like to leave the Committee with an idea of where the pork industry sees pitfalls and concerns about the development of such a mandatory national animal identification system.

What is at stake here? In today's pork industry there are an estimated 75,000 (according to National Animal Health Monitoring Surveillance Data) pork producers in the U.S. These producers send 100,000,000 hogs to market each year. Total farm-gate receipts for hogs in 2002 were $9.6 billion. 2003 total receipts are expected to exceed $11 billion when final data are available in April. In 2003, the retail value of the pork sold to consumers was $40 billion. On the export side, approximately eight percent of U.S. pork production is exported. This percentage has been steadily growing for the past 12 years. Finally, the pork industry is responsible for over $83.6 billion in total domestic economic activity and $32.5 billion in gross national product, and supports nearly 566,000 jobs in the U.S., alone.

Many species have at one time or another had animal identification programs. Almost all of the national identification requirements implemented in recent years are tied to disease eradication programs. Good examples in the pork industry are Classical Swine Fever (the US was declared free in 1979), and more recently Pseudorabies (currently there are no positive herds in the United States). As you

can see, the pork industry is quite familiar with identifying animals because of its desire to detect, monitor and eliminate diseases for years.

In these disease control programs pigs are identified when they are tested or vaccinated. Often testing (or screening) is performed as part of preparing the pigs(s) for sale, to move across state lines, or for area/regional surveillance purposes. Premises identification is an important component of the ID system. To effectively manage disease, animal health officials need to know the location of the pig(s) and if other animals were at that same location. Without premises identification, animal identification, and records, the ability to trace back and trace forward would be impossible.

There is a catch-22 when animal identification systems are developed around disease eradication programs. Obviously, as the eradication program succeeds, more and more states or regions become disease-free. The requirement to test (or possibly vaccinate) in these "free" areas becomes unnecessary and is eliminated. Unfortunately, the impetus for identification is therefore removed as well. The irony is that successful Industry/State/and the U.S. Department of Agriculture (USDA) eradication programs result in less animal identification and reduces our ability to manage health in the future.

The pork industry has understood this for a long time. In 1988, the pork industry requested that USDA publish a rule on the mandatory identification of swine to improve their product and to enhance food safety. This rule has been codified as 9 CFR 71.19. In 2000, the rule was amended to include group/lot identification for feeder swine movements across state lines within a production system. So today, in relation to interstate commerce the pork industry has (1) individual ID for all replacement breeding swine; (2) individual ID for all breeding swine at commingling and/or slaughter; (3) identification of feeder swine; (4) market swine identified back to their owner at Federally inspected plants; and (5) feeder swine movements across state lines within a production system based on written health plans and production records. In addition there are various intrastate rule requirements as the Pseudorabies or PRV eradication program comes to completion.

Identification, under this rule is achieved in a number of ways: using USDA official eartags; USDA official backtags for swine moving to slaughter; official swine tattoos; tattoos on the ear or flank recorded by a swine registry association; ear notching when recorded in a pure-bred registry; an eartag or tattoo bearing the premises identification for slaughter or feeder swine. The interstate movement of feeder pig rule requires each and every premise where a pig has been must retain transaction records for a period of three years.

The system works relatively well. Originally, however, the 1988 rule failed, USDA had to focus on education rather than enforcement. Initially there were serious problems when the 1988 rule was first implemented. The rule, contrary to producer input, attempted to move the actual application of the identification to the farm. Producers, wanting to comply and do the right thing, started applying slap tattoos to market hogs. Packers, not knowing the hogs had already been identified, applied their own tattoos over the top of the existing numbers, rendering both unreadable. In addition, producers had much less experience and training in applying tattoos, which resulted in a dramatic decline in readability. Finally, a packing plant had hogs delivered that had been tattooed with an unapproved ink, which shut down the plant. To resolve the issue, USDA announced they would focus on education instead of enforcement while they rewrote the rule. Once the rule was changed and met industry needs, it became very effective.

There are several areas in which we see that there is room for improvement. First, the backtag system currently being used to identify cull breeding swine has a low tag retention rate—about 15-20 percent. This retention rate is low because the identification system does not meet the species-specific needs regarding the handling of these animas on the way to market. We would like to see this system enhanced. If a national premises identification system were implemented we could apply premises identification tags to our breeding animals thereby identifying the source farm. Second, the identification of market hogs back to their last premises, instead of their owner's mailbox, will result in a more rapid and accurate traceback to the suspect premises. This improved accuracy could facilitate further traceback to origin premises because today, generally, hogs move in lots—recordkeeping in our industry is by and large based on lot or group movement.

I have addressed the regulatory path that the pork industry has taken. I want to briefly touch on how the pork industry's policy position has evolved over time. In 1995, the National Pork Producers Council passed its first resolution on animal identification, it included a statement endorsing voluntary electronic identification for pigs. Early on, the industry was focused on tying animal identification to premises and the use of developing national standards. Every year or so since that date, the NPPC delegates have passed increasingly more specific resolutions moving the industry slowly towards today's position—In 1998 producers agreed to the concept of a National Premises ID system. In 1999/2000 producers agreed that improved sow and boar identification was needed and the National Pork Producers Council's Board of Directors approved the concept of National Premises Identification system. Today, as we speak the U.S pork industry is holding its annual meeting in Atlanta, GA. We expect to have at least one resolution passed supporting a national mandatory animal identification system—

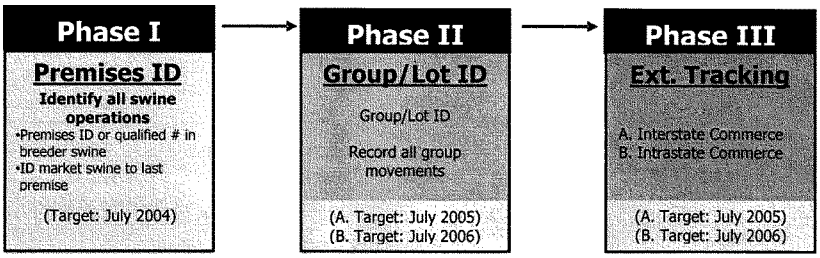
and more specifically, expressing support for the government-industry developed U.S. Animal Identification Plan.

The development of a U.S. Animal Identification Plan began, in earnest, in April 2002, when the National Institute for Animal Agriculture coordinated the development of a National Identification Task Force. This original Task Force consisted of over 30 livestock organizations. As the process unfolded—additional stakeholders were added. By the time a Draft USAIP was presented at the U.S. Animal Health Association meetings a year later over 109 stakeholders—representing over 70 industry organizations--had input into today's USAIP.

Let's be clear on what the USAIP is and is not. It simply defines the standards and framework for implementing and maintaining a national animal identification system for all of U.S. livestock. The Plan includes standards for: (1) a national premises numbering system; (2) individual and group/lot animal numbering systems; and (3) performance standards for ID devices. It sets up a recommended three-phase path to improving identification in the pork industry. Just as important, the USAIP recognizes the significant species differences and recommends the formation of species-specific working groups to design and refine their individual identification plans. It also proposes joint industry/government governance mechanisms for the national system.

The USAIP is not "THE PLAN"—and it does not have ALL of the answers—there are still many outstanding questions to be answered. However, the USAIP establishes a framework and working document that we believe needs to be the foundation for establishing a national system. We in the pork industry are not prepared to go back to the drawing board after almost three years of work and a sixteen-year track record of helping our producers implement a current rule that works and that producers have integrated into their production.

If I might, I would like to outline how the pork industry views further enhancements to the current mandatory swine identification system based on the current USAIP. We believe that further enhancements are dependent upon available resources and funding—by this I mean both federal and industry funding and resources. We have laid out three distinct phases and included a targeted timeline that we had hoped to achieve.



Adapted from: Draft United States Animal Identification Plan—Discussion Document; Developed by: National Animal Identification Task Force; Coordinated by: National Institute for Animal Agriculture, August 2003

In Phase I: All swine operations and holding facilities would be identified with a unique national identification premises number. Once established, this number would be applied to all replacement breeding animals by means of visual tags. In addition, this premises number could be coded on the transport papers of all market pigs thereby identifying them to their last location—not the owner's mailbox. Once Phase I was implemented nationwide, the U.S. pork industry will have met the 48 hour traceback goal contained in the USAIP, therefore we believe it would be wise to initiate implementation test projects as soon as practicable.

In Phase II: Producers would be required to record all group/lot movements--using their own group/lot IDs--and keep those records for a period of three years. Since they are already established, adoption of group/lot ID standards would be encouraged in preparation of reporting movements to a central repository in the future. However, until confidentiality, security, and added value for producers are addressed, the system described in Phase I is superior to submitting group/lot IDs to the market. I say this because USDA would not have to access a database to identify the premises number of the pigs.

Finally in Phase III: There would be electronic reporting of individual and group/lot ID—to a cognizant authority—be it USDA or a designated or certified third party or organization all interstate and intrastate movements.

Phase III raises many questions in pork producers minds. As mentioned earlier, they are concerned that that the issues of confidentiality and security of their data will be protected and respected and that they will see some added value here.

As I stated earlier the USAIP identifies a number of issues that must be addressed. I would like to highlight five. (1) Will this system be mandatory or

voluntary?; (2) How will the confidentiality and security of a producer's data be protected?; (3) Why is it important for species groups to develop species-specific plans recognizing that there are species and movement differences?; (4) How do you allow for technology flexibility, new devices, methodologies and technologies?; and finally (5) Funding—Who pays for what?

I would like to discuss these issues in a minute. But first, I should note that the pork industry believes that some of these issues can and should be addressed by the species-specific working groups already in place. Some of these issues will require either USDA action or Congressional action. We do have a Pork Industry Working Group working through a number of issues such as cost, definitions, devices/technology/methods, implementation planning, and finally communication. This Group is made up of pork producers, USDA officials, state and private practice veterinarians, academics, pork production and management companies, breeding stock companies, breed associations, livestock market, as well as food companies.

The first issue is the issue of a **Mandatory vs. Voluntary** system. Ours has been mandatory since 1988. Other species groups such as sheep and cervids also have mandatory ID for disease control programs. From a disease management perspective, we believe the system must be a mandatory program otherwise the ability to effectively manage diseases will be hampered if not all species, producers and other stakeholders are participating in a national animal ID system.

The second issue is the issue of **Confidentiality/Security**. The issue of confidentiality has not been effectively addressed to date by either the USAIP process or USDA. It is imperative that any animal identification regulation developed by USDA include protections from public access to a producer's vital economic/trade information. NPPC believes that there is the potential for serious wrongdoing when the following critical pieces of information about a producers operation are aggregated and made public: (1) the address of the production facility/facilities; (2) the number of animals; (3) the time and date that the animals were/are at that site; and (4) and real-time animal movement information. Our competitors and the "bad guys" should not have free access to this information. If you stop to think about what the President has said and done about agriculture being part of the nation's critical infrastructure, we believe that it makes sense that USDA, our partner in fighting animal disease in this country, provide us with the protections necessary when handling this sensitive economic data. NPPC believes that the Committee should thoughtfully consider the President's recently signed Homeland Security Presidential Directive—HSPD 9 and consider how it interacts with the Secretary's desire to protect the agriculture and food system from major disease outbreaks. Release

of the data pork producers are being asked to provide could provide a road map to "diminish the overall economic security of the United States."

Until confidentiality and security are addressed producers are unwilling to report data to a national database. An effective and protected system must be operational before producers are asked to take the time to report animal movement data.

The third issue relates to **species-specific implementation plans**. There are vast differences between species including the diseases of concern, production practices, record keeping, animal movements, and animal value. For example, the cattle industry has embraced electronic ID eartags (RFID tags) as the identification device of choice for their species. The value of a single bovine coupled with the frequent commingling of animals from different owners make RFID a logical choice for their species. However, a $2.00 RFID tag is much less of an issue in an animal valued at $1200 versus a $90 animal. From another perspective, if cost of identification is based on breeding females, a cow has one calf per year and therefore the cost per cow is $2.00 per year. On the other hand, a sow will have 22-24 offspring per year and pork producers would have $44-$48 per breeding female per year in identification expenses. Group/lot ID is an effective identification system for swine due to production practices but not commonly applicable to bovine. In addition, many species don't tolerate eartags (equine, llamas, etc.) It is important that all species are allowed to develop an effective yet affordable ID system. Finally, in 2001 a study conducted by Disney, Green, Forsythe, Weimers, and Weber and published in the Review of Scientific Technologies, Offici. Int. Epiz (2001) 20 (2),385-405., concluded much the same thing. Though individual animal identification is an important consideration, economic analysis indicates that the cost-benefit equation varies greatly. For cattle in situations similar to those in the U.S. results showed that improved levels of animal identification may provide sufficient economic benefits—in terms of the consequences of a foreign animal disease—to justify improvements. The study did not draw similar conclusions for swine—the economic benefits were not sufficient to justify system improvements.

The fourth issue is related **Technology Flexibility**. Any system while allowing for species differences must also allow for technology flexibility. New devices, methodologies and technologies emerge every day. In addition, the cost of a certain technology becomes less over time. I am sure that the Committee has seen many technologies over the past several months. USDA must establish a national data platform for animal health management purposes and have the marketplace meet those standards. This not only encourages innovation and competition it also drives down the cost to pork producers.

The fifth and final issue is the issue of **funding**. Who pays for what? We believe that developing a National Premises Identification System is the basis for any national animal identification system and it is a federal responsibility. Further, we believe that USDA needs to develop the information system to allow animal movement data to be captured, stored and accessed when needed, whatever the data may be for animal health management purposes is also federal responsibility.

The cost to fully implement the USAIP has been estimated at $121 million per year. Although considered a priority, by the Department, they have requested only $33 Million from Congress in FY 2005. Obviously, as species working groups develop their species-specific identification implementation plans, the funding requirements will become more clear and so will the reality of what industry is capable of funding. The pork industry is just emerging from five years of low pork prices. Should producers have to incur additional expenses for an additional public good? We do know that an enhanced mandatory national swine identification plan will likely be quite different without federal funding than with federal funding. We continue to believe that most Americans now more than ever understand how important animal health is to protecting the food security and safety in this country and are willing to support the development of an affordable, accurate and sustainable mandatory national animal identification system.

Mr. Chairman and Members of the Committee, we should reflect on what not having a national mandatory animal identification system has cost us in the livestock industry. We have all paid in public perception—we have paid in the media—we have paid with our international trading partners. Yes, while a mandatory national animal identification system would protect the $100 B livestock industry in this country, it also protects and secures the nation's food animal supply and a huge section of the nation's economy. This is both a private and a public good. America's pork producers take this responsibility very seriously.

In conclusion, Mr. Chairman and Members of the Committee, I have outlined the many reasons why the National Pork Producers Council supports a national mandatory animal identification system. I have detailed today's pork industry's mandatory market swine identification system and ideas for enhancing the effectiveness of the system. We believe that careful and thoughtful consideration of the national animal ID efforts are currently underway such as the USAIP and that these efforts will lead to better public policy decision-making, provide producers reliable and accurate animal health monitoring, surveillance, eradication and ultimately provide credible food safety assurances for U.S. consumers. We believe that the development of an affordable, accurate and sustainable mandatory national animal identification system that does not place

onerous and undue costs on pork producers will enhance the long-term health and growth of the U.S. pork industry.

Thank you Mr. Chairman and Members of the Committee for your time and attention. I would be pleased to answer questions at the appropriate time.

American Lamb Council

American Sheep Industry Association, Inc.
www.sheepusa.org

American Wool Council

Testimony of Bob Lehfeldt

President of the Montana Wool Growers Association

On behalf of the

American Sheep Industry Association

Before the

Subcommittee on Marketing, Inspection and Product Promotion
Committee on Agriculture, Nutrition, and Forestry

United States Senate
Washington, D.C.

March 4, 2004

Mr. Chairman and members of the Subcommittee, on behalf of the nation's sheep industry, I greatly appreciate your leadership in conducting this hearing regarding development of an Animal Identification Program.

I am a sheep rancher from Lavina, Montana and currently serve as President of the Montana Wool Growers Association. Montana is the fifth largest sheep producing state in the nation and my family is proud to be a part of the sheep industry in which we have been active for decades.

Livestock Identification was among the most thoroughly discussed topics at our national board of directors meeting in late January 2004. ASI has been involved with the USAIP since initiation and intends to provide a sheep specific ID plan to USDA APHIS this spring. Our industry has a national animal health program in place that includes a mandatory identification system, namely the Scrapie Eradication Program. We have over 50,000 sheep operations nationwide already enrolled with premise identification and millions of identification tags distributed. This program implemented by regulation in August of 2001 provides the basis for our view and we believe a model for fitting the sheep industry into a national animal ID system.

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I believe the policy approved by our board of directors last month best speaks to the points important to our industry on identification. It is as follows:

> "ASI endorses the concept of a mandatory national identification program for livestock as outlined by the USAIP Development team, Department of Homeland Security and U.S. Department of Agriculture.
>
> ASI believes that formal rule making on the implementation of a national livestock identification system should include the following and begin immediately in order to communicate and clarify USDA's and other government and animal health regulatory agency needs, requirements and timelines:
>
> 1. The cost of identification supplies and devices should be provided by the public sector.
> 2. Implementation of a National ID System for livestock in the sheep sector should not be duplicative of the National Scrapie Eradication Program ID requirements and a seamless transition to another system should be planned and announced well ahead of the time with supplies available through well organized distribution channels.
> 3. A National ID System for sheep should accommodate all the various production systems in the U.S. including group movement of owned animals for management purposes as well as movement through feeder and slaughter channels. A readily visible means of identification must be included in a sheep identification system.
> 4. A National ID System should contribute to the management, marketing and business needs of the U. S. sheep industry.
> 5. A national ID system for sheep should be thoroughly field tested before implementation to demonstrate the technology is compatible with normal industry operations.
> 6. Implementation of this system should not economically burden any sector of the U.S. sheep industry."

The system, regardless of the species, ought to be thoroughly reviewed and field tested prior to implementation. This includes the database function which needs to be provided and maintained by the federal government. The overall identification system should be integrated between Federal and state government with industry partners including but not limited to producers, auction markets and processors.

As we see it, the database and tracking functions are both essential, in order to make an overall system effective, but also likely the most difficult to implement. We feel that a premises identification that is tied to the "headquarters" of an operation is key. A great percentage of the sheep in the U.S. graze large expanses of land, some private and some public, and may cross two or more State boundaries during the year.

Again, using the ranch headquarters on the flock as the premises identifier (just as it is currently in the scrapie regulation) should serve as adequate identification for a database requirement and provide practical tracking/traceability.

As a point to reiterate, the cost of the individual identification device and its application per unit of value for a lamb is certainly different than for a steer. A one-dollar tag along with the cost to apply it on a $125 lamb is considerably more expensive that on a market steer worth many times more in value.

An additional item that is weighing heavily in our sheep ID discussions is the need to identify sheep and lambs by lot or group similar to our feeder and slaughter lambs today under our Scrapie Eradication program requirements. Such a system makes more sense when hundreds of lambs per truckload are moving together through the feedlot and packing plant.

Key issues that I believe must be addressed by the sheep ID group include procedures for lost tags, compatibility of all ID tags and associated equipment on a national basis, and privacy of data collected by in a national animal identification program.

I appreciate this opportunity to discuss the priorities of the sheep industry on this important and somewhat controversial topic. I encourage the Committee and USDA to continue to draw on the expertise of the industry in designing and implementing a workable program.

National Farmers Union

Testimony of
Mr. Ron Ostberg
Montana Farmers Union

Before the
U.S. Senate Agriculture Subcommittee on Marketing, Inspection and Product Promotion

Concerning
Animal Identification Programs

Thursday, March 4, 2004
Washington, D.C.

STATEMENT OF MR. RON OSTBERG

MONTANA FARMERS UNION - ON BEHALF OF NATIONAL FARMERS UNION

HEARING BEFORE THE U.S. SENATE AGRICULRUE SUBCOMMITTEE ON MARKETING, INSPECTION AND PRODUCT PROMOTION CONCERNING

ANIMAL IDENTIFICATION PROGRAMS

MARCH 4, 2004

Thank you Chairman Talent and Ranking Member Baucus for the opportunity to testify before your subcommittee concerning a national animal identification plan and the many issues surrounding the implementation of such a program. I am Ron Ostberg, a cattle producer from west central Montana. I am here today to testify on behalf of the National Farmers Union, of which I am a lifetime member.

Members of National Farmers Union are currently gathering in Billings, Montana for the 102nd anniversary convention to debate and develop National Farmers Union's 2004 policy, including the numerous topics that have been pushed to the forefront of national discussion since a bovine spongiform encephalopathy positive cow of Canadian origin was discovered in Washington State.

I will highlight five of the major concerns National Farmers Union (NFU) has relative to the many animal identification proposals being considered and explain why these concerns must be addressed before any national animal identification program that is further pursued or implemented. Our concerns include:

1. Ability of an identification program to enhance both food safety and animal health;
2. Cost burden of implementation and maintaining an ID system on livestock producers;
3. Confidentiality of proprietary information collected;
4. Producer liability protection;
5. Relationship of an animal identification program to country-of-origin labeling.

Most observers would agree that an animal identification program could provide a valuable trace-back capability to help identify the source of many food safety problems. However, we must recognize that an identification system does not by itself improve food safety; resolve animal health issues; or convey new information to consumers, particularly if the identification information ends at the processor level. Unless the identification program is coupled with expanded capacity for testing, new requirements governing the transfer of products from the processor to the retailer/consumer and an enhanced product recall system, it is remains questionable whether any identification system would meet the expectations of producers, processors or consumers. We believe this concern must be fully considered and the limitations of any animal identification plan clearly explained to all parties directly involved and to the public.

Clearly, the cost of development and implementation of an ID program is of great concern to livestock producers who will be on the front lines of the program's initiation. NFU is concerned that a disproportionate amount of the costs associated with an animal ID system will fall on producers, particularly smaller producers in a way that makes them less positioned to remain competitive in the marketplace. Late last year, Secretary Veneman announced USDA would accelerate implementation of a verifiable national animal identification program and shortly thereafter released the proposed fiscal year 2005 agriculture budget, which included $33 million for implementation of such a program. However, USDA Chief Economist Keith Collins recently stated before the Senate Appropriations Committee that the $33 million funding request for fiscal year 2005 accounts for only a portion of the cost of a national system. According to USDA, a livestock identification system is estimated to cost from $70 to $120 million per year. To the extent such a program is viewed in the national interest, NFU believes it may well be appropriate for the public to bear a substantial portion of both the development costs as well as those associated with the day-to-day management of the program.

Any effective trace-back program runs the risk of compiling information that may be unfairly and improperly accessed and utilized by others. We are very concerned that a system which is maintained outside of a public agency such as the U.S. Department of Agriculture creates an inherent risk to participants that private or proprietary information could be divulged in a way that is detrimental to individual firms or to the operation of a local, regional, national or international market.

Assuming an animal identification system does in fact enhance our capacity to detect and control those commodities or products which may have adverse food safety, human or animal health implications, the issue of legal liability must be considered. It should be expected that the use of a trace-back system will prompt parties to attempt to establish that any products which do not meet safety and health standards resulted from actions taken by others within the food system. Because the potential costs of identified food safety and health issues can be significant and will tend to increase as products move through the food chain, we are concerned about the process that will be utilized in establishing any liability and the potential financial obligations the process could create for market participants.

Finally, we believe Secretary Veneman should immediately implement mandatory country-of-origin labeling as directed in the 2002 farm bill. The Secretary has the congressional authority and discretion to implement this program in a common-sense manner that bears minimum burden and cost on producers, processors and retailers. Despite the two year delay of implementation of country-of-origin labeling included in the fiscal year 2005 omnibus appropriations bill, the law still requires USDA to move forward in promulgating a final rule by September 30, 2004. After the labeling program has been implemented and at the point an animal identification program is up and running, we believe it is necessary to coordinate the two programs, so that U.S. livestock producers will not again find themselves "paying the bill" for the benefit of processors and retailers without achieving any market benefits. We would like to see the information gathered through a national animal identification program maintained and utilized to augment mandatory country-of-origin labeling at the retail level.

It is our hope that the discussion of implementing an animal identification program does not become another excuse for the Administration to delay implementing the already mandated country-of-origin labeling law. American agriculture producers want a labeling program, the American consumer wants a labeling program and our trading partners want a labeling program. When the two programs are coupled, consumers will be better able to select food products with the knowledge that new steps have been taken to strengthen our capacity to identify and contain food pathogens or other food safety factors prior to products reaching the retail market.

While NFU's 2004 national policy is being developed over the weekend in my home state of Montana, the concerns that I have highlighted here today remain to be answered by the officials pursuing a mandatory animal identification program. National Farmers Union will forward a copy of the soon-to-be adopted grassroots policy to members of the committee so that we can work together in establishing national policy that benefits rural America. It is the hope of National Farmers Union that full consideration is given to all of our concerns before any legislative or administrative action is taken to implement such a program.

Thank you for this opportunity to testify before you today. National Farmers Union and I look forward to working with the members of this subcommittee and other members of Congress as development of an identification system moves forward.

DOCUMENTS SUBMITTED FOR THE RECORD

MARCH 4, 2004

Statement by Senator Pat Roberts
Senate Agriculture Committee
Subcommittee on Production and Price Competitiveness
Hearing on a national Animal ID system
Washington, DC
March 4, 2004

Mr. Chairman, thank you for holding this hearing on a truly important issue to all of United States animal agriculture. This is undoubtedly one of the most important issues facing U.S. agriculture today.

The finding of a BSE-positive animal in Washington State last December 23 shocked all of us into reality. While we always knew a positive BSE case in the United States was possible, all of us wanted to believe it could never occur. Thankfully, USDA and our national and state cattlemen's group had an action plan in place. Due in no small part to their actions, consumer confidence has remained strong and the financial hit on our beef industry, while noticeable, has not been nearly as severe as many feared. This is a major accomplishment, and I thank the entire USDA team and beef industry organizations for their leadership.

Mr. Chairman, while we quickly discovered the country the infected animal had come from, we also realized that it can be extremely difficult to track individual animals – especially when time is of the essence. As a result, Secretary of Agriculture Ann Veneman has announced that the Department intends to implement a national Animal ID plan as soon as possible. It also appears this plan will be based in large part on the proposals put forth in the United States Animal Identification Plan (USAIP). This plan has been developed by having livestock producers, industry representatives, veterinarians, and USDA work together to determine the best system for agriculture in this country.

I thank this group for their efforts, and I think it is important that we continue to allow them to move forward on this front. Many believe that a national Animal ID system is a foregone conclusion in the U.S. This may indeed be the case. But, it is my hope that we will let this be built from the ground up, through USAIP and other organizations, rather than through a top down approach mandated by Congress.

Mr. Chairman, I thank you for your attention to this matter, and I look forward to working with all involved to ensure implementation of the best system possible for U.S. animal agriculture and the livestock industry.

QUESTIONS AND ANSWERS

MARCH 4, 2004

Questions for the Record
For Under Secretary Bill Hawks
Marketing and Regulatory Programs
U.S. Department of Agriculture

From the Hearing on a National Animal Identification System
Senate Agriculture Committee
Subcommittee on Marketing, Inspection, and Product Promotion
March 4, 2004

Given that a number of animal diseases, including BSE, avian influenza, brucellosis, tuberculosis, and Q fever can be transmitted across species to humans, do you think that the policy goals of the animal identification system should include the ability to track potential human health threats to protect public health? In what ways has USDA considered these real public health concerns in the development of the animal identification system? From USDA's perspective, specifically how would an animal identification system that includes protection of human health as an objective differ from one that does not? What specific features would be the same? What would be different?

The objective of the national animal identification system (NAIS) is to establish a timely response system to minimize the spread of foreign animal diseases in the United States. As you acknowledge, many of the animal diseases that USDA addresses through its national animal health programs, including brucellosis, bovine tuberculosis, and BSE, can also pose a risk to human health. Accordingly, there is ongoing coordination with agencies responsible for protecting public health and safety, including CDC and the Department of Homeland Security. USDA is looking closely at the issue of how to share animal identification-related information with these agencies as may be needed in the future. However, linking to human disease databases is beyond the scope of the NAIS, and at this time there are no immediate plans at the Federal level to undertake such initiatives.

As you know, I am concerned about how the program might encourage vertical integration and limit producers' choices in the marketplace. This could occur if certain processors require a unique technology, while other processors require other technologies. Such a checkerboard approach might also hinder effective functioning of the system across the country. How does USDA intend to address these possibilities as it moves forward in implementing the system?

USDA believes that the NAIS should allow producers, to the extent possible, the flexibility to use current identification systems or adopt new ones. We agree that producers should not be burdened with multiple identification numbers, systems, or requirements, and we believe that this flexibility can best be achieved by having a system that incorporates existing forms of effective technologies, as well as new forms of technologies that may be developed in the future. The system must not preclude

producers from being able to use it with production management systems that respond to market incentives. USDA intends to create a system that will be compatible with the alternative management programs now being used to improve animal health and quality.

At the same time, USDA realizes that the movement of livestock in commerce cannot be disrupted by conflicting animal identification technologies that may be in place in different States. We are confident that such compatibility issues can be successfully resolved through industry-led efforts, and we believe market forces can best determine the technology used to record and/or automate the collection of data for animal identification purposes. In addition, producers and industry groups are in the best position to consider integrating newer technologies that will enter the marketplace over time. Accordingly, USDA's position on the matter is to remain technology-neutral by establishing data standards, maintaining the national number-allocators and repositories for premises and animal movements, and initiating cooperative agreements to begin implementation as soon as possible.

I have heard from a number of groups that represent small farmers, processors, and consumers that they have not had an opportunity to be heard and to affect the development of this system. How does USDA plan to ensure that all interested parties have a formal opportunity to take part in the development of the program?

USDA recognizes that the NAIS will not meet our goals if it does not include full participation by all U.S. producers. To this end, in recent months, officials with USDA's Animal and Plant Health Inspection Service (APHIS) have participated in numerous meetings and conferences with animal industry groups, individual producers, State officials, and other interested parties to provide information on the NAIS, listen to concerns, and provide answers to questions regarding the implementation of the system. In addition, I am planning to convene a series of listening sessions across the country in the coming months to help ensure that producers and other interested parties receive information on the NAIS and have the opportunity to share their perspective on the system with USDA. APHIS will also begin a comprehensive outreach program on the NAIS in the near future that will provide more detailed information on the system to producers, State cooperators, and the general public. Finally, we also expect that part of the implementation of the NAIS will include public rulemaking to codify changes to USDA's animal health safeguarding regulations. All interested parties will have ample opportunity, and be encouraged, to provide their comments to USDA for review and response as part of this rulemaking.

Although most of the attention concerning the animal identification system has been focused on how it will apply to the cattle industry, your testimony notes that the system will apply to essentially all livestock and animal species on this nation's farms. A number of these sectors also have a strong interest in having a system up and running to ensure animal health and public confidence. Could you comment on the timeline for these other species, specifically swine?

Currently, species-specific working groups are identifying production practices, obstacles, and issues that may impact animal identification for particular species, as well as identifying appropriate solutions. For instance, the pork industry working group is identifying methods to track groups or lots of animals that typically are kept as separate groups throughout the production chain. In these instances, individual animal identification would not be needed, reducing the burden on the producer without sacrificing the ability to track animals. In similar fashion, other species groups are also identifying innovative methods to identify and track animals that fit the particular needs of those different industries.

We also expect that successful pilot programs, particularly those USDA has funded to date, will play an important role in the transition to a full national program. We will continue to work cooperatively with all of our industry partners as we move forward with the implementation of a national system.

In this regard, USDA recently announced the framework for implementation of a NAIS. The system will use the information collection standards developed through the industry-State-Federal partnership as the framework for the identification plan. Implementation of a NAIS will be conducted in three main phases, beginning with an evaluation of current, federally funded animal identification systems. The priority during this phase will be to identify which systems will offer timely, effective solutions for the startup period and to implement components of the national premises identification system, which provides the foundation for the NAIS. Phase two will involve implementing animal identification and testing data collection system(s) in collaboration with various segments of the involved industries. In the final phase, the animal identification and data collection system(s) determined to be the most practical and efficient will be integrated throughout the production chain to support the national program.

Again, these implementation phases pertain to all segments of production animal industries in the United States. Although the cattle industry is the primary concern initially, we intend to support the needs of other livestock industries as the industries' plans mature. The pork industry plan, for instance, is well along in development and will be supported in the initial phases of the NAIS' implementation. Plans for other species, such as cervids (deer and elk), camelids (llamas and alpacas), and equine will take more time to develop.

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