

**AGRICULTURE, RURAL DEVELOPMENT, AND
RELATED AGENCIES APPROPRIATIONS FOR
FISCAL YEAR 2006**

THURSDAY, APRIL 14, 2005

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:03 p.m., in room SD-192, Dirksen Senate Office Building, Hon. Robert F. Bennett (chairman) presiding.

Present: Senators Bennett, Burns, and Kohl.

DEPARTMENT OF AGRICULTURE

STATEMENTS OF:

**ERIC M. BOST, UNDER SECRETARY FOR FOOD, NUTRITION, AND
CONSUMER SERVICES**

**WILLIAM T. HAWKS, UNDER SECRETARY FOR MARKETING AND
REGULATORY PROGRAMS**

**DR. MERLE D. PIERSON, ACTING UNDER SECRETARY FOR FOOD
SAFETY**

OPENING STATEMENT OF SENATOR ROBERT F. BENNETT

Senator BENNETT. The subcommittee will come to order.

This is the third hearing that we have had on the USDA's budget request for fiscal 2006. And our witnesses today are Mr. Eric Bost, who is the Under Secretary for Food, Nutrition, and Consumer Services; Mr. William Hawks, the Under Secretary for Marketing and Regulatory Programs; and Dr. Merle Pierson, Acting Under Secretary for Food Safety.

Gentlemen, we welcome you all. We see that Dennis Kaplan, your keeper, is here again, as he has been in the past. Mr. Kaplan, we appreciate your diligence and willingness to attend these.

This is a very diverse group of activities for the Department of Agriculture. Mr. Bost manages the food stamps and WIC, a variety of other feeding and nutrition programs. And you control roughly half the budget, maybe a little more than half. So—

Mr. BOST. About 62 percent.

Senator BENNETT. Sixty-two percent. All right. So everybody has to be very nice to you.

Mr. BOST. I wish.

Senator BENNETT. You wish. All right.

Dr. Pierson's principal agency is the Food Safety and Inspection Service. So you are concerned with the Canadian border and BSE

and Avian flu and processing plants and all of the rest of that. So you are in the news a lot.

And then Mr. Hawks manages the Animal and Plant Health Inspection Service, the Agricultural Marketing Service, and the Grain Inspection, Packers and Stockyards Administration. So these agencies foster the marketing of U.S. agricultural products. You are the sales arm, I suppose, of this group.

So we are in the same situation we were yesterday. We have the supplemental on the floor. We do not have a vote scheduled in the moment, but we are subject to being interrupted. So I would hope that each witness would make a short summary so that we can proceed to questions as quickly as possible. And of course, we do have your complete written statements, and they will, indeed, become part of the record.

Senator Kohl.

Senator KOHL. Thank you once again, Senator Bennett.

We are finishing off a busy week. We welcome Mr. Bost, Mr. Hawks, and Dr. Pierson, and we thank you for coming today to help us finish off this week of agriculture appropriations hearings.

Together, you oversee budgets of more than \$60 billion in mandatory and discretionary spending, with the vast majority of that money going to nutrition assistance programs. The missions that you represent—feeding the hungry, making sure the food supply in this country is safe, and protecting the health of this country's most important plant and animal resources—are each very important. And your agencies have received some of the rare increases that are to be found in the President's budget this year.

So I congratulate you on pulling that off. Looking at the budget overall, it must have been a difficult task to do. This does not mean, however, that we don't have concerns and questions regarding your budgets. We do, and so we look forward to your testimony and look forward to having a chance to ask a few questions.

Thank you very much, Senator Bennett.

Senator BENNETT. Let us go in the order in which you are seated across the way, starting with you, Mr. Bost, and then go across.

STATEMENT OF ERIC M. BOST

Mr. BOST. Thank you, Mr. Chairman, and good afternoon, Senator Kohl.

For the record, I am Eric Bost, Under Secretary for Food, Nutrition, and Consumer Services. You have my written statement. So I will be very brief in terms of my opening remarks.

The President's 2006 budget request for the nutrition assistance programs is a record high \$59 billion and ensures that all eligible low-income children, seniors, and families and individuals have access to nutrition assistance programs. Since I have been Under Secretary, I have focused on three major challenges: one, improving access so that all eligibles are able to participate in our programs; two, building a healthier United States by promoting better diets and a healthier lifestyle; and three, improving the accuracy and integrity in all of our programs.

The 2006 request supports anticipated participation and costs for food stamps, WIC, and the Child Nutrition Programs and provides

contingency funds in the amount of \$3 billion for food stamps and \$125 million in WIC.

In terms of integrity, one of the things that we are very pleased with and very proud of, is that the error rate in the Food Stamp Program is at 6.63 percent. This is the lowest that it has ever been in the history of the Food Stamp Program and a 25 percent reduction over the course of the last 4 years.

The \$5.5 billion request for the WIC Program would fully support the anticipated participation of 8.5 million persons, and continues our commitment to ensure that low-income pregnant women, infants, and children have access to healthy food, nutrition, education, and when necessary, referrals to other health and social services.

PREPARED STATEMENTS

In closing, the President's direction and leadership has been very clear. The Administration's record funding request has priorities to ensure access, maintain and improve integrity, and to help Americans live longer, healthier, and better lives.

I would be happy to answer any questions that you may have. [The statements follow:]

PREPARED STATEMENT OF ERIC M. BOST

Thank you, Mr. Chairman, and members of the subcommittee for this opportunity to present the Administration's fiscal year 2006 budget request for USDA's Food, Nutrition, and Consumer Services (FNCS).

I am here today to discuss with you the President's budget request that demonstrates the Administration's unwavering commitment to our Nation's 15 nutrition assistance programs—programs that ensure a nutrition safety net for the Nation's children, elderly and low-income households. I am proud of our accomplishments and proud to work for the President who provides clear and continued support for these programs that protect our children, elderly and low-income households from hunger; improve their nutritional intake; and help to prevent the health risks associated with poor nutrition and physical inactivity.

Three principles have continuously guided our administration of these programs: (1) promoting access and awareness of the programs so that all eligible persons can make informed decisions about whether to participate with dignity and respect; (2) addressing the growing epidemic of obesity, with its staggering implications for both National health care costs and individual quality of life; and (3) enhancing the integrity with which our programs are administered. For these programs to be successful, our stewardship of public resources needs to inspire the trust and confidence of the American people.

The President's budget for fiscal year 2006 requests a record level of \$59 billion dollars in new budget authority to administer these vital programs. We will continue our efforts to improve the public's awareness of our programs and to, wherever possible, simplify our administrative processes. By doing so, we can better ensure all eligible persons have open and informed access to the nutrition assistance programs. Many potentially eligible individuals do not take advantage of our programs' benefits and assistance. Clearly, we have more work to do to reach those who are eligible for our programs.

Our 15 programs provide nutrition assistance, including both access to healthy food and nutrition education and promotion to support and encourage a healthy lifestyle. With this nutrition mission in mind, and the Center for Nutrition Policy and Promotion's (CNPP) focus on providing a comprehensive Food Guidance System that is the basis of nutrition promotion for our programs as well as for the broader population, we play a critical role in the integrated Federal response to the growing public health threat posed by overweight and obesity.

Finally, we will strive to enhance the efficiency and accuracy with which our programs are delivered. In fiscal year 2003, the most recent year for which data is available, we have once again achieved a record level of Food Stamp payment accuracy with a combined payment error rate of only 6.63 percent. This is the fifth consecutive year of improvement, lowering the error rate by over 4 percentage points

and making it the lowest rate in the history of the program. We will maintain our efforts with State partners toward continued improvement in the payment error rate. While I am confident that the coming year will bring more good news about the administration of the Food Stamp Program, we do have concerns that the Farm Bill's provisions governing sanctions and incentives may diminish States' determination to maintain this progress. We will also continue efforts to address the issue of proper certification in the school meals programs in a manner that improves the accuracy of this process without imposing barriers to the participation of eligible children. We will also begin new analytical work under this budget request to better assess the accuracy of eligibility determinations in the Child and Adult Care Food Program.

Hard work of USDA staff, of the Congress, and of our State and local program partners has accomplished many things, but important work remains to be done. This budget request provides critical support for this work. I would like to review the highlights of the request and the improvements in performance and results it is designed to support.

PROGRAM ACCESS

At its most basic level, ensuring program access must begin with making certain that sufficient resources are provided to these programs so all who are eligible and in need can have ready access to benefits. The President's fiscal year 2006 budget requests funds to support record levels of participation in the Food Stamp Program and the WIC Program. The Administration's strong commitment to adequately fund these critical programs acknowledges the inherent difficulties in anticipating future demand for program services, and provides for contingency funding should program costs exceed our estimates.

For the Food Stamp Program, the budget continues the \$3 billion contingency reserve appropriated in fiscal year 2005 but also offers, as an alternative, a proposal for indefinite budget authority for program benefits. This authority would be an efficient way to ensure benefits are funded as economic circumstances change. In WIC, the contingency reserve appropriated in fiscal year 2005 would be replenished to the \$125 million level and would be available to the program should participation or food costs exceed the levels anticipated in the budget.

Adequate program funding, however, is not enough to ensure access to program services for those who need them. The design of our programs must not create barriers that prevent eligible people in need of service from accessing our programs. We have recently implemented legislative changes brought about by the Farm Bill that expanded eligibility and simplified program rules to improve access to the Food Stamp Program and have worked diligently to encourage our State partners to take advantage of the new options. We remain committed to the fundamental principles of improving program delivery and ensuring access of eligible people who wish to participate in our programs as we move forward with the implementation of program changes enacted as part of the reauthorization of the Child Nutrition and WIC Programs last year.

COMBATING THE EPIDEMIC OVERWEIGHT AND OBESITY

The statistics surrounding our National epidemic of overweight and obesity are staggering. Nearly 365,000 deaths a year are related to poor diet and physical inactivity; poor diet and inactivity are the second leading cause of preventable death after smoking. Obesity is costing Americans \$123 billion in healthcare costs each year. About 60 million American adults are obese; and, if this trend continues, this number will rise to 69 million by 2010; 64 percent of adults aged 20-74 are either overweight or obese.

Overweight, obesity and physical inactivity are major risk factors for chronic diseases such as diabetes, cardiovascular disease and cancer each of which undermines the quality of life, leads to premature death, and contributes to the costs I just mentioned. Diabetes has increased by 49 percent in the past 10 years, reflecting a strong correlation with obesity; 18 million people have diabetes, and it is increasingly diagnosed in children and adolescents; 1 in 3 persons born in 2000 will develop diabetes if there is no change in current health habits. Between 1971 and 2000, women's daily intake of calories rose by 22 percent, while men increased their daily intake by 7 percent. Recent trends among children are alarming as well. In the past 20 years, the percentage of children who are overweight has doubled and the percentage of adolescents who are overweight has more than tripled. If we do not stem this tide, this may be the first generation of children that will not have a longer life expectancy than their parents.

The Federal nutrition assistance programs can play a critical role in combating this epidemic by providing not just access to healthful food, but also promoting better health through nutrition education and promotion of physical activity. These FNS program services, along with the work of the CNPP to improve the diets of all Americans, are a key component of the President's HealthierUS initiative. I believe the American public is served well by USDA's continual contributions to addressing the critical nutrition-and health-related issues facing us today. The CNPP continues to have an integral role in the development and promotion of updated dietary guidance and nutrition education. The Dietary Guidelines for Americans (Guidelines), published jointly every 5 years by the USDA and the U.S. Department of Human Services (HHS), is the cornerstone of Federal nutrition policy, allowing the Federal Government to speak with one voice. With the latest edition of the Guidelines released January 12, 2005, we have provided the American public with updated science-based advice that promotes health and helps to reduce the risk of major chronic diseases—including addressing obesity through diet and physical activity. For the first time the two Departments created a consumer brochure and released it along with the Guidelines to help consumers make smart choices from every food group, find a balance between food and physical activity and get the most nutrition out of their calories.

While the Guidelines will continue to serve the American public as a representation of science-based Federal nutrition policy, USDA is completing its work on a comprehensive Food Guidance System, replacing the Food Guide Pyramid, that will serve Americans well by translating the principles of the Guidelines and interpreting them into healthful food choices. This new comprehensive Food Guidance System, due to be released later this spring, will provide a framework that the American public can use for selecting the types and amounts of foods they need for a nutritionally adequate diet. With the release and targeted promotion of both the Guidelines and the USDA's Food Guidance System, I believe the American public will be motivated to make more healthful food choices—and thus reduce the trends related to overweight and obesity and other nutrition-related adverse outcomes. Both the Guidelines and the new Food Guidance System will be widely and consistently promoted across the nutrition assistance programs through the Eat Smart. Play Hard.™ campaign, and within programs through Team Nutrition, WIC nutrition education, and Food Stamp Program nutrition education.

ENHANCING PROGRAM INTEGRITY AND DELIVERY

With this budget request, we are asking the Nation to entrust us with over \$59 billion of public resources. We are keenly aware of the immense responsibility this represents. To maintain the high level of public trust that we have earned as good stewards of the resources we manage, we will continue our ongoing commitment to program integrity as an essential part of our mission to help the vulnerable people these programs are intended to serve.

This is not a new commitment. As I noted earlier, in fiscal year 2003, the most recent year for which data is available, the Food Stamp Program achieved a record high payment accuracy rate of 93.4 percent. We have also been working to develop strategies to improve the accuracy of eligibility determinations in our school meals programs—an issue of mutual concern to all those that care about these programs. The Federal administrative resources provided for in this budget will allow us to advance our close work with our State and local program partners on both of these essential integrity initiatives—continuing both our successes in the Food Stamp Program and our intensified efforts in school meals.

In the remainder of my remarks, I'd like to touch on several key issues:

FOOD STAMP PROGRAM

The President's budget anticipates serving a monthly average of 29.1 million persons in fiscal year 2006, an increase of 2.6 million over our projections of the current fiscal year. Our \$40.7 billion request fully funds this level of service.

While the President's budget anticipates continuing improvement in the Nation's economy, Food Stamp Program participation traditionally continues to rise for some time after the aggregate employment begins to improve. We have made a concerted effort over the last 3 years to raise awareness of the benefits of program participation and encourage those who are eligible, especially working families, senior citizens, and legal immigrants, to apply. In the past 6 months we have provided 16 grant awards of approximately \$2 million to community and faith-based organizations to test innovative food stamp outreach strategies to underserved, eligible individuals and families. While these efforts have brought more people into the program, many eligibles remain who could be participating but are not. We continue

to aggressively promote the message that Food Stamps Make America Stronger, in the sense that the program puts healthy food on the tables of low-income families and has a positive impact on local economies. Particular attention has been focused on those legal immigrants who had their eligibility restored by the Farm Bill, the elderly, and working families.

While we seek to encourage all who are eligible and in need to participate in the program, we also need to ensure access to the program is administered in an equitable manner across all States. The budget contains a proposal to eliminate categorical Food Stamp eligibility for Temporary Assistance for Needy Families (TANF) participants who receive only TANF services including, for example, an informational brochure and not cash benefits among persons with income above the normal food stamp threshold. This proposal, with partial implementation in fiscal year 2006, is expected to impact 161,000 persons and reduce benefits by \$57 million. When fully implemented in fiscal year 2007, this change is estimated to affect approximately 312,000 individuals and save \$113 million annually. The President's proposal restores equity among participants and ensures that Food Stamp benefits go to individuals with the most need while retaining categorical eligibility for the much larger number of recipients who receive cash assistance through TANF, SSI and General Assistance.

The Budget also requests a continuation of a policy included in last year's Appropriations to exclude special military pay received by members of the armed forces serving in combat zones when determining food stamp benefits for their families back home.

Over the next year, we will also be working with the Congress to consider renaming the Food Stamp Program to better reflect its purpose of providing nutrition assistance and promoting health among low-income families. No additional funding is being requested to support the name change.

Also included in the budget is a proposal to add the Food Stamp Program to the list of programs for which States may access the National Database of New Hires. Access to this National repository of employment and unemployment insurance data will enhance States' ability to quickly and accurately make eligibility and benefit level determinations, improving program integrity. This proposal has modest administrative costs associated with it, but is expected to produce a net program savings of \$2 million annually beginning in fiscal year 2007.

To ensure the adequacy of resources available to the program, and as an alternative to the traditional contingency reserve, we have proposed indefinite authority for program benefits and payments to States and other non-Federal entities.

CHILD NUTRITION PROGRAMS

The President's budget requests \$12.4 billion to support the service of appealing, nutritious meals to children in public and private schools and child care facilities through the Child Nutrition Programs in fiscal year 2006. In the National School Lunch Program, we anticipate serving almost 30 million children per day in fiscal year 2006, for a total of more than 5 billion meals served during the fiscal year. Similarly, the School Breakfast Program will serve approximately 9.6 million children each school day for a total of more than 1.6 billion meals. The request for budget authority is an increase of \$634 million from levels appropriated in fiscal year 2005. In fiscal year 2006, FNS will implement program changes and new activities resulting from the 2004 reauthorization of these programs. These include efforts to promote fruit and vegetable consumption, including the newly authorized Fruit and Vegetable Program, and our continuing efforts to promote healthy behaviors through support for implementation of local wellness policies. To complement the agency's efforts, we have created the HealthierUS Schools Challenge to encourage communities to improve the foods offered at school and other aspects of a healthy school nutrition environment and to recognize schools that have made those improvements.

WIC

In fiscal year 2006, the President's budget request of \$5.51 billion anticipates supporting critical services to a record monthly average participation of 8.5 million women, infants and children through the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). This is an increase of 300,000 participants per month from anticipated fiscal year 2005 participation levels. The \$125 million contingency reserve, appropriated in fiscal year 2003 and reestablished in fiscal year 2005, remains available to the program should participation or food costs exceed our projections. We currently anticipate using a small portion of the reserve in fiscal year 2005; the President's budget replenishes the reserve to the \$125 million level.

The budget also reflects the Administration's commitment to work with its State partners to manage program costs to ensure future access to this critical program for all who are eligible and seek its services. We propose to cap the level of Nutrition Services and Administration (NSA) funding at 25 percent of the total level grants to States. We also are renewing our commitment to continue the long successful partnership with our State partners to contain food package cost growth through sharing of best practices and providing technical assistance in the implementation of food cost containment strategies. New funding of \$3 million is requested in the budget to explore and develop new food cost containment strategies.

COMMODITY SUPPLEMENTAL FOOD PROGRAM

The Commodity Supplemental Food Program (CSFP) serves elderly persons and pregnant and post-partum women, infants and children. The budget requests \$106.8 million for this program, the same level appropriated, after rescission, in fiscal year 2005. With level funding, we anticipate a reduction in participation of approximately 44,000 persons.

We face difficult challenges and decisions with regard to discretionary budget resources. The Department will pursue all means to minimize the impact of straight-line funding for the program. However, we have chosen to seek level funding for this program for several reasons. First, CSFP is not available in all States. Second, it is only available at a limited number of sites within those participating States. Finally, a Program Assessment Rating Tool (PART) analysis revealed a number of program weaknesses and concluded that the program is unable to demonstrate results for its target population. We believe our limited resources are best focused on those programs that are universally available to serve these needy populations.

THE EMERGENCY FOOD ASSISTANCE PROGRAM (TEFAP)

TEFAP plays a critical supporting role for the Nation's food banks. This support takes the form of both commodities for distribution and administrative funding for States' commodity storage and distribution costs. Much of this funding flows from the States to the faith-based organizations, the cornerstone of the food bank community. The President's budget requests the fully authorized level of \$140 million to support the purchase of commodities for TEFAP. Additional food resources become available through the donation of surplus commodities from USDA's market support activities. State administrative costs, critical support to the food bank community, are funded at \$50 million in the President's request.

NUTRITION PROGRAMS ADMINISTRATION

We are requesting \$140.8 million in our Nutrition Programs Administration account, which reflects an increase of \$2 million in our Federal administrative funding. This account supports Federal management and oversight of a portfolio of program resources totaling \$59 billion, over 60 percent of the USDA budget. This modest increase will partially offset the personnel-related costs. As in past years, we will be carefully managing our administrative resources seeking cost savings to maintain our high performance at this funding level.

While we understand the difficult budgetary circumstances the Federal Government now faces, FNCS must address the serious challenge posed by the impending retirement of close to 30 percent of its workforce over the next 5 years. I have begun that process by improving the management of human capital planning processes, strengthening services provided to employees, and implementing programs designed to improve the efficiency, diversity, and competency of the work force. With just nominal increases for basic program administration in most years, FNCS has reduced its Federal staffing levels significantly over time. We have compensated for these changes by working smarter—re-examining our processes, building strong partnerships with the State and local entities which administer our programs, and taking advantage of technological innovations. We are extremely proud of what we have accomplished and continue to seek new ways to meet the challenges before us.

Mr. Chairman, I appreciate the opportunity to present to you this record level budget and what it means for the millions of Americans that count on us for nutrition assistance. I would be happy to answer any questions you may have.

PREPARED STATEMENT OF ROBERTO SALAZAR, ADMINISTRATOR, FOOD AND NUTRITION SERVICE

Thank you, Mr. Chairman, and members of the Subcommittee for allowing me this opportunity to present testimony in support of the fiscal year 2006 budget request for the Food and Nutrition Service (FNS).

The Food and Nutrition Service is the agency charged with managing fifteen nutrition assistance programs which create the Nation's nutrition safety net and providing Federal leadership in America's ongoing struggle against hunger and poor nutrition. Our stated mission is to increase food security, reduce hunger and improve health outcomes in partnership with cooperating organizations by providing children and low-income people access to nutritious food and nutrition education in a manner that inspires public confidence and supports American agriculture. The budget request clearly demonstrates the President's continuing commitment to this mission and our programs.

A request of \$59 billion in new budget authority is contained within the fiscal year 2006 budget to fulfill this mission through the fifteen FNS nutrition assistance programs. These critical programs touch the lives of more than 1 in 5 Americans over the course of a year. Programs funded within this budget request include the National School Lunch Program (NSLP), which will provide nutritious school lunches to almost 30 million children each school day, the WIC Program, which will assist with the nutrition and health care needs of 8.5 million at risk pregnant and postpartum women, infants and children each month, and the Food Stamp Program (FSP), which will ensure access to a nutritious diet each month for an estimated 29.1 million people. The remaining programs include the School Breakfast Program (SBP), The Emergency Food Assistance Program (TEFAP), the Summer Food Service Program (SFSP), the Child and Adult Care Food Program (CACFP), the Food Distribution Program on Indian Reservations (FDPIR), and the Commodity Supplemental Food Program (CSFP) and the Farmers' Market Programs. FNS seeks to serve the children and low-income households of this Nation and address the diverse circumstances though which hunger and nutrition-related problems present themselves and affect our participants within the design and delivery methods of our programs.

The resources we are here to discuss represent an investment in the health, self-sufficiency, and productivity of Americans who, at times, find themselves in need of nutrition assistance. Under Secretary Bost, in his testimony, has outlined the three critical challenges which the Food, Nutrition and Consumer Services team has focused on under his leadership: expanding access to the Federal nutrition assistance programs; addressing the growing epidemic of overweight and obesity; and, improving the integrity with which our programs are administered. In addition to these fundamental priorities specific to our mission, the President's Management Agenda provides an ambitious agenda for management improvement across the Federal Government as a whole. I would like to report on our efforts to address three specific items under this agenda; reducing improper payments and enhancing the efficiency of program delivery, building partnerships with faith and community based organizations, and systematically planning for the human capital challenges facing all of the Federal service.

THE CHALLENGE OF IMPROPER PAYMENTS

Good financial management is at the center of the President's Management Agenda. As with any Federal program, the nutrition assistance programs require sustained attention to program integrity. We cannot sustain these programs over the long term without continued public trust in our ability to manage them effectively. Program integrity is as fundamental to our mission as program access or healthy eating. Our efforts to minimize improper program payments focus on (1) working closely with States to improve Food Stamp payment accuracy; (2) implementing policy changes and new oversight efforts to improve school meals certification; and (3) improving management of Child and Adult Care Food Program providers, and vendors in WIC. We have identified these 4 programs as programs susceptible to significant improper payments and will continue to enhance the efficiency and accuracy with which these programs are delivered. I am happy to report that in fiscal year 2003, the most recent year for which data is available, we have achieved a record level of Food Stamp payment accuracy with a combined payment error rate of only 6.63 percent. This is the fifth consecutive year of improvement, making it the lowest rate in the history of the program. With this budget request, we will continue our efforts with our State partners toward continued improvement in the payment error rate. We will continue efforts to address the issue of proper certification in the school meals programs in a way that improves the accuracy of this process without

limiting access of eligible children. New analytical work will begin under this budget request to better assess the accuracy of eligibility determinations in the Child and Adult Care Food Program.

FAITH-BASED AND COMMUNITY ORGANIZATIONS OUTREACH

Faith-based organizations have long played an important role in raising community awareness about program services, assisting individuals who apply for benefits, and delivering benefits. President Bush has made working with the faith-based community an Administration priority, and we intend to continue our outreach efforts in fiscal year 2006. The partnership of faith-based organizations and FNS programs, including TEFAP, WIC, NSLP, and the CSFP, is long-established. Most faith-based schools participate in the NSLP and many child care providers and sponsors are the product of faith-based organizations. In addition, the majority of organizations such as food pantries and soup kitchens that actually deliver TEFAP benefits are faith-based. Across the country, faith-based organizations have found over the years that they can participate in these programs without compromising their mission or values. They are valued partners in an effort to combat hunger in America. I am happy to report that in the past 6 months we have provided 16 grant awards of approximately \$2 million to community and faith-based organizations to test innovative food stamp outreach strategies to reach underserved, eligible individuals and families.

HUMAN CAPITAL MANAGEMENT

We currently estimate that up to 80 percent of our senior leaders are eligible to retire within 5 years, as is nearly 30 percent of our total workforce. FNS must address this serious challenge by improving the management of the agency's human capital, strengthening services provided to employees, and implementing programs designed to improve the efficiency, diversity, and competency of the work force. With just nominal increases for basic program administration in most years, the Food and Nutrition Service has reduced its Federal staffing levels significantly over time. We have compensated for these changes by building strong partnerships with the State and local entities which administer our programs and taking advantage of technological innovations. We are extremely proud of what we have accomplished; full funding of the nutrition programs administration request in this budget is vital to our continued success.

Now, I would like to review some of the components of our request under each program area.

FOOD STAMP PROGRAM

The President's budget requests \$40.7 billion for the Food Stamp account including the Food Stamp Program and its associated nutrition assistance programs. These resources will serve an estimated 29.1 million people each month participating in the Food Stamp Program alone. Included in this request is the continuation of the \$3 billion contingency reserve provided for the program in fiscal year 2005. While we anticipate the improvement in the general economy will at some point begin to impact the program, predicting the turning point of participation continues to be challenging. To better meet this challenge, we have proposed, as an alternative to the traditional contingency reserve, indefinite funding authority for program benefits and payments to States and other non-Federal entities. In addition, we have made a concentrated effort to encourage working families, senior citizens and legal immigrants to apply for benefits.

We need to ensure program access is administered in an equitable manner across all States. The budget contains a proposal to eliminate categorical Food Stamp eligibility for Temporary Assistance for Needy Families (TANF) participants who receive only non-cash TANF services. This proposal, with partial implementation in fiscal year 2006, is expected to impact 161,000 persons and reduce benefits by \$57 million among persons with incomes above the normal food stamp thresholds. Fully implemented in fiscal year 2007, this change is estimated to affect approximately 312,000 individuals and save \$113 million annually. The President's proposal ensures that Food Stamp benefits go to the individuals with the most need and retains categorical eligibility for the large number of recipients who receive cash assistance through TANF, SSI and General Assistance. Included in the budget is a proposal to add the Food Stamp Program to the list of programs for which States may access the National Database of New Hires. Access to this National repository of employment and unemployment insurance data will enhance States' ability to quickly and accurately make eligibility and benefit level determinations, improving program in-

tegrity. This proposal is expected to produce a net program savings of \$2 million annually beginning in fiscal year 2007.

The budget also requests a continuation of a policy included in last year's Appropriations to exclude special military pay received by members of the armed forces serving in combat zones when determining food stamp benefits for their families back home. Over the next year, we will also be working with members of this Committee to rename the Food Stamp Program to better reflect its purpose of providing nutrition assistance and promoting health among low-income families.

CHILD NUTRITION PROGRAMS

The budget requests \$12.4 billion for the Child Nutrition Programs, which provide millions of nutritious meals to children in schools and in childcare settings every day. This level of funding will support an increase in daily School Lunch Program participation from the current 29 million children to approximately 30 million children. Requested increases in these programs reflect rising school enrollment, increases in payment rates to cover inflation, and proportionately higher levels of meal service among children in the free and reduced price categories. We will also put into practice program changes and new activities resulting from the 2004 reauthorization of these programs. These include implementing the newly authorized Fruit and Vegetable Program, and continuing our efforts to promote healthy behaviors by supporting the implementation of local wellness policies. We created the HealthierUS Schools Challenge to encourage communities to improve the foods offered at school and other aspects of a healthy school nutrition environment and to recognize schools that made improvements.

WIC

The President's budget includes \$5.51 billion for the Special Supplemental Nutrition Program for Women, Infants and Children, the WIC Program. The request will provide food, nutrition education, and a link to health care to a monthly average of 8.5 million needy women, infants and children during fiscal year 2006. We will continue, with a budget request of \$15 million, an initiative begun in fiscal year 2004 and authorized in the program's 2004 reauthorization, to enhance breastfeeding initiation and duration. The \$125 million contingency fund provided in the fiscal year 2003 appropriation and reestablished in fiscal year 2005, continues to be available to the program. We currently anticipate using a small portion of the reserve in fiscal year 2005 for projected program costs; the President's budget replenishes the reserve to the \$125 million level.

COMMODITY SUPPLEMENTAL FOOD PROGRAM (CSFP)

The Commodity Supplemental Food Program (CSFP) serves elderly persons and at risk low-income pregnant and post-partum and breastfeeding women, infants and children up to age six. The budget requests \$106.8 million for this program, the same level appropriated in fiscal year 2005. Under this funding level, we anticipate a decrease of 44,000. We face a difficult challenge with regard to discretionary budget resources. CSFP operates in selected areas in just 32 States, the District of Columbia, and two Indian Tribal Organizations. The populations served by CSFP are eligible to receive similar benefits through other Federal nutrition assistance programs that offer them flexibility to meet their individual needs. We believe our limited resources are best focused on programs available in all communities nationwide.

THE EMERGENCY FOOD ASSISTANCE PROGRAM (TEFAP)

As provided for in the Farm Bill, the budget requests \$140 million for commodities in this important program. Our request for States' storage and distribution costs, critical support for the Nation's food banks, is \$50 million. The Food and Nutrition Service is committed to ensuring the continuing flow of resources to the food bank community including directly purchased commodities, administrative funding, and surplus commodities from the USDA market support activities. Much of this funding is provided, at the local level, to faith-based organizations. Surplus commodity donations significantly increase the amount of commodities available to the food bank community from Federal sources.

NUTRITION PROGRAMS ADMINISTRATION (NPA)

We are requesting \$140.8 million in this account, an increase of \$2 million over our fiscal year 2005 level. This increase will partially offset personal-related costs of the FNS workforce in fiscal year 2006. Our request for Federal administrative

resources is needed to sustain the program management and support activities of our employees nationwide. I believe we need this modest increase in funding in order to maintain accountability for our \$59 billion portfolio and to assist States to effectively manage the programs and provide access to all eligible people.

Thank you for the opportunity to present this written testimony.

PREPARED STATEMENT OF ERIC J. HENTGES, EXECUTIVE DIRECTOR, CENTER FOR NUTRITION POLICY AND PROMOTION, FOOD, NUTRITION, AND CONSUMER SERVICES

Thank you, Mr. Chairman, and members of the Subcommittee, for allowing me this opportunity to present testimony in support of the Administration's budget for fiscal year 2006.

With the Nation facing significant public health issues related to the quality of the American diet, I believe that the outcome-based efforts of the Center for Nutrition Policy and Promotion are keys to promoting more healthful eating habits and lifestyles across the Nation. Working from its mission to improve the health of Americans by developing and promoting dietary guidance that links scientific research to the nutrition needs of consumers, the Center for Nutrition Policy and Promotion has a critical role in how USDA meets its strategic goal to improve the Nation's nutrition and health.

TRENDS SHOW NEED FOR REVISED NUTRITION GUIDANCE AND EDUCATIONAL TOOLS

Recent studies of America's dietary habits and physical activity reveal disturbing trends. First, a combination of poor diet and sedentary lifestyle not only undermine the quality of life, life expectancy, and productivity, they contribute to about 20 percent of the 2 million annual deaths in the United States.

Second, specific diseases and conditions, such as cardiovascular disease, hypertension, overweight and obesity, and osteoporosis, are clearly linked to a poor diet. Recent statistics are staggering with 64 percent of adults (ages 20 to 74) being either overweight or obese. Children have not escaped this unhealthy outcome. Over the past 20 years, the percentage of children who are overweight has more than doubled from 7 to 15 percent, and the percentage of adolescents who are overweight has more than tripled from 5 to 16 percent.

And third, the lack of physical activity has been associated with a number of conditions, including diabetes, overweight and obesity, cardiovascular disease, and certain cancers. Supporting evidence indicates that about 30 percent of women and 25 percent of men get little or no exercise.

DIETARY GUIDELINES FOR AMERICANS ESTABLISH FEDERAL NUTRITION POLICY

In conjunction with the Department of Health and Human Services (HHS), USDA released the sixth edition of the Dietary Guidelines for Americans on January 12, 2005. USDA's involvement is critical in helping to stem and eventually reverse some of these disturbing trends.

The basis for Federal nutrition policy, the Guidelines, provide advice for healthy Americans, ages 2 years and older, about food choices that promote health and prevent disease. These Guidelines not only form Federal nutrition policy, they also set standards for the nutrition assistance programs, guide nutrition education programs, and are the basis for USDA nutrition education and promotion activities. Finding Your Way to a Healthier You, which is based on the Guidelines, is but one of many strategies that will be needed to help consumers make smart choices from every food group, find their balance between food and physical activity, and get the most nutrition out of their calories.

FOOD GUIDANCE SYSTEM SERVES AS PREMIER TEACHING TOOL

The updated Food Guidance System, currently recognized as the Food Guide Pyramid, is used to help the American public consume a healthful diet. The goals for revising the USDA's Food Guidance System are two-fold: To provide the most up-to-date science and to use better implementation strategies to help Americans develop healthier lifestyles. This new system also supports two pillars of the President's HealthierUS Initiative: to "Eat a Nutritious Diet" and to "Be Physically Active Every Day." We expect the new system to be released later this spring.

USDA takes considerable pride in its approach to updating the Food Guidance System by maintaining an open and transparent process that employed the public notice and comment period in the Federal Register. Now, strategic promotion and implementation of the Food Guidance System in both the public and private sectors will be essential in transforming these scientific underpinnings into actionable, tar-

geted strategies that will motivate Americans to develop and maintain healthful dietary and lifestyle habits.

EFFECTIVE PARTNERSHIPS STRENGTHEN DISSEMINATION OF SCIENCE-BASED GUIDANCE AND EDUCATIONAL TOOLS

With your continued support and with robust partnerships among and between USDA agencies and other Departments, and with information multipliers from nutritionists, physicians, corporations, and others, we are in a much stronger position to address the problems of obesity and overweight. Over the past year, USDA and its partners, including the scientists of the Dietary Guidelines Advisory Committee, have updated the Nation's nutrition guidance. Now, with the collaborative efforts focused on how best to reach the various populations served by our diverse agencies and Departments, I am confident that we can begin to stem the nutrition— and health-related trends that are so adversely affecting the American public.

I thank the Committee for the opportunity to present this written testimony.

Senator BENNETT. Thank you, sir.

Mr. Hawks.

STATEMENT OF WILLIAM T. HAWKS

Mr. HAWKS. Thank you, Mr. Chairman, Senator Kohl. It is certainly a pleasure to be with you to discuss the budget for Marketing and Regulatory Programs, which include Animal and Plant Health Inspection Service; Agricultural Marketing Service; and Grain Inspection, Packers and Stockyards Administration.

We have identified in Marketing and Regulatory Programs some issues that need special attention over the next few years: enhancing market access by reducing technical barriers to trade and sanitary and phytosanitary (SPS) measures, improving plant and animal health and agricultural quality by continuing to work closely with the Department of Homeland Security and with farmers and ranchers to control endemic pests and disease, and harmonizing international standards by putting sanity back in some of the sanitary and phytosanitary issues.

APHIS's primary mission is to safeguard animal and plant health, and APHIS has negotiated sanitary and phytosanitary regulations to maintain and open markets around the world and to protect the health of plants and animals.

The trade issues resolution management efforts enable APHIS to negotiate fair trade in international markets. In fiscal year 2004, 112 SPS issues were resolved, allowing over \$5 billion worth of trade to occur. In June 2004, we launched a one-time enhanced bovine spongiform encephalopathy (BSE) surveillance program. To date, we have tested almost 318,500 animals, none of which have been positive. In addition, we are moving ahead with a National Animal Identification System and are on schedule there.

GIPSA facilitates the marketing of livestock, meat, poultry, cereals, oil seed, and related agriculture products. It also promotes fair and competitive trade. GIPSA is requesting an increased funding largely to significantly upgrade its critical information management systems and business functions.

PREPARED STATEMENTS

AMS, Agricultural Marketing Service activities assist the U.S. agriculture industry in marketing their products and finding ways to improve their profitability. AMS' budget request seeks an in-

crease of \$10 million in the Marketing Services account to invest in the Web-Based Supply Chain Management System.

This concludes my statement, and I will be happy to respond to questions.

[The statements follow:]

PREPARED STATEMENT OF WILLIAM T. HAWKS

Mr. Chairman and members of the Committee, I am pleased to appear before you to discuss the activities of the Marketing and Regulatory Programs (MRP) of the U.S. Department of Agriculture and to present our fiscal year 2006 budget proposals for the Animal and Plant Health Inspection Service (APHIS), the Grain Inspection, Packers and Stockyards Administration (GIPSA), and the Agricultural Marketing Service (AMS).

In addition to my statement, Dr. Ron DeHaven, Administrator of APHIS, Mr. David Shipman, Acting Administrator of GIPSA, and Dr. Ken Clayton, Acting Administrator of AMS have statements for the record.

Under my leadership, MRP has addressed several broad goals and objectives to increase marketing opportunities and to protect American agriculture from damages caused by pests and diseases, both intentional and unintentional. The key to private sector financial success is relatively simple. First, offer the highest quality products. Second, produce them at the lowest possible cost. And, third, earn a fair price in the marketplace.

MRP helps American farmers and ranchers do all three. AMS and GIPSA certify the quality of agricultural commodities and provide industry with a competitive edge earned by the USDA seal of approval for grading and inspection. APHIS protects the health of plants and animals, thereby keeping costs low. Additionally, AMS administers the commodity marketing order programs to help farmers earn fair prices; APHIS negotiates sanitary and phytosanitary (SPS) regulations to maintain and open markets around the world; and GIPSA works to ensure that livestock producers have a level playing field upon which to compete. A healthy and marketable product provides the foundation of competitive success.

MRP INITIATIVES

MRP has identified three areas for special attention over the next 4 years to make American agriculture more competitive. They include:

Enhanced Market Access.—Market access can be impaired through technical barriers and SPS measures. MRP will work more closely with international counterparts to educate them about our systems; to learn more about the foreign country requirements; and to certify that U.S. products meet their standards.

Improved Plant and Animal Health and Quality.—MRP will continue to work closely with the Department of Homeland Security (DHS) to prevent the entry of foreign plant and animal pests and diseases through the Agricultural Quarantine Inspection Program (AQI). We will continue to work with farmers and ranchers to control endemic pests and diseases at minimal levels. Through MRP's commodity grading and inspection programs, we will support our producers in the marketing of their high quality crops and livestock.

Harmonization of International Standards.—MRP will provide leadership in an effort to bring sanity to the sanitary and phytosanitary measures. Since risk is inherent and fair trade relies upon the same standards being applied to all parties, MRP will increase its efforts with the World Organization for Animal Health and the International Plant Protection Convention to develop standards and processes for trade to exist, with restrictions and mitigations based on sound science to reduce risk. Moving away from an "all or nothing" approach makes trade therefore less risky, as a localized or contained outbreak has fewer effects on exports and thus on the economy. In a similar vein, a level playing field in world markets depends on technical standards that describe the quality and other characteristics of agricultural products in a manner that does not discriminate against U.S. producers and shippers. MRP will redouble its efforts in a variety of international standard setting organizations to ensure that technical standards do not become technical barriers.

FUNDING SOURCES

The MRP activities are funded by both the taxpayers and beneficiaries of program services. The budget proposes that the MRP agencies carry out programs costing \$1.8 billion; with \$436 million funded by fees charged to the direct beneficiaries of MRP services and \$450 million from Customs receipts.

On the appropriation side, under current law, the Animal and Plant Health Inspection Service is requesting \$866 million for salaries and expenses and \$5 million for repair and maintenance of buildings and facilities; the Grain Inspection, Packers and Stockyards Administration is requesting \$40 million; and the Agricultural Marketing Service is requesting \$88 million.

The budget proposes user fees that, if enacted, would generate about \$39 million in savings to the U.S. taxpayer. Legislation will be proposed to provide USDA the authority to recover the cost of administering the Packers and Stockyards Act, developing grain and other commodity standards that are used to support fee-based grading programs and for other purposes, and enabling additional license fees for facilities regulated under the Animal Welfare Act. I will use the remainder of my time to highlight the major activities and our budget requests for the Marketing and Regulatory Programs.

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

The fundamental mission of APHIS is to anticipate and respond to issues involving animal and plant health, conflicts with wildlife, environmental stewardship, and animal well-being. Together with their customers and stakeholders, APHIS promotes the health of animal and plant resources to enhance market access in the global marketplace and to ensure abundant agricultural products and services for U.S. customers. I would like to highlight some key aspects of the APHIS programs:

Enhanced Market Access.—The Trade Issues Resolution and Management efforts are key to ensuring fair trade of all agricultural products. APHIS' staff negotiates SPS standards, resolves issues, and provides clarity on regulating imports and certifying exports which improves the infrastructure for a smoothly functioning market in international trade. Ensuring that the rules of trade are based on science helps open markets that have been closed by unsubstantiated SPS concerns.

In fiscal year 2004, reopening markets for United States products posed the greatest challenges. In regard to beef markets that were closed to U.S. exports because of BSE, APHIS has been successful with reopening access to more than 20 countries. Altogether, APHIS resolved 112 SPS issues in fiscal year 2004, allowing over \$5 billion worth of trade to occur.

Recent developments in biotechnology underscore the need for effective regulation to ensure protection of the environment and food supply, reduce market uncertainties, and encourage development of a technology that holds great promise. APHIS' Biotechnology Regulatory Services unit coordinates our services and activities in this area and focuses on both plant-based biotechnology and transgenic arthropods. We also are examining issues related to transgenic animals.

Improved Plant and Animal Health and Quality.—While APHIS continues to work closely with the Department of Homeland Security (DHS) to exclude agricultural health threats, it retains responsibility for promulgating regulations related to entry of passengers and commodities into the U.S. APHIS' efforts have helped keep agricultural health threats away from U.S. borders through increased offshore threat-assessment and risk-reduction activities. APHIS has also increased an already vigilant animal and plant health monitoring and surveillance system to promptly detect outbreaks of foreign and endemic plant and animal pests and diseases.

Between June, 2004, when we launched the one-time significantly enhanced surveillance program for BSE, and March 22, 2005, we have tested more than 284,000 animals. None have tested positive. Once we have evaluated the results of the enhanced testing program, a decision on the number of animals needed to be tested in the future will be made.

In addition, we are moving ahead with the National Animal Identification System (NAIS). By late March, 44 States had premises registration abilities that are operational for the NAIS. The goal is to have all States operational for premises registration by mid-year 2005.

Because efforts to exclude foreign pests and diseases are not 100 percent successful, APHIS also assists stakeholders in managing new and endemic agricultural health threats, ranging from threats to aquaculture to cotton and other crops, tree resources, livestock and poultry. In addition, APHIS assists stakeholders on issues related to conflicts with wildlife and animal welfare.

APHIS' 2006 BUDGET REQUEST

In a year of many pressing high-priority items for taxpayer dollars, the budget request proposes about \$866 million for salaries and expenses. There are substantial increases to support the Administration's Food and Agriculture Defense Initiative,

address SPS trade barriers, and deal with specific threats to the agriculture sector. A brief description of key initiatives follows.

A total of about \$169 million for Foreign Pest and Disease Exclusion.—Efforts will focus on enhancing our ability to exclude Mediterranean fruit fly, screwworm, and foreign animal diseases. In addition, we also request funds to open new offices in Brazil, Thailand, India, Italy, and West Africa to facilitate U.S. exports.

A total of about \$239 million for Plant and Animal Health Monitoring and Surveillance.—Due to the critical role of APHIS in protecting the Nation from both deliberate and unintentional introductions of an agricultural health threat, the budget requests an increase of about \$44 million, as part of the Food and Agriculture Defense Initiative. This includes initiatives that enhance plant and animal health threat monitoring and surveillance, including in those that could be introduced in wildlife; ensure greater cooperative surveillance efforts with States; enhance emergency coordination; boost animal vaccine availability; enhance regulatory controls of biological agents that pose a grave threat to human, animal, or plant health; and other efforts. We will continue efforts to build the NAIS.

A total of \$346 million for pest and disease management programs.—Once pests and disease are detected, prompt eradication reduces long-term damages. In cases where eradication is not feasible (e.g., European gypsy moth), attempts are made to slow the advance, and damages, of the pest or disease. APHIS provides technical and financial support to help control or eradicate a variety of agricultural threats.

The budget proposes a number of increases, including citrus canker, emerald ash borer, the brown tree snake, and rabies, as well as additional support for rural airports to protect against bird strikes. Other programs were reduced. For example, successes in boll weevil eradication efforts allow a reduction in that program.

A total of \$18 million for the Animal Care programs.—Additional funding will help APHIS maintain its animal welfare and horse protection programs despite the rapid growth in the number of new licensees and registrants. The budget includes a proposal to collect \$11 million in registration fees charged to research facilities, carriers, and in-transit handlers of animals. Since these facilities are the direct beneficiaries of APHIS' services, it is appropriate that the costs be recovered.

A total of about \$86 million for Scientific and Technical Services.—Within USDA, APHIS has chief regulatory oversight of genetically modified organisms. To help meet the needs of this rapidly evolving sector, the budget includes a request to, in part, enhance the regulatory oversight of field trials of crops derived with biotechnology and initiate a regulatory role towards transgenic animals, arthropods, and disease agents. Also, APHIS develops methods and provides diagnostic support to prevent, detect, control, and eradicate agricultural health threats, and to reduce wildlife damages (e.g., coyote predation). It also works to prevent worthless or harmful animal biologics from being marketed.

A total of \$8 million for improving security and IT operations.—This effort builds upon efforts started with Homeland Security Supplemental funds. It also includes providing the State Department funds to help cover higher security costs for APHIS personnel abroad. A portion of the increase would also be used to upgrade key computer resources for eGov, cyber security, and other efforts.

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

GIPSA's mission is to enhance market access for livestock, meat, poultry, cereals, oilseeds, and related agricultural products and to promote fair and competitive trade for the benefit of consumers and American agriculture. GIPSA fulfills this through both service and regulatory functions in two programs: the Packers and Stockyards Programs (P&SP) and the Federal Grain Inspection Service (FGIS).

Packers and Stockyards Programs.—The strategic goal for P&SP is to promote a fair, open and competitive marketing environment for the livestock, meat, and poultry industries. Currently, with 152 employees, P&SP monitors the livestock, meatpacking, and poultry industries, estimated by the Department of Commerce to have an annual wholesale value of over \$118 billion. Legal specialists and economic, financial, marketing, and weighing experts work together to monitor emerging technology, evolving industry and market structural changes, and other issues affecting the livestock, meatpacking, and poultry industries that the Agency regulates.

We conducted over 1,900 investigations in fiscal year 2004 to enforce the Packers and Stockyards Act for livestock producers and poultry growers and helped restore over \$17 million to the livestock, meatpacking, and poultry industries.

The Swine Contract Library began operation on December 3, 2003. Producers can see contract terms, including, but not limited to, the base price determination formula and the schedules of premiums or discounts, and packers' expected annual contract purchases by region. Thirty-two firms operating 51 plants accounting for

approximately 95 percent of industry slaughter are subject to the Swine Contract Library. GIPSA has received over 700 contracts to date.

The Livestock and Meat Marketing Study, for which Congress appropriated \$4.5 million in fiscal year 2003, faced a complex set of issues that has delayed its completion date. GIPSA announced an award to the Research Triangle Institute (RTI) in June, 2004. RTI assembled a coalition of researchers from Colorado State University, Iowa State University, Montana State University, North Carolina State University, and the Wharton School of Business. RTI is continuing preparations for data collection and the overall study and is scheduled to release study reports in mid-year 2005 and mid-year 2006. The first report will provide information about the types of livestock arrangements in the cattle, hog, and sheep industries based on a survey conducted by RTI. The second report will provide detailed economic analyses about the arrangements. Despite the delay, the study will be completed within the amount appropriated.

Federal Grain Inspection Service.—FGIS facilitates the marketing of U.S. grain and related commodities under the authority of the U.S. Grain Standards Act and the Agricultural Marketing Act of 1946. As an impartial, third-party in the market, we advance the orderly and efficient marketing and effective distribution of U.S. grain and other assigned commodities from the Nation's farms to domestic and international buyers. We are part of the infrastructure that undergirds the agricultural sector.

GIPSA works with government and scientific organizations to establish internationally recognized methods and performance criteria and standards to reduce the uncertainty associated with testing for the presence of biotechnology traits in grains and oil seeds. It also provides technical assistance to exporters, importers and end users of U.S. grains and oilseeds, as well as other USDA agencies, industry organizations, and other governments. These efforts help facilitate the sale of U.S. products in international markets.

Our efforts to improve and streamline our programs and services are paying off for our customers, both in terms of their bottom lines and in greater customer satisfaction. FGIS' service delivery costs average \$0.29 per metric ton, or approximately 0.14 percent of the \$19 billion value of U.S. grain exports. In fiscal year 2004, approximately 1.8 million inspections were performed by FGIS employees on more than 230 million tons of grains and oilseeds.

One indicator of the success of our outreach and educational initiatives is the number of foreign complaints lodged with FGIS regarding the quality or quantity of U.S. grain exports. In fiscal year 2004, FGIS received only four complaints regarding poor quality and no complaints regarding inadequate weights from importers on grains inspected under the U.S. Grain Standards Act. These involved 96,695 metric tons, or about 0.1 percent by weight, of the total amount of grain exported during the year.

GIPSA'S 2005 BUDGET REQUEST

For 2005, the budget proposes a program level for salaries and expenses of \$40 million. Of this amount, \$20 million is devoted to grain inspection activities for standardization, compliance, and methods development and \$20 million is for Packers and Stockyards Programs. The 2006 budget includes the following program increases:

About \$2 million for IT initiatives.—GIPSA needs to significantly upgrade its critical information management systems and modernize its business functions as part of a comprehensive eGov initiative including establishing an off-site, back-up Information Disaster Recovery Program. This effort will provide the basic enterprise architecture which will enable the Federal Grain Inspection Service to eliminate duplicate data entry currently used for maintaining agricultural product standards, recording certifications from grain inspectors, and responding to customer's requests for inspections and test results. The system will match, for the first time, all quality test assurance results with those obtained by re-inspection and Board appeals. The basic enterprise architecture will also enable the Packers and Stockyards Program to rapidly receive electronic information from livestock, meat packing and poultry operators, thereby reducing industry's costs of data submission. This large multi-year initiative would deliver improved performance and reduce costs years into the future.

Nearly \$1 million to develop new grain testing measures.—Domestic and export marketing opportunities will be enhanced for ethanol co-products, improved wheat quality, and low linolenic soybeans.

User fees.—User fees, if enacted, would be charged to recover the costs of developing, reviewing, and maintaining official U.S. grain standards used by the grain

industry. This fee proposal would enable GIPSA to recover \$5 million in costs to develop, review, and maintain the official U.S. grain standards. Also, the Packers and Stockyards program would be funded by license fees of about \$20 million that would be required of packers, live poultry dealers, swine contractors, stockyard owners, market agencies and dealers, as defined under the Packers and Stockyards Act. Current law provides the agency with registration requirements for the market agencies and dealers, but there is no authority for licensing fees. Both of these proposals are consistent with the Administration's efforts to shift funding for programs, which benefit identifiable groups, to user fees.

AGRICULTURAL MARKETING SERVICE

The mission of the AMS is focused on facilitating the marketing of agricultural products in the domestic and international marketplace, ensuring fair trading practices, and promoting a competitive and efficient marketplace to the benefit of producers, traders, and consumers of U.S. food and fiber products. The Agency accomplishes this mission through a wide variety of publicly and user funded activities that help its customers improve the marketing of their food and fiber products and ensure that food and fiber products remain available and affordable to consumers. Consequently, most AMS programs enhance market access to current trading information, including availabilities of supply, location and size of demand, underutilized market facilities, and availability of means of transportation. In addition, the Standardization program contributes to the harmonization of international quality standards.

Market News.—Market news reports improve market efficiency for all parties by offering equal and ready access to current, unbiased market information so that agricultural producers and traders can determine the best place, price, and time to buy or sell. AMS Market News provides this information by reporting current prices, volume, quality, condition, and other market data on farm products in more than 1,300 production areas and specific domestic and international markets. The reports are widely distributed through the internet and news media. The Livestock Mandatory Price Reporting Program ensures access to information on meat and livestock trades continue to be available for producers in a consolidating industry. These data, including prices, contracts for purchase, and other related information on fed cattle, swine, lamb, beef, and lamb meat, are publicly disseminated in over 100 daily, weekly, or monthly reports.

Commodity Standards.—AMS works with the agricultural industry to establish and improve commonly recognized quality descriptions for agricultural commodities that support access to domestic and international markets. The Standardization program supports exports of U.S. agricultural products by helping to represent the interests of U.S. producers in a variety of international standards development meetings. AMS experts continue to participate in developing international dairy, meat, poultry, fruit, and vegetable standards. Recently, AMS' cotton specialists have been helping China adopt instrument testing and calibration standards for cotton comparable to those used in the United States to facilitate cotton trading between the United States and China. Compatible standards and classing procedures are in the interest of the United States, since China is the world's largest importer of cotton and the United States is its biggest foreign supplier.

National Organic Program.—The National Organic Standards program supports market access for organic producers by setting national standards for organic products sold in the United States, which provides assurance for consumers that the organic products labeled "organic" uniformly meet those requirements. The U.S. organic food industry has increased to a \$15 billion annual sales level and is still growing.

Pesticide Data and Microbiological Data Programs.—AMS also provides consumer assurance and helps to maintain domestic and export market demand for U.S. foods by collecting pesticide residue data and microbiological baseline data. In 2004, the Pesticide Data program performed over 100,000 analyses on more than 12,000 samples. The data gathered and reported by AMS on pesticide residues and microbiological pathogens supports science-based risk assessments performed by a number of entities, including regulatory agencies.

Transportation Services.—The Transportation Services program supports market access by facilitating the movement of U.S. agriculture products from farm to market. This program helps maintain farm income, expand exports, and sustain the flow of food to consumers by providing "how to" technical expertise, research, and data on domestic and international transportation to growers, producers, and others in the marketing chain, and for government policy decisions. The Transportation Services program also produces periodic publications that improve market access by

providing information for agricultural producers and shippers on trends, availability, and rates for various modes of transportation, including grain and refrigerated transport, agricultural containers, and ocean shipping.

Wholesale, Farmers, and Alternative Markets.—AMS program experts, in cooperation with local and city agencies, improve market access to market facilities by assisting local efforts to develop or improve wholesale and farmers markets, and to discover other direct marketing opportunities. This program also supports research projects to help agricultural producers discover new or alternative marketing channels and new technology.

Federal/State Marketing Improvement Program (FSMIP).—AMS helps to resolve local and regional agricultural market access problems by awarding Federal matching grants funds for projects proposed by State agencies. In 2004, the FSMIP program allocated grant funds to 23 States for 27 projects such as studies on linking producers with new buyers groups and innovative uses for locally important agricultural products.

Commodity Purchases.—USDA nutrition programs provide growers and producers with access to an alternative outlet for their commodities. AMS food purchases stabilize markets and support nutrition programs, such as the National School Lunch Program, the Emergency Food Assistance Program, the Commodity Supplemental Food Program, and the Food Distribution Program on Indian Reservations. AMS works in close cooperation with both the Food and Nutrition Service (FNS) and the Farm Services Agency (FSA) to administer USDA commodity purchases and to maximize the efficiency of food purchase and distribution operations. AMS, FNS, and FSA each provide a component of program administration according to their organizational structure and expertise. This complex system requires close coordination between the three agencies. To help control the vast array of details inherent to the procurement process, the Processed Commodities Inventory Management System (PCIMS) was developed more than 10 years ago to track bids, orders, purchases, payments, inventories, and deliveries of approximately \$2.5 billion of commodities used in all food assistance programs every year and another \$1 billion in price support commodity products maintained in inventory. PCIMS is still being used by the three agencies with modifications having been made over the years, when feasible, to add capabilities such as financial tracking or to meet changes in program delivery.

AMS' 2006 BUDGET REQUEST

For 2006, the AMS budget proposes a program level of \$742 million, of which \$204 million (27 percent) will be funded by existing user fees, \$450 million (61 percent) by Section 32 funds and \$88 million (12 percent) by appropriations, which includes \$3 million to be derived from proposed new user fees. More specifically, the budget includes the following:

An increase of \$0.5 million to provide Market News on pork products.—A legislative proposal to extend and amend the Livestock Mandatory Price Reporting Program would include negotiated sales as well as formula and contract transactions on pork cuts for domestic and international trade. Currently, pork cut information is provided on a voluntary basis by buyers and sellers of pork products and includes only products traded on a negotiated basis. Consequently, these reports only cover 5 percent of total pork cuts traded. Under mandatory reporting, approximately 80 percent of pork products traded would be reported.

An increase of \$3.1 million to implement Country of Origin Labeling (COOL).—Beginning in 2005, AMS will be responsible for enforcing mandatory COOL for fish and shellfish. On September 30, 2006, mandatory labeling requirements will be expanded to include all other covered commodities. In order to ensure compliance with COOL, the budget proposes a surveillance and enforcement program. In 2006, AMS will initiate random audits of designated retailers to achieve a nationwide compliance rate of 70 percent for covered commodities reviewed. From 2007 to 2010, AMS will increase its target compliance rate to 95 percent to ensure that the public receives credible and accurate information.

An increase of \$0.9 million for the Pesticide Data Program and the Pesticide Recordkeeping Programs.—These funds are requested to maintain State partnerships critical to the administration of these programs.

An increase of \$10 million to begin development of the Web-based Supply Chain Management System (WBSCM).—The proposed system will significantly improve customer service and administrative efficiency. Discretionary appropriated funding is requested rather than mandatory Section 32 funding because the discretionary funding more accurately reflects the relative priority of the system versus other discretionary information technology needs. Implementation of WBSCM will improve

the efficiency of Federal procurement of commodities by reducing ordering and delivery times from 24 days to 5 days.

As Secretary Johanns testified before this committee last month, the 2006 budget funds our most important priorities while exercising fiscal discipline that is necessary to reduce the Federal deficit. The AMS budget has a number of proposals that moves us in the right direction while continuing to meet key priorities.

A decrease of \$4.0 million for the termination of the AMS Biotechnology Program.—The Biotechnology Program was initiated in 2002 to develop the agency's capacity to test bio-engineered fruits, vegetables, nuts, and seeds. Due to difficulties in developing new testing methodologies as well as lack of demand for these services, the fee for service program has not yet been established. Should demand for these services become apparent, AMS will work with the affected industries to determine if alternative mechanisms can be utilized to facilitate the marketing of agricultural commodities by differentiating bioengineered from conventional commodities.

\$3 million in new user fees.—Appropriated funding would be reduced through the collection of user fees for the development of domestic commodity grade standards that are associated with a grading program. Users of grading services are direct beneficiaries of commodity standards and, therefore, should be charged for the development of commodity grades associated with the grading and inspection program. In order to implement this proposal, legislation will be submitted to Congress to authorize these fees.

A reduction of \$2.5 million in 1-year funding for a grant to Wisconsin.—This project dealt with the development of specialty markets under the Federal-State Marketing Improvement Program.

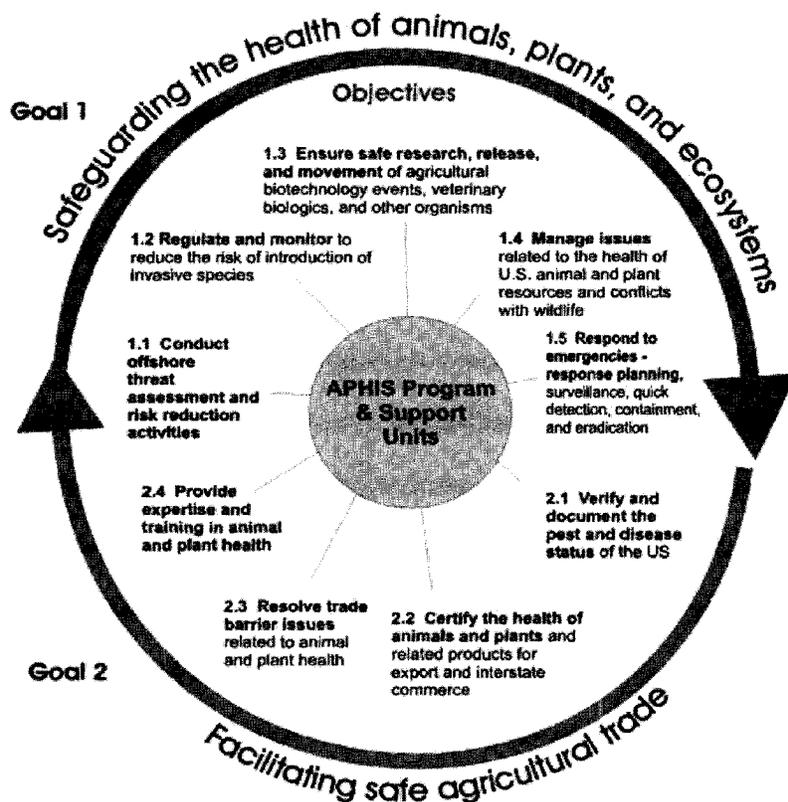
CONCLUSION

This concludes my statement. I am looking forward to working with the Committee on the 2006 budget for the Marketing and Regulatory Programs. We believe the proposed funding amounts and sources of funding are vital to enhancing market access, improving plant and animal health and quality, and achieving harmonization of international standards. It also reduces the deficit and protects American agriculture from terrorists. We are happy to answer any questions.

PREPARED STATEMENT OF DR. W. RON DEHAVEN, ADMINISTRATOR, ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Mr. Chairman and members of the Subcommittee, it is a pleasure for me to represent the Animal and Plant Health Inspection Service (APHIS) before you today. APHIS is an action-oriented agency that works with other Federal agencies, Congress, States, agricultural interests, and the general public to carry out its mission to protect the health and value of American agriculture and natural resources. This mission is vital not only in protecting the livelihoods of agricultural producers and the industries related to them, but also to United States homeland security. In working to carry out our mission, we rely on a set of interlocking protection strategies as depicted below:

APHIS' Protection System



APHIS' protection system is based on a strategic premise that safeguarding the health of animals, plants, and ecosystems makes safe agricultural trade possible and reduces losses to agricultural and natural resources. All nine objectives in the protection system are key components of this strategic premise. Failing to succeed in any one objective endangers the entire system.

APHIS' efforts begin with offshore threat assessment and risk reduction activities at the sources of exotic agricultural pests and diseases. Through our pest and disease exclusion programs, we follow animal and plant health throughout the world and use this information to set effective agricultural import policy, and facilitate international trade by clarifying and amending import requirements, as necessary. Our off-shore risk reduction activities also include conducting pest and disease eradication programs in foreign countries and pre-clearance inspection of certain commodities in off-shore locations; performing intense monitoring and surveillance for exotic fruit flies and cattle fever ticks in high-risk, border areas of the United States; and cooperating with the Department of Homeland Security's Bureau of Customs and Border Protection to inspect arriving international passengers, cargo, baggage, mail, and means of conveyance.

To minimize agricultural production losses and export market disruptions, APHIS quickly detects and responds to new invasive agricultural pests and diseases, or

other emerging agricultural health situations, through our plant and animal health monitoring programs. The Agency creates and updates endemic pest and disease information systems, and monitors and conducts surveys in cooperation with States and industry. APHIS also surveys for exotic plant pests and investigates reports of suspicious animal pests and diseases to reduce their spread, which eliminates significant losses and helps maintain pest-free status for export certification of agricultural commodities.

APHIS also works closely with State, industry, and academic partners to maintain national detection networks and emergency response teams for plant and animal pest and disease outbreaks that may occur here in the United States. We work with these same partners to manage or eradicate economically significant endemic pests and diseases, and manage wildlife damage to agricultural and natural resources. Additionally, APHIS administers the Animal Welfare and Horse Protection Acts, and maintains the scientific expertise necessary to develop new methods to detect, diagnose, and control animal and plant pests and diseases.

APHIS' mission of protecting the health and value of United States agricultural and natural resources encompasses a wide variety of activities, and the Agency strengthens key components of its protection system by focusing on several key objectives and strategies. I would like to present our recent accomplishments and budget initiatives for fiscal year 2006 to you in light of our five strategic mission priorities for the coming year.

Ensuring the Safe Research, Release, and Movement of Agricultural Biotechnology

Among our highest priorities for the next several years is continuing to build our recently established Biotechnology Regulatory Services (BRS) program. The growth of agricultural biotechnology hinges on the public's acceptance of this technology as safe, and APHIS' regulatory role is key to ensuring global acceptance. Through the BRS program, APHIS regulates the introduction (i.e., importation, interstate movement, and field release) of genetically engineered organisms such as plants, insects, microorganisms, and any other organism to ensure that they do not constitute pest threats.

In fiscal year 2004, APHIS continued to strengthen the BRS program by reshaping the organization, enhancing its Compliance Unit, and increasing its workforce expertise (including the establishment of staffs devoted to environmental and ecological analysis and genetically altered animals). We are continuing our effort to significantly increase the rate of inspection for all genetically engineered crop field tests, with the target of inspecting each pharmaceutical and industrial field test site 5 times during the growing season. APHIS has also continued its efforts to increase the transparency of our biotechnology-related activities to the public and stakeholders. For example, we now announce the availability of environmental assessments (EAs) for field tests of genetically engineered plants used to manufacture pharmaceutical and industrial compounds in the Federal Register for a 30-day comment period, allowing stakeholders and the public to be a part of the decision-making process before APHIS approves a permit. We have also launched a new, more user-friendly website for our biotechnology-related programs that provides greater accessibility to our permits and decisions, news and upcoming events, and a link to our shared, comprehensive website developed with the Food and Drug Administration and the Environmental Protection Agency. In addition, we are continuing to make significant accomplishments in our international activities related to regulatory coordination. Among other things, we worked with Canada and Mexico to implement how trade of biotechnology products will comply with the articles of the Biosafety Protocol, thus helping to ensure uninterrupted trade between our countries. In the past year, APHIS personnel also met with approximately 20 teams of foreign officials (primarily from developing countries) to provide regulatory overviews and conduct risk assessment training.

Strengthening Emergency and Homeland Security Preparedness and Responses

The program activities under this strategic priority minimize agricultural production losses and export market disruptions by quickly detecting and responding to new invasive agricultural pests and diseases or other emerging agricultural health situations. The Agency focuses on preventing the introduction and establishment of pests and diseases by responding to outbreaks quickly and efficiently at the national, State, and local levels. We work to ensure early detection through formal plant pest surveys and animal disease surveillance programs as well as through outreach programs to our stakeholders and the general public.

The Animal Health Monitoring and Surveillance (AHMS) and Pest Detection programs coordinate national detection efforts for animal and plant pests and diseases. Both work closely with State and university cooperators to ensure that any intro-

duction of exotic or foreign pests and diseases is quickly detected. These programs are also working closely with USDA's Cooperative State Research, Education, and Extension Service to coordinate the National Animal Health Laboratory Network and the National Plant Diagnostic Network to increase testing capacity in the United States for economically and environmentally significant animal and plant diseases.

To prevent foreign animal disease incursions, APHIS thoroughly investigates all suspicious situations. In fiscal year 2004, the AHMS program conducted 870 suspected foreign animal disease investigations, up from 480 in fiscal year 2003. The program is also continuing to implement an enhanced surveillance program in response to the December 2003 detection of bovine spongiform encephalopathy (BSE) in Washington State. APHIS is sampling as many cattle from high-risk categories (such as those exhibiting signs of central nervous system disorders) as possible in a 12–18 month period. As of March 22, more than 284,000 animals have been sampled under the enhanced surveillance plan, none of which tested positive. The enhanced surveillance effort will provide sufficient data and information to establish the probable prevalence level of BSE in the United States.

To facilitate response efforts in the event of a future foreign animal disease outbreak, APHIS and its State and industry cooperators are establishing a National Animal Identification System (NAIS) designed to identify, within 48 hours of discovery, any agricultural premise exposed to a disease so that potential outbreaks can be contained and eradicated as quickly as possible. The NAIS is a networked computerized system that will allow us to identify livestock and poultry and record their movements over their life-spans. Currently, 44 States have premises registration capabilities that are operational in the NAIS, and our goal is to have all States operational by mid-2005. As of January 30, 2005, APHIS has awarded or committed more than \$13 million to 42 States and Native American Tribes to focus primarily on animal premises identification, which is the foundation of the NAIS.

Through the Pest Detection program, APHIS and its cooperators have established State, regional, and national Cooperative Agricultural Pest Survey (CAPS) committees to ensure that stakeholders at each level are involved in the process of targeting plant pests for survey each year. APHIS targets pests based on their risk of entry and potential to cause significant economic or environmental damage. In fiscal year 2004, the CAPS committees began institutionalizing a system to choose survey projects based on both the pests' risk factors and States' priorities. In 2004, the Agency and its cooperators conducted national surveys for 20 high-risk pests and 424 individual surveys across the country.

In fiscal year 2004, APHIS continued working with State cooperators, the American Soybean Association, and university partners to prepare for the arrival of soybean rust in the United States. As part of our efforts to minimize the impact of the disease, we trained more than 300 soybean producers, handlers, and consultants in soybean rust detection and worked with pesticide companies to ensure that options for fungicide mitigation would be available to soybean producers. We also assembled a soybean rust detection assessment team and put the assessment team into action early in fiscal year 2005 when the Agency detected soybean rust for the first time in Louisiana. APHIS and other USDA agencies are continuing to work with the soybean industry to help producers adjust to the presence of soybean rust in the United States through the development of monitoring and surveillance programs (and a website to disseminate up-to-date information about the disease's spread), predictive modeling techniques to identify at-risk areas for disease spread, and decision criteria for fungicide application.

Under the Animal and Plant Health Regulatory Enforcement program, our Investigative and Enforcement Services unit continues to provide support to all APHIS programs by conducting investigations of alleged violations of Federal laws and regulations under APHIS' jurisdiction through appropriate civil or criminal procedures. Regulatory enforcement activities prevent the spread of communicable animal pests and diseases in interstate trade. In fiscal year 2004, APHIS conducted 774 investigations involving animal health programs, resulting in 271 warnings, 71 civil penalty stipulations, six Administrative Law Judge Decisions, and \$158,625 collected in fines. APHIS also conducted 2,391 investigations involving plant quarantine violations resulting in 214 warnings, 807 civil penalty stipulations, 27 Administrative Law Judge decisions, and approximately \$1.4 million collected in fines.

The Agency maintains a cadre of trained professionals prepared to respond immediately to potential animal and plant health emergencies. APHIS' Emergency Management System (EMS) is a joint Federal-State-industry effort to improve the ability of the United States to successfully manage animal health emergencies, ranging from natural disasters to introductions of foreign animal diseases. The EMS program identifies national infrastructure needs for anticipating, preventing, miti-

gating, responding to, and recovering from such emergencies. By Presidential Homeland Security Directive, APHIS is restructuring its emergency response systems according to the National Incident Management System and developing an Incident Command System training curriculum for our employees. In fiscal year 2004, APHIS held two emergency response table-top exercises with Canada and Mexico designed to provide training to the employees involved, and identify weaknesses in our cooperative emergency response networks. The two recent exercises covered a simulated foreign animal disease outbreak and vaccine distribution from the vaccine bank.

APHIS has been challenged with numerous emergencies over the last several years. We took quick and aggressive action to address plant and animal health situations with Mediterranean fruit fly, citrus canker, emerald ash borer, exotic Newcastle disease, low and high pathogenic avian influenza, wildlife rabies, sudden oak death, white spot syndrome disease, and BSE. Over \$234 million of Commodity Credit Corporation funds was approved for these emergencies in fiscal year 2004.

As reinforced by the Bioterrorism Preparedness and Response Act of 2002, APHIS also tracks plant and animal disease agents that could be used in acts of bioterrorism. The Act requires that entities, such as private, State, and Federal research laboratories, universities, and vaccine companies, as well as individuals that possess, use or transfer select agents and toxins identified as a severe threat to animal and plant health or public health, register with the appropriate Federal authority—either APHIS or the Centers for Disease Control and Prevention (CDC). APHIS is cooperating with CDC to promulgate final joint regulations on requirements that facilities must meet if they wish to possess, transfer, or use select agents. Our fiscal year 2006 budget requests the establishment of a new line item, Select Agents, to help consolidate and coordinate these activities throughout the Agency.

Reducing Domestic Threats Through Increased Offshore Threat Assessment and Risk-reduction Activities

Responding to introductions of invasive pests and diseases once they arrive on our shores is extremely costly for United States taxpayers and agricultural producers alike. Accordingly, APHIS is working to enhance its offshore threat assessment and risk reduction programs with the goal of reducing the need for expensive emergency response programs. Officials with our Agricultural Quarantine Inspection, Trade Issues Resolution Management, Foreign Animal Disease/Foot and Mouth Disease (FAD/FMD), and Import/Export programs track plant and animal health issues around the world and use the information to set import policies to ensure that agricultural diseases are not introduced through imports. This information also helps determine what pests and diseases might have pathways into the United States and informs our monitoring and surveillance efforts here at home. APHIS is establishing a formal international information gathering program under the FAD/FMD and Pest Detection line items to build on these efforts. The program has already placed three animal and plant health specialists in South Africa, Brazil, and the Dominican Republic, and the fiscal year 2006 budget would expand the program to collect information from 16 additional countries.

APHIS also targets certain high-risk pests and diseases for eradication in other countries. Several devastating agricultural pests and diseases, including FMD, Mediterranean fruit fly (Medfly), screwworm, classical swine fever, and tropical bont tick are present in Central and South America or the Caribbean. Without the efforts of APHIS and cooperating governments to eradicate these pests and diseases at their sources, they would likely reach the United States through means of natural spread. Through the FAD/FMD program, APHIS and cooperating countries established a permanent barrier against FMD at the Panama/Colombian border. Under an agreement with Panama and Mexico, we collected 1,166 samples of suspected vesicular disease throughout Central America; fortunately, all tested negative for FMD. Through the international cooperative Medfly eradication program, or Moscamed, we cooperate with Mexico, Guatemala, and Belize to eradicate and control Medfly, thereby preventing the pest from moving north into the United States. In fiscal year 2004, the program reduced the infested area in the southern Mexican provinces of Chiapas and Tabasco by over 60 percent.

Because of climate and weather conditions, California, Texas, Florida, and other border States are vulnerable to outbreaks of exotic fruit flies and other agricultural pests such as cattle fever ticks. APHIS conducts preventive release programs (PRPs) of sterile flies in California and Florida to prevent Medfly from becoming established. Since the California PRP began in 1996, APHIS has detected only four Medflies in the State and reduced the number of Medfly infestations in the Los Angeles area by 97 percent, saving over \$145 million in eradication costs. In response to a recent Medfly outbreak in Tijuana, APHIS extended the PRP to an additional

251 square-mile area to prevent the outbreak from spilling into California. APHIS also conducts intensive trapping activities and emergency response programs to ensure that other exotic fruit flies, such as Oriental fruit fly, do not become established. In addition, APHIS operates Mexican fruit fly (MFF) suppression programs in Texas, and will enhance its efforts to ensure that MFF does not become established in the United States.

To ensure our import regulations are enforced and adequately protect United States agricultural and natural resources, we work closely with the Department of Homeland Security's Bureau of Customs and Border Protection to monitor and intercept prohibited items that arrive at United States ports of entry. In fiscal year 2004, agricultural inspectors checked the baggage of nearly 69 million arriving passengers and cleared 48,335 ships and 2,580,470 cargo shipments. In total, agricultural inspectors intercepted 49,180 reportable pests at land borders, maritime ports, airports, and post offices.

Managing Issues Related to the Health of United States Animal and Plant Resources and Conflicts With Wildlife

In addition to preventing the entry and establishment of new agricultural pests and diseases, APHIS works to limit the damage caused by those already present in the United States, eradicate certain established or domestic pests and diseases, and manage wildlife damage to agricultural and publicly owned resources. As with all our efforts, we work closely with State, Tribal, industry, and academic partners in these programs and leverage these partnerships for more efficient and effective operations. APHIS also enforces the Animal Welfare and Horse Protection Acts, which protect certain animals from mistreatment when used in commerce or for exhibition purposes.

The Boll Weevil Eradication Program continues to make significant progress toward eliminating this serious cotton pest from the United States. As fiscal year 2005 began, more than 9 million acres of cotton spread over nine States were weevil-free. While fiscal year 2004 activities were hampered by weather events, the program still expects that 90 percent of cotton acreage will be weevil-free by the end of this year. APHIS is also continuing Pink Bollworm eradication and suppression activities. Pending growers' approval, APHIS, its State and industry partners, and the Government of Mexico plan to implement a comprehensive cooperative eradication program in three phases. When compared with fiscal year 2001 trapping data, activities in phase one have already shown a reduction in pink bollworm adults by over 94 percent in Texas, 97 percent in New Mexico, and 99 percent in Chihuahua, Mexico.

APHIS also continues its effort to address the last stubborn pockets of endemic animal diseases such as bovine tuberculosis, brucellosis, and pseudorabies. Forty-six States are now accredited-free of bovine tuberculosis, and forty-eight have achieved class free status for brucellosis. At the start of fiscal year 2005, all fifty States and three United States territories had reached Stage V (free) status for pseudorabies. APHIS is working with State cooperators to focus on preventing the transmission of these diseases between wildlife and domestic livestock, and to identify remaining infected herds. In addition, relatively new efforts are now well underway to assist producers in controlling diseases such as low pathogenic avian influenza.

APHIS' Wildlife Services (WS) Operations Program works to protect agricultural crops from wildlife damage; protect livestock from predation; prevent the transmission of wildlife-borne diseases to safeguard the livestock industry; protect and preserve natural resources, including threatened and endangered species; protect human health and safety by preventing wildlife collisions with aircraft and wildlife conflicts with humans; and protect wildlife damage to property. The program provided wildlife hazard management assistance to over 550 airports nationwide in fiscal year 2004, up from 42 in fiscal year 1990. APHIS also continues to reduce the threat that wildlife rabies poses to livestock and human health by maintaining a barrier against the spread of the disease to uninfested areas. In fiscal year 2004, the WS Operations program reinforced oral rabies vaccination zones along the Appalachian Ridge through the distribution of more than 6.3 million vaccine baits over 31,000 square miles, and in areas of Texas with the distribution of 2.75 million baits over 29,000 square miles.

APHIS and its cooperators are increasingly aware of the connection between wildlife disease and both domestic animal and human health. For example, bovine tuberculosis in deer continues to affect Michigan's ability to eradicate the disease from its cattle population, and the transmission of chronic wasting disease between wild deer and elk and domestic deer and elk continues to be of concern. Accordingly, APHIS continued to implement its Wildlife Disease Surveillance and Emergency Re-

sponse Program, and participated in disease surveillance and control activities for 15 wildlife and domestic diseases in fiscal year 2004.

APHIS' Animal Welfare Program carries out activities designed to ensure the humane care and treatment of animals used in research, exhibition, the wholesale pet trade, or transported in commerce. The program places primary emphasis on voluntary compliance through education, but we also utilize inspection of records, investigation of complaints, and reinspection of problem facilities to ensure that protected animals receive an appropriate level of care. When education efforts fail to achieve voluntary compliance, APHIS personnel investigate alleged violations of Federal animal welfare and horse protection laws and regulations, and oversee subsequent prosecution of violators through appropriate civil or criminal procedures. In fiscal year 2004, APHIS conducted 288 animal welfare investigations, resulting in 205 formal cases submitted for civil administrative action. We also issued 120 letters of warning and resolved 56 cases, resulting in \$92,972 in fines. Administrative law judges resolved another 41 cases, resulting in \$455,642 in fines.

APHIS continued to emphasize public education and outreach in fiscal year 2004 through participation in canine care workshops around the country with commercial breeders as the target audience; veterinary workshops to educate veterinarians providing services to regulated facilities; and, two exotic cat care workshops. Through regulatory inspections and educational efforts, the Animal Welfare program succeeded in raising the level of facility compliance from a baseline of 58 percent in 2001 to 70 percent in 2004.

Resolving Trade Barrier Issues Related to Sanitary and Phytosanitary (SPS) Issues

All of APHIS' efforts to protect the health of United States agricultural resources and keep them free of major pests and diseases support American farmers' ability to sell their products on the world market. In turn, our efforts to facilitate safe trade with other countries, including activities such as monitoring world agricultural health and providing assistance to developing countries to build regulatory capacity, help ensure that imported products will not threaten our domestic production capability and health status.

Because of APHIS' expertise in animal and plant health issues and regulatory role, the Agency serves as a key resource in resolving sanitary and phytosanitary issues that become trade barriers. The Agency works closely with trade policy organizations, including USDA's Foreign Agricultural Service and the United States Trade Representative. Officials with our Trade Issues Resolution Management programs work to minimize trade disruptions caused by animal and plant health issues. In fiscal year 2004, reopening markets for United States poultry and beef posed the greatest challenges. Outbreaks of low pathogenic avian influenza (LPAI) and exotic Newcastle disease continued to affect poultry markets throughout the Americas, Asia, and Europe. However, since August 2004, the United States regained LPAI-free status under the World Health Organization for Animal Health (OIE) definition. As a result, APHIS reopened poultry markets in all 25 European Union countries, Russia, Japan, and Chile, among others. The total value of United States exports of poultry and poultry products actually increased by 15 percent between January and August of 2004, compared to the same period in fiscal year 2003. APHIS continues to work with the limited number of trading partners that maintain bans on United States poultry because of LPAI, including China.

In regard to beef markets that were closed to United States exports because of BSE, APHIS has been successful with reopening markets for United States beef in more than 20 countries. Canada and Mexico have partially reopened their markets to certain United States beef products, and we continue to work on reopening borders with Japan, a major export market for United States beef, as well as other Asian nations. APHIS has been successful in opening many export markets for other ruminant products, such as pet food and bovine embryos and semen, banned because of BSE.

Altogether, APHIS resolved 112 sanitary and phytosanitary issues in fiscal year 2004, allowing over \$5 billion worth of trade to occur. Our export accomplishments included opening new markets for pork to Australia and seed potatoes to China, and expanding existing market access for wheat to Brazil, grains to Canada, and corn to Argentina. In addition, we retained 23 markets for beef and beef products worth more than \$330 million world-wide.

FISCAL YEAR 2006 BUDGET REQUEST

The fiscal year 2006 Budget Request for Salaries and Expenses totals just over \$866 million, an increase of \$57.9 million over the fiscal year 2005 Consolidated Appropriations Act. About \$6.5 million of the increase is for pay raises. Of the total request, approximately \$436 million is identified in the President's Homeland Secu-

urity initiative, including \$299 million in discretionary funding. Of the \$436 million, \$174 million is identified in the President's Food and Agriculture Defense Initiative, which serves to protect the agriculture and food system in the United States from intentional, unintentional, or naturally occurring threats.

The increase, approximately 7 percent above the fiscal year 2005 appropriation, is for initiatives designed to address the increasing domestic and international threats to the health of United States agriculture. On the domestic side, these include continuing enhancements to our Biotechnology Regulatory Services program; enhancements to both animal and plant health surveillance systems and diagnostic capabilities; the ability to track animal and plant pathogens and toxins identified as Select Agents; the build up our animal disease vaccine bank; the ability to address wildlife disease threats to livestock health; and an investment to substantially reduce emergency fund transfers for a variety of plant pest and disease programs. In the international arena, APHIS plans to use additional funding to establish a formal international information collection program that will help us set agricultural import policy and inform others of our monitoring and surveillance efforts here in the United States; enhance CSF eradication in the Caribbean; complete construction of a new sterile screwworm production facility in Panama; and protect and expand the \$53 billion annual agricultural export market, among other things.

The following paragraphs detail some of the accomplishments expected under the fiscal year 2006 budget request:

Ensuring the Safe Research, Release, and Movement of Agricultural Biotechnology

- An increase of \$4,320,000 for the Biotechnology Regulatory Services Program will allow us to continue to develop biotechnology regulatory infrastructure, policies, and regulations while conducting daily program operations, i.e., preparing risk assessments, issuing permits, reviewing petitions for deregulation, inspecting field test sites, building capacity in developing countries, and international activities.

Strengthening Emergency and Homeland Security Preparedness and Responses

- An increase of \$16,893,000 for the Pest Detection Program to continue outreach to volunteers; surveying for cactoblastis (cactus moth) and soybean pests; increasing cooperative agreements with State cooperators by an average of \$110,000 per agreement. We anticipate being able to detect 95 percent of newly introduced economically significant pests before they spread.
- An increase of \$6,707,000 for the Animal Health Monitoring and Surveillance Program to enhance the current disease monitoring and surveillance system by increasing and integrating its infrastructure in order to better protect the Nation's animals from the threat of emerging and foreign animal diseases.
- An increase of \$1,950,000 for the Wildlife Disease Monitoring and Surveillance Program to build an animal disease surveillance system that has domestic and international components for establishing methods for surveillance data collection in wildlife populations and investigating the prevalence of specific diseases that may move from wildlife to livestock or poultry populations. Wildlife disease specialists will be trained to respond to disease outbreaks within 72 hours by fiscal year 2006 with the ultimate goal of reducing response time to 24 hours.
- An increase of \$5,867,000 for the Veterinary Diagnostics Program to continue its investment in the National Animal Health Laboratory Network and begin a transition to new information technology that will align the program's abilities, efficiency, and effectiveness with the ever-growing demand for program services. The investment will increase the program's ability to respond to the threat of bio-terrorism and further APHIS' commitment to the safety of the United States livestock population.
- An increase of \$9,671,000 for the Emergency Management System Program to improve the response time for emergencies by 2 days to enhance the animal health emergency preparedness.
- An increase of \$25,651,000 for the Emerging Plant Pests Program to enhance survey and tree removal to control emerald ash borer; remove trees infected by and exposed to citrus canker; and, enhance the Agency's emergency response infrastructure.
- An increase of \$5,250,000 for the Select Agents Program to fully carry out the activities mandated by the Agricultural Bioterrorism Protection Act of 2002.
- An increase of \$928,000 for Animal and Plant Health Regulatory Enforcement to continue support to all APHIS programs by conducting investigations of alleged violations of Federal laws and regulations under APHIS' jurisdiction; overseeing/coordinating subsequent prosecution of violators through appropriate civil or criminal procedures; and providing Quick Response Teams to assist in

market surveillance, border blitzes, and emergency program efforts such as those provided during exotic Newcastle and BSE emergency outbreaks in fiscal year 2003 and 2004.

Reducing Domestic Threats Through Increased Offshore Threat Assessment and Risk-reduction Activities

- An increase of \$6,424,000 for the Foreign Animal Diseases/Foot and Mouth Disease Program (FAD/FMD) to place animal specialists overseas to collect information on FAD, and expand classical swine fever work into Central America, targeting Belize and Nicaragua.
- An increase of \$3,670,000 for the Screwworm Program to purchase essential equipment for its new sterile screwworm production facility in Panama, which will help establish a permanent barrier against the pest at the Panama-Columbia border.

Managing Issues Related to the Health of United States Animal and Plant Resources and Conflicts With Wildlife

- An increase of \$770,000 for the Animal Welfare Program to respond to rapid growth in the number of new licensees and registrants, particularly in western States, by hiring eight new animal care inspectors and stationing them at key locations where workloads are most critical. Of the amount requested for Animal Welfare activities, approximately \$11 million will be derived from new user fees.
- An increase of \$1,666,000 for the Fruit Fly Exclusion and Detection Program to be prepared to respond rapidly to domestic outbreaks, prevent the northward spread of the Mediterranean fruit fly into Central Mexico, and provide adequate numbers of sterile flies for the preventive release program in the United States.
- An increase of \$3,000,000 for the Wildlife Services Operations Airport Safety Program to enhance human safety by reducing wildlife strikes to aircraft.
- An increase of \$5,000,000 in funding for rabies under the Wildlife Services Operations Program to maintain the oral rabies vaccination barrier against spread of this disease to the west of the Appalachian Mountains.
- An increase of \$750,000 in the Wildlife Services Operations Program for brown tree snake interdiction activities in Guam to prevent the spread of this invasive animal to areas with fragile ecosystems, such as Hawaii and the Northern Marianas.
- An increase of \$5,000,000 in the Wildlife Services Operations Program to provide funding for Homeland Security (Food and Agriculture Defense) initiative of wildlife disease surveillance as requested in the fiscal year 2005 Budget.

Resolving Trade Barrier Issues Related to Sanitary and Phytosanitary (SPS) Issues

- An increase of \$5,742,000 for the Trade Issues Resolution and Management Program to expand and retain markets to provide new market access and facilitate trade worth \$2.4 billion in fiscal year 2006 in part through opening new offices in Thailand, India, Italy, West Africa, and Brazil.

DECREASES

To support our high priority programs, we propose several offsetting decreases:

The high priority placed on deficit reduction limited the availability for certain activities. We propose decreases of \$31,300,000 for the Boll Weevil program, which is possible because of the program's success and will not affect its ability to meet the target of complete eradication by 2008; \$1,412,000 for the Brucellosis program; \$1,855,000 for the Chronic Wasting Disease program; \$1,128,000 for the Grasshopper program; \$15,435,000 for the Johne's Disease program; \$829,000 for the Noxious Weeds program; and, \$11.48 million for Wildlife Services Operations. Within the Emergency Plant Pests line item, we propose reductions of \$13,682,000 for Asian longhorned beetle and \$1,445,000 for sudden oak death. Within the appropriated Agricultural Inspection Quarantine program, we propose to shift \$2,748,000 from the Hawaiian interline inspection program to our newly expanded National Plant Germplasm and Biotechnology Laboratory, which supports the Agency's emergency response capabilities, eradication programs, pest exclusion activities, biotechnology permitting programs, and the newly mandated Select Agents program. We are also proposing new user fees for the Animal Welfare program, which would generate \$10,857,000 and replace the same amount of appropriated funding.

CONCLUSION

APHIS' mission of safeguarding United States agriculture is becoming ever more critical. Although the processes by which we protect America's healthy and diverse

food supply are being increasingly challenged by increased trade and tourism, APHIS is committed to taking the lead in building and maintaining a world-class system of pest and disease exclusion, surveillance, detection, diagnosis, and response. Healthy plants and livestock increase our market potential internationally, and thus contribute to a healthy United States economy. Like the APHIS Strategic Plan, the APHIS Budget consists of interdependent components that, when combined, can truly protect the health and value of American agriculture and natural resources.

On behalf of APHIS, I appreciate all of your past support and look forward to continued, positive working relationships in the future. We are prepared to answer any questions you may have.

PREPARED STATEMENT OF DAVID R. SHIPMAN, ACTING ADMINISTRATOR, GRAIN
INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

INTRODUCTION

Mr. Chairman and Members of the Committee, I am pleased to highlight the accomplishments of the Grain Inspection, Packers and Stockyards Administration (GIPSA), and to discuss the agency's fiscal year 2006 budget proposal.

GIPSA's activities are an integral part of USDA-wide efforts to support a competitive global marketplace for U.S. agricultural products. Our mission is to facilitate the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products, and to promote fair and competitive trading practices for the overall benefit of consumers and American agriculture.

We fulfill our service and regulatory roles through our Packers and Stockyard Program, which promotes a fair, open, and competitive marketing environment for the livestock, meat, and poultry industries and our Federal Grain Inspection Service, which provides the U.S. grain market with Federal quality standards and a uniform system for applying these standards to promote equitable and efficient marketing.

ORGANIZATION

We carry out our mission with a dedicated staff of 722 employees working in partnership with a variety of State and private entities. Our Packers and Stockyards Program relies on three regional offices specialized in one of the following: poultry, hogs, or cattle/lamb. Our grain inspection services are delivered by the national inspection system, a network of Federal, State, and private inspection personnel. The system includes 10 GIPSA field offices, 2 Federal/State offices, and 56 State and private agencies authorized by GIPSA to provide official services.

PACKERS AND STOCKYARDS PROGRAM

Our Packers and Stockyards Program (P&SP) administers the Packers and Stockyards Act (P&S Act) to ensure fair and competitive marketing in livestock, meat and poultry for the benefit of consumers and American agriculture. The P&S Act is intended to protect producers, growers, market competitors, and consumers against unfair, discriminatory, or deceptive practices that might be carried out by those subject to the Act. To meet this objective, GIPSA seeks to educate, regulate and investigate individuals and firms subject to the P&S Act; to respond to anti-competitive behavior, unfair, deceptive, or unjustly discriminatory trade practices; and to ensure livestock producers and poultry growers are paid for their products. GIPSA takes appropriate corrective action when there is evidence that firms or individuals have violated the P&S Act.

The livestock, meatpacking, and poultry industries are important segments of American agriculture and the Nation's economy. With only 152 employees, we regulate these industries, estimated by the Department of Commerce in fiscal year 2002 to have an annual wholesale value of \$120 billion. At the close of fiscal year 2004, 5,678 market agencies and dealers and 2,015 packer buyers were registered. In addition, there were 1,443 facilities that provided stockyard services, an estimated 6,000 slaughtering and processing packers, meat distributors, brokers and dealers, and 202 live poultry dealers operating subject to the P&S Act.

Our regulatory responsibilities are the heart of our mission to administer the P&S Act. To this end, GIPSA closely monitors practices that may violate the P&S Act. Last fiscal year, we conducted over 1,900 investigations, of which 146 were handled by Rapid Response Teams. As a result of these investigations, the Packers and Stockyards Program helped restore over \$17 million to the livestock, meatpacking, and poultry industries. The amount of monetary returns varies by year; however,

in the first 5 months of fiscal year 2005 we have helped restore over \$18 million to the livestock, meatpacking, and poultry industries.

We continue to work with violating firms to achieve voluntary compliance, and continue to initiate appropriate corrective action when we uncover evidence that the P&S Act has been violated. During fiscal year 2004, with assistance from the Office of the General Counsel, we filed 15 administrative or justice complaints alleging violations of the P&S Act. These formal disciplinary complaints resulted in five decisions ordering the payment of \$61,750 in civil penalties and suspending 12 registrants from operating for periods of 45 days to 5 years.

We regularly assist the FBI, State and local law enforcement agencies with their investigations. Some of our investigations involve overlapping jurisdiction, and sometimes these agencies call on GIPSA for its expertise. In addition, we communicate with our sister agencies within USDA, the Department of Justice, the Commodity Futures Trading Commission, and local and State governmental organizations to discuss common issues and when appropriate, coordinate plans.

To ensure that producers and growers are aware of the protections the P&S Act provides, we have a hotline (1-800-998-3447) by which stakeholders and others may anonymously voice their concerns. In fiscal year 2004, 65 percent of the hotline calls received resulted in investigations. To encourage voluntary compliance, we regularly attend industry meetings and conduct orientation sessions (28 in fiscal year 2004) for new auction market owners and feed mills to educate them about their fiduciary and other responsibilities under the P&S Act.

Following the discovery of the bovine spongiform encephalopathy (BSE) positive cow in December, 2003, we established three special task forces to provide protection to livestock producers and members of the cattle industry commensurate with the P&S Act. These task forces were based in our Denver office which has lead responsibility for cattle, and included technical experts from our Atlanta and Des Moines regional offices and headquarters.

The BSE Task Forces monitored livestock markets and packers for financial failures; reviewed changes in procurement practices; analyzed changes in market prices; received complaints from the public; and conducted 96 investigations. These investigations identified 11 violations of the P&S Act. Two of these firms have corrected the violations; one investigation file has been forwarded for a possible formal complaint; and the remaining firms have been given an opportunity to comply with the P&S Act.

Following the disclosure of avian influenza in February 2004 by the Animal and Plant Health Inspection Service (APHIS), we created a new Avian Influenza/Poultry Policy Task Force out of the Atlanta Regional Office. Like the BSE Task Force, the AI Task Force developed strategies to identify and respond to potentially unlawful practices unique to current market caused by the outbreak. In the current fiscal year, the AI Task Force will continue monitoring the industry and responding to the current AI situation.

Together with our stakeholders and other interested parties, this year we developed and published two voluntary industry standards, in addition to two standards established earlier, for technologies used to assess quality and determine payment for livestock, meat or poultry. These standards help both producers and packers. Producers are more likely to get full value for the quality of livestock they produce and packers are more likely to pay only for the product they want to purchase. We will continue to work with stakeholders to develop additional standards, as needed, to enhance transparency in the marketplace.

In fiscal year 2004 we also reviewed the current bonding requirements under the P&S Act and the returns to unpaid sellers from the bonds of failed firms. The results of this work are under review to determine whether regulatory changes are necessary to meet the objectives of the P&S Act.

In fiscal year 2004, GIPSA implemented a web-based Swine Contract Library in accordance with the requirements of the Livestock Mandatory Reporting Act of 1999. Packers are required to file with GIPSA swine purchase contracts and monthly reports about the number of swine they expect to be delivered under contract in the next 12 months.

The Swine Contract Library (SCL) includes information from swine packing plants with a slaughter capacity of 100,000 swine or more per year. Thirty-two firms operating 51 plants accounting for approximately 95 percent of industry slaughter are subject to the SCL. GIPSA has received over 707 contracts to date. Information, by region, including price, premiums, discounts, grids, formulas, and other important contract terms extracted from offered and available contracts used to purchase hogs is now available to the public through the internet.

The Livestock and Meat Marketing Study, for which Congress appropriated \$4.5 million in fiscal year 2003, will have a delayed completion. GIPSA awarded

\$4,319,373 to the Research Triangle Institute (RTI) on June 14, 2004. RTI assembled a coalition of researchers from Colorado State University, Iowa State University, Montana State University, North Carolina State University, and the Wharton School of Business. RTI is continuing preparations for data collection and the overall study. RTI is scheduled to release study reports in mid-year 2005 and mid-year 2006. The first report will provide information about the types of livestock arrangements in the cattle, hog, and sheep industries based on a survey conducted by RTI. The second report will provide detailed economic analyses about the arrangements. The study will be completed within the amount appropriated.

FEDERAL GRAIN INSPECTION SERVICE

Our Federal Grain Inspection Service (FGIS) facilitates the marketing of U.S. grain and related agricultural products through the establishment of standards for quality assessments, regulation of grain handling practices, and management of a network of Federal, State, and private laboratories that provide impartial, user-fee funded official inspection and weighing services under the authority of the U.S. Grain Standards Act and the Agricultural Marketing Act of 1946.

FGIS establishes terms and methods for quality assessments that the grain industry relies on to buy and sell over \$51 billion of commodities annually. These standards for quality assessments provide the U.S. grain marketing system with the means to align post-harvested crop quality with the diverse quality needs of today's food and feed industry. GIPSA currently maintains more than 1,400 different quality assessment terms and methods to characterize the quality of grain and grain related products.

We are expanding our work with producers, technology providers, and food and feed manufacturers to consensually identify the essential quality attributes that require standard measurement to effectively differentiate quality and add value to U.S. agriculture. For example, FGIS, working with seed companies and producers, has identified the need to measure the level of linolenic acid in soybeans, an attribute that improves the stability and lessens or precludes the need to hydrogenate soy oil. Hydrogenation produces trans fatty acids, which have been linked to health problems. We now need to work with the soybean industry and establish acceptable reference standards and rapid assay methods to measure the level of linolenic acid in soybeans, an initiative included in our fiscal year 2006 budget request. While commercial production of low linolenic soybeans will begin in 2005, some industry sources estimate that within several years, they will account for 20 percent of soybean acreage at a value of \$5 billion.

We are also working with the wheat industry in an effort to regain the U.S. wheat market share which has declined from 33 percent of the international market in 1995 to an estimated 26 percent in 2004. Our goal is to develop rapid measurement methods to differentiate wheat quality at the first point of sale and allow the U.S. wheat industry to better meet the needs of foreign buyers. To date, working with the wheat industry, we have identified several key quality attributes, such as gluten strength, that require rapid measures, as well as the need to validate international reference methods relating to the attributes. Gaining consensus on the salient wheat attributes and reference methods will allow GIPSA to pursue the development of rapid analytical methods for use at the first point of sale, another initiative included in the fiscal year 2006 budget.

As we develop measures of new attributes entering the market, we are ensuring the current measurement methods are accurate and cost-effective. For example, we are working to transform the measurement of grain moisture. Maintaining current calibrations for moisture measurement is time consuming and resource intensive. Advances in the basic means to measure moisture, led by GIPSA, have the potential to greatly reduce maintenance costs and improve the accuracy of moisture measurements over a much wider range. These advances will benefit the entire grain industry, from producer to food manufacturer.

Similar improvements are being implemented for wheat and barley protein measurements this year. In collaboration with industry and government officials throughout the world, GIPSA has advanced new Artificial Neural Network (ANN) technology for protein measurement, which reduces overall program costs and promotes greater harmonization with U.S. trading partners.

We are introducing digital technology to improve the subjective assessments made by inspectors and, in some instances, replace them with objective measures. The percentage of broken rice is a critical factor for producers and the rice industry. Using digital technology, we have improved the consistency of measurements and simultaneously reduced the analytical time by over 75 percent.

We are also working with stakeholders on grading standards to further facilitate trade. As the production of peas for feed has surged, as evident by a 108 percent increase in production from 2003 to 2004, a need for national feed pea standards has evolved. We are working to meet this need. As the global competition in soybean markets intensifies, we are collaborating with the soybean industry to determine whether changes in analytical methods and grading standards would improve the United States competitive position. One grading factor under review is test weight per bushel, a factor used to market soybeans in the United States for over a half century, but not used by our major international competitors. We are also working closely with the wheat industry to ensure the wheat standards facilitate the expansion of the new and evolving market for Hard White Wheat. All of these activities improve the American agriculture's ability to deliver the specific quality of grain desired by food manufacturers and consumers, and strengthen its competitive position in the global market.

In the biotechnology arena, we are improving the reliability and accuracy of testing for the presence of modern biotechnology-derived grains to help U.S. agriculture avoid market disruption as trading partners around the world implement new import requirements. Our Test Kit Evaluation Program validates the performance of commercially available rapid tests for biotechnology-derived grains. Our Proficiency Program improves the performance and reliability of Government and private laboratories that test for biotechnology-derived grains in the United States and worldwide. More than 100 organizations participated in the program in fiscal year 2004, compared to 22 in 2002.

In response to the results of the proficiency program, we are working to harmonize international reference materials and biotechnology measurement methods used in commerce to measure the level of biotechnology-derived events in raw agricultural products. The current focus of many laboratories is to assay for the presence or absence of a particular transgenic event, whereas the regulatory requirements evolving for agricultural products usually require reliable methods to measure the quantity of a biotechnology derived event.

Our international outreach goes beyond work in the area of biotechnology. We work cooperatively with other government agencies to support market development and remove obstacles to U.S. grain reaching world markets.

In recent years, we have focused on providing technical support to the Mexican and Asian markets. Last year, GIPSA worked with Mexico's private and public grain sectors to harmonize sampling and analytical methods with the goal of minimizing trade disruptions due to differences between GIPSA-certified quality and an importer's own quality assessment. We helped establish five grain inspection laboratories at major corn importing facilities in Mexico and trained personnel from Mexican commercial firms and government agencies on U.S. grain inspection policies and procedures. We also spearheaded the establishment of a Government-to-Government Grain Industry Consultative Group as a technical-level forum to address cross-border grain quality issues.

Since fiscal year 2002, GIPSA has placed a temporary duty officer in Asia to address immediate and long-term issues in the region, to promote a better understanding and adoption of United States sampling and inspection methods to minimize differences in inspection results and to develop face-to-face relationships with customers, USDA Cooperators and Government officials. In October 2005, we placed an officer in Kuala Lumpur for 2 months, and this representative will return to Kuala Lumpur for 2 more months beginning March 2005. Following the completion of this assignment, GIPSA will place another representative in the region for a 4-month assignment to continue our work in the region.

We also provide technical consultative services for international customers. During fiscal year 2004, GIPSA's consultative work included conducting assessments of agricultural standards and transportation management systems in South Africa, Botswana, Namibia, and Mozambique; helping establish grain inspection laboratories in Kenya, Uganda, and Tanzania; helping Egypt set up a biotech testing laboratory; helping Iraq set wheat contract terms that resulted in their importation of U.S. wheat, and giving a grain marketing seminar to Iraqi officials (in Jordan); working with Canadian and Mexican officials to establish a trilateral agreement on implementation of the Biosafety Protocol; continuing work with Chinese officials on trade issues to ensure their continued importation of U.S. soybeans; helping the USDA/Foreign Agricultural Service and Animal and Plant Health Inspection Service resolve various grain quality issues in other countries that would otherwise have restricted U.S. grain exports; and briefing visiting trade and governmental teams representing 55 countries around the world.

In addition to facilitating the marketing of U.S. grain by developing grain quality assessment methods and carrying out international outreach efforts, GIPSA admin-

isters a national inspection system comprising Federal, State, and private laboratories. These laboratories provide valuable service to all sectors of the grain industry on a user fee basis, 24 hours a day, 7 days a week. The world recognizes the certificates issued by these laboratories as the gold standard for grain quality certification. Buyers and sellers around the world have confidence in and rely on the GIPSA certificate to trade grain.

This confidence was earned. The dedicated Federal, State, and private employees of the national grain inspection system work tirelessly to ensure the integrity and reliability of the national inspection system. They issue over 3 million certificates annually, representing over 250 million tons of grain.

GIPSA continuously works to improve service delivery by this network of laboratories and meet the needs of a changing market. In fiscal year 2004, we revised the regulations on appeal inspections under the U.S. Grain Standards Act to streamline the process and better reflect market needs. These changes improved service delivery time and reduced operational costs to both GIPSA and the grain industry. We also revised sampling and inspection procedures to better meet the needs of exporters shipping grain in small containers rather than large bulk vessels. As a result of high freight rates for bulk ocean vessels and an abundant supply of containers, the U.S. grain market experienced a significant increase in the use of containers to ship export grain overseas, especially to Asian markets. This shipping mode, once reserved for specialty, high-value grain, was being used for basic commodity grain and shifted the need for inspection services at interior locations.

EGOVERNMENT SOLUTIONS

Our most ambitious undertaking to improve program operations and service to the public is a sweeping, multi-year project to upgrade information management systems and modernize our business functions. Our current information management system consists of several independent systems that have served specific purposes over the years well, but are not integrated. This has limited our ability to meet the growing demand for electronic, or web-based, delivery of our services. It also impedes our efforts to improve the cost effectiveness and efficiency of our internal business practices. The enterprise-wide system currently under development will modernize nearly every aspect of GIPSA operations and provide a great opportunity to improve current business practices and service delivery.

New funding provided in fiscal year 2005 along with the redirection of existing funds has enabled GIPSA to begin the modernization process. Currently funded components of the new system will be deployed incrementally between 2005 and 2007. We have requested additional funding in fiscal year 2006 to support this important long term initiative.

When completed, customers will have online access to the information and applications they need to file complaints with GIPSA via the Internet; receive status reports on a complaint; place claims against bonds required under the P&S Act; register as a grain exporter or livestock dealer; submit required annual reports; request grain inspection services; receive reports on service status; see the status of their user-fee account; and receive final certified results online which will, in turn, allow customers to integrate official inspection data into their own information and document management systems. Private and State inspection agencies interested in being authorized to provide official inspection services will also be able to apply for GIPSA designation and re-designation on-line. Once officially designated, these agencies will have direct access through the web to GIPSA's extensive quality assurance program to ensure their inspection results align with the official standards maintained by GIPSA.

This modernization effort will create synergy across GIPSA programs and data sources, allowing GIPSA to improve internal program efficiencies and effectiveness. This large multi-year initiative will deliver improved performance and reduce costs years into the future.

PROTECTING THE HOMELAND

In addition, GIPSA has dedicated resources to homeland security efforts. We continue to work closely with the USDA Office of Crisis Planning and Management (OCPM) to refine the Department's and the Agency's Continuity of Operations Plan (COOP) and to support and staff the Department's Crisis Action Team (CAT). In fiscal year 2004, GIPSA's COOP and CAT representatives participated in critical disaster-related exercises and training sessions.

We provided technical assistance related to homeland security issues to a number of industry and governmental groups, including the USDA Homeland Security Working Group; worked with the National Food Laboratory Steering Committee to

coordinate and integrate resources to support key components of the Food Emergency Response Network (FERN); and, in conjunction with USDA and the Animal and Plant Health Inspection Service, developed information for the USDA Sector Specific Plan that will be included in the National Infrastructure Protection Plan.

2006 BUDGET REQUEST

To fund important initiatives and address the Agency's responsibilities, GIPSA's budget request for fiscal year 2006 is \$40.4 million under current law for salaries and expenses and \$42.5 million for our Inspection and Weighing Services. These budgets include additional requests of \$442,000 for employee compensation; \$2,025,000 to continue the modernization of our information management systems and business functions; and \$950,000 for new grain testing measures. In addition our request includes a proposal to recover \$25 million through user fees to cover the costs of grain standardization activities and Packers and Stockyards program activities.

An increase of \$442,000 for employee compensation will enable GIPSA to meet its objectives consistent with the priorities established by the Secretary of Agriculture. This critically important increase is needed to support and maintain current staffing levels to meet the current and projected increased demand.

We are requesting an additional \$2,025,000 for our IT modernization initiative. This multi-year project will upgrade information management systems and modernize our business functions. This request includes \$1,000,000 to continue the development of eGov solutions; \$775,000 for the formation of an Information Disaster Recovery Program, essential as we deploy the eGov solutions and our employees and customers become increasingly dependent on web-based applications for daily operations; and \$225,000 for recurring costs associated with the operations of eGov solutions funded in fiscal year 2005 and deployed for operation.

We are also requesting an additional \$950,000 to develop new grain testing measures for ethanol co-products, wheat quality, and low linolenic soybeans. It is our responsibility to provide the U.S. market with the tools necessary to accurately and consistently measure a commodity's quality attributes, both chemical and physical, that our customers desire. New tests will facilitate the marketing of ethanol co-products, wheat, and low linolenic soybeans.

Part of our appropriation request will be derived from proposed new user fees. The budget proposes a collection of 4.3 million from grain standardization user fees and \$20.4 million from Packers and Stockyards program licensing fees. Both fees are proposed to assess those who benefit from the activities—the grain and livestock industries—rather than the general public.

CONCLUSION

Mr. Chairman, Members of the Committee, thank you for the opportunity to share some of the accomplishments made by our dedicated staff and highlight our future plans to facilitate the marketing of U.S. agricultural products and to promote fair and competitive trading practices for the overall benefit of consumers and American agriculture.

I would be pleased to address any issues or answer any questions that you may have.

Thank you.

PREPARED STATEMENT OF KENNETH C. CLAYTON, ACTING ADMINISTRATOR, AGRICULTURAL MARKETING SERVICE

Mr. Chairman and Members of the Committee, I am pleased to have this opportunity to represent the Agricultural Marketing Service in presenting our fiscal year 2006 budget proposal. To provide a starting point for discussion of our budget proposals, I would like to begin by reviewing our agency's mission and some of the programs through which we carry out that mission.

MISSION

The goal of the Agricultural Marketing Service—AMS—is to facilitate the marketing of agricultural products in the domestic and international marketplace, ensure fair trading practices, and promote a competitive and efficient marketplace to the benefit of producers, traders, and consumers of U.S. food and fiber products. We accomplish our mission through a wide variety of appropriated activities and through our user-funded grading, certification, and Perishable Agricultural Commodities Act programs.

MARKETING SERVICES

Our Marketing Services programs benefit agricultural producers, traders, and consumers of dairy products, fruits, vegetables, specialty crops, livestock and meat, poultry, and cotton. These programs facilitate marketing by providing information, technical expertise, and customer assurance.

Markets operate more efficiently when all parties have equal and ready access to current, unbiased market information so that agricultural producers and traders can determine the best place, price, and time to buy or sell. In order to provide this information, AMS Market News reports cover current prices, volume, quality, condition, and other market data on farm products in more than 1,300 production areas and specific domestic and international markets. Market News reports are disseminated within hours of collection via the Internet. The data is also made available through electronic means and the news media. AMS reporters collect market news data for over 700 commodities from buyers and sellers, mostly on a voluntary basis. However, Congress established Livestock Mandatory Price Reporting in 2000 to ensure that information on meat and livestock trades would continue to be available for producers in a consolidating industry. These data, including prices, contracts for purchase, and other related information, are publicly disseminated in over 100 daily, weekly, or monthly reports on fed cattle, swine, lamb, beef and lamb meat.

Another way to improve market efficiency is to develop commonly-recognized agricultural product descriptions for use in commercial sales and purchases. AMS' Standardization program works closely with interested parties in agriculture and the food marketing system to ensure that quality descriptions are aligned with current U.S. marketing practices. The agriculture industry uses these descriptions to convey commodity quality in purchase specifications and sales contracts. AMS Market News reports trading based on these commodity quality standards. AMS currently maintains about 600 U.S. agricultural quality standards for domestic and international trading of cotton, dairy products, fruits and vegetables, livestock, meat, poultry, eggs, and rabbits.

The Standardization program supports exports of U.S. agricultural products by representing the interests of U.S. producers in a variety of international standards development organizations. AMS experts continue to participate in developing international dairy, meat, poultry, fruit, and vegetable standards. Recently, AMS' cotton specialists have been working to facilitate cotton trading between the United States and China by helping China adopt instrument testing and calibration standards for cotton comparable to those used in the United States. Compatible standards and classing procedures are in the interest of the United States, since China is the world's largest importer of cotton and the United States is its biggest foreign supplier.

The National Organic Standards program provides assurance for consumers that organic products uniformly meet established requirements nationwide. The U.S. organic food industry has increased to a \$15 billion annual sales level and is still growing. AMS program staff works with the National Organic Standards Board to update and maintain a National List of approved and prohibited substances for organic production. AMS program personnel accredit State, private, and foreign certifying agents who certify that organic production and handling operations comply with national organic standards. By the end of 2004, AMS had accredited a total of 97 certifying agents—56 domestic and 41 foreign.

AMS also provides consumer assurance by collecting pesticide residue data and microbiological baseline data that helps to maintain domestic and export market demand for U.S. foods. In fiscal year 2004, the Pesticide Data program performed over 100,000 analyses on more than 12,000 samples. The data gathered and reported by AMS on pesticide residues and microbiological pathogens supports science-based risk assessments performed by regulating agencies.

Our Transportation Services program facilitates the movement of U.S. agriculture products to market. This program helps support farm income, expand exports, and maintain the flow of food to consumers by providing "how to" technical expertise, research, and data on domestic and international transportation to growers, producers, and others in the marketing chain, and for government policy decisions. The Transportation Services program also produces periodic publications that provide information for agricultural producers and shippers on various modes of transportation, including grain transportation, refrigerated transport, ocean rates and transportation trends, and agricultural containers.

Our Wholesale, Farmers, and Alternative Markets program experts, in cooperation with local and city agencies, assist local efforts to develop or improve wholesale and farmers market facilities, and to discover other direct marketing opportunities. This program also supports research projects on marketing channels and market

technology improvements, as well as numerous marketing conferences and workshops across the country.

PAYMENTS TO STATES AND POSSESSIONS

AMS' Payments to States and Possessions program is more commonly known as the Federal-State Marketing Improvement Program, or FSMIP. This program helps to resolve local and regional agricultural marketing problems by awarding Federal matching grant funds for projects proposed by State agencies. These matching grants are made available to State departments of agriculture and other State agencies for 25 to 35 projects each year, with the State agencies contributing at least half of the project cost. In 2004 the FSMIP program allocated grant funds to 23 States for 27 projects such as studies on linking producers with new buyer groups and innovative uses for locally important agricultural products.

SECTION 32

AMS' Section 32 program purchases perishable non-price supported agricultural commodities—meat, poultry, fruits, vegetables, and fish—to encourage the exportation and domestic consumption of agricultural commodities. The purchased foods are donated to the National School Lunch Program and other domestic nutrition programs. In fiscal year 2004, AMS purchased 1.52 billion pounds of commodities that were distributed by FNS through its nutrition assistance programs.

Section 32 of the Act of August 24, 1935 permanently authorized an appropriation equal to 30 percent of customs receipts for this purpose. These funds, plus unused balances up to \$500 million from the previous fiscal year, may be used by the Secretary to support markets by purchasing commodities in temporary surplus, for domestic nutrition assistance programs, for diversion payments and direct payments to producers, for export support, and disaster relief. AMS retains only a small percentage of the funds available under Section 32. In fiscal year 2006, 81 percent of the \$6.3 billion total will be transferred to FNS to administer the Child Nutrition Programs and 1 percent to the Department of Commerce for fishery products.

For 2006, AMS expects to obligate \$850 million, of which \$400 million will be spent on purchases for the Child Nutrition Programs. Most of the rest is available to AMS' commodity purchases program for emergency surplus removal. Section 32 funds also finance AMS' administrative costs for commodity purchasing activities and Federal administration of marketing agreements and orders, which help to stabilize market prices for milk, fruit, vegetables, and specialty crops.

My description of our programs is not complete without some discussion of our agency's extensive partnerships.

PARTNERSHIPS

AMS depends on strong partnerships with cooperating State and Federal agencies to operate many of our programs. State agency partners collect data, provide inspection, monitoring, and laboratory services for AMS, and otherwise maximize the value of both State and Federal resources through sharing and coordination. For instance, AMS' Market News program maintains cooperative agreements with 40 States to coordinate their local market coverage with the regional and national coverage needed for AMS market reporting. State employees who inspect shipments of seed within a State provide information to AMS' Federal Seed program on potential violations in interstate shipments. Our transportation and direct marketing programs work with Federal, State, city and local policy-makers to maintain an efficient national transportation system and expand and improve market outlets for U.S. agriculture.

Two AMS programs that could not function without their State partners are the Pesticide Data and Pesticide Recordkeeping programs. The Pesticide Data program depends on its State and Federal partners to collect and test the product samples on which program results are based. In fiscal year 2005, the program will direct about 80 percent of its funding to its eleven State partners in reimbursement for services provided. The information generated by the program can be utilized by other USDA agencies, academia, agricultural industry, international organizations, and global traders, as well as Federal agencies such as EPA and FDA for policy and regulatory actions. Our Pesticide Recordkeeping program depends on 36 States and territories that participate with AMS in record inspection activities, and all 50 States plus Puerto Rico are involved with educational programs for certified applicators. Other USDA agencies provide pesticide recordkeeping inspections under inter-agency agreements where State inspectors are not available. In fiscal year 2005, the program expects to complete nearly 4,000 compliance inspections of certified private

applicator records. These programs cannot operate without adequate reimbursement to the cooperating agencies—State and Federal—for their costs.

USDA food purchase programs have developed a partnership between USDA agencies that maximizes the unique expertise that each agency brings to the process. AMS works in close cooperation with both the Food and Nutrition Service (FNS) and the Farm Services Administration (FSA) to administer USDA's nutrition assistance and surplus commodity programs. AMS purchases the non-price supported commodities—meat, fish, poultry, egg, fruit and vegetable products—and FSA supplies the price-supported commodities—flours, grains, peanut products, cheese and other dairy products, oils and shortenings—that supply nutrition assistance programs administered by FNS such as the National School Lunch Program, the Emergency Food Assistance Program, and the Food Distribution Program on Indian Reservations, according to their needs and preferences.

To maximize the efficiency of food purchase and distribution operations, AMS, FNS, and FSA each provide a component of program administration according to their organizational structure and expertise, but the system is complex and requires close coordination. AMS and FSA purchase for FNS the entitlement commodities provided to schools. Schools and other nutrition assistance programs can also receive bonus commodities that are purchased to support agricultural markets through AMS' surplus commodity program. AMS and FSA are responsible for issuing and accepting bids, and for awarding and administering contracts. FNS is responsible for taking commodity orders from the States, monitoring purchases and entitlements throughout the year, and for the overall administration of the commodity nutrition assistance programs. Before a purchase is announced, AMS and FSA specialists work with potential vendors, FNS, and food safety officials to develop a specification for each product purchased that details product formulation, manufacturing, packaging, sampling, testing, and quality assurance. After market conditions, availability, and anticipated prices are assessed, and recipient preferences determined, AMS and FSA invite bids for particular United States produced and domestic origin food products under a formally advertised competitive bid program. Bids received from responsible vendors are analyzed and contracts are awarded by AMS and FSA. FSA administers the payments to vendors, ensures the proper storage of commodities when needed, and assists in their distribution. Approximately \$2.5 billion of commodities are purchased for all of the domestic and foreign food assistance programs every year and another \$1 billion in price support commodity products are maintained in inventory.

To better coordinate the operations between AMS, FNS, and FSA, and control the vast array of details inherent to the procurement process, the three agencies developed the Processed Commodities Inventory Management System, or PCIMS, more than eleven years ago to track bids, orders, purchases, payments, inventories, and deliveries. However, PCIMS is an aging system that often cannot be adequately modified to keep up with the agencies' business practice improvements, requiring program employees to develop electronic entries external to PCIMS and then update the system with the results. To resolve these problems and improve program operations, AMS, FNS and FSA have been working together to design a Web-Based Supply Chain Management System to replace PCIMS. We are requesting a funding increase in fiscal year 2006 to begin building the new system.

FISCAL YEAR 2006 BUDGET REQUEST

This leads us to our budget requests for fiscal year 2006. In Marketing Services, we propose to amend the Livestock Mandatory Price Reporting Act to continue the program and include pork cuts, implement a new verification program for Country of Origin Labeling, start building the Web-Based Commodity Supply Chain Management System, and increase financial support for our State partners in the Pesticide Data and Recordkeeping programs.

LIVESTOCK MANDATORY PRICE REPORTING

We are asking for an increase in program funding of \$545,000 to include pork cuts in the Livestock Mandatory Price Reporting, or LMPR, program. The mandatory reporting system was established in response to concerns of livestock producers over the diminishing availability of data caused by market concentration. Mandatory reporting has been successful—it reports 80 to 95 percent of transactions involving purchases of livestock and sales of boxed beef and lamb, lamb carcasses, and imported boxed lamb cuts. Under voluntary pork reporting, AMS is able to gather only about 5 percent of transactions. This proposal would increase reported data on pork cut trades to 80 percent. It will require packers to report on additional types of trades and products by including formula and contract transactions, as well as nego-

tiated sales, of domestic and export sales of pork cuts. Mandatory reported information will also include value-added and case-ready products not usually reported on a voluntary basis.

The addition of pork cuts under mandatory reporting requires an amendment to the Livestock Mandatory Reporting Act of 1999. USDA is also proposing an amendment to extend the mandatory reporting program, which currently expires September 30, 2005. USDA is reviewing the program's effectiveness and considering potential enhancements proposed by industry stakeholders, but supports continuation of LMPR.

COUNTRY OF ORIGIN LABELING

Our second increase request is for \$3.1 million to initiate a new Country of Origin Labeling, or COOL, program. We propose to establish a cooperative Federal-State surveillance and enforcement program that will verify that buyers are getting the required information concerning the source of covered commodities. Mandatory COOL provisions are in effect for fish and shellfish as of April 4 this year and on September 30, 2006, for the remaining commodities covered by the 2002 Farm Bill. During fiscal year 2006, we will establish an audit-based compliance system for fish and shellfish, and then will incorporate the remaining covered commodities—ground and muscle cuts of beef, pork, and lamb; fresh and frozen fruits and vegetables; and peanuts—after those provisions go into effect. Until the mandatory rule becomes effective and for 6 months following the effective date, we will focus our resources on industry education and outreach to ensure effective and appropriate implementation of the labeling requirements.

We plan to implement the audit-based surveillance activities through agreements with cooperating State government agencies. AMS will provide training and oversight, respond to formal complaints, conduct surveillance audits, and conduct educational activities. We will audit 5 percent of covered retailers, over 1,800 each year, to achieve a compliance rate beginning at 70 percent and rising to 95 percent by 2010. This program will ensure the public receives credible and accurate information on the country of origin for covered commodities while not overburdening the State agencies.

SUPPORT FOR COOPERATING STATES

We request \$889,000 to strengthen our financial support to our State partners for the Pesticide Data and Recordkeeping programs so that these programs can continue to function effectively. This increase will allow AMS to reimburse the States for rising costs, including salaries, benefits, and travel expenses incurred by State personnel in carrying out Federal program activities, and will help the States retain specialized and experienced personnel.

WEB-BASED SUPPLY CHAIN MANAGEMENT SYSTEM

For fiscal year 2006, AMS is requesting an increase of \$10 million in our Marketing Services account to develop WBSCM, a next-generation multi-agency food purchase and distribution tracking system which will significantly improve administrative efficiency and customer service. As I mentioned, this is a joint effort of AMS, FNS and FSA to establish a Web-Based Supply Chain Management system that can replace, and surpass, the functions of the current Processed Commodity Inventory Management System.

WBSCM has undergone extensive reviews within USDA and has been approved within the Department and by OMB as meeting e-government requirements. Once functioning, the new system will create a single point of access for customers, allowing the agencies to share information with them more quickly and conveniently. WBSCM will improve program efficiency by greatly reducing the time required for processing purchases; shortening delivery times; improving USDA's ability to collaborate with other Departments; improving reporting capability; reducing transportation, inventory, and warehousing costs; and enabling future system updates as needed. WBSCM is also designed so that it could eventually support agencies that manage similar commodity distribution programs for export. Although implementation of the new system will be a multi-year effort, increased efficiency, better coordination, and improved services should begin as soon as WBSCM is able to provide the services now being performed by PCIMS.

BIOTECHNOLOGY

The Biotechnology program is proposed for termination, reducing our Marketing Services budget by \$4 million. AMS had anticipated the need to respond to industry

requirements to differentiate between bioengineered and conventional commodities. However, technological issues and a lack of demand for fee-based quality assurance and laboratory accreditation services have reduced the need for such a program. Should demand for services become apparent, AMS will work with the affected industries to determine if alternative mechanisms can be utilized to facilitate the movement of agricultural commodities.

USER FEES

Our Marketing Services request also reflects \$2.9 million in new user fees based on a proposed legislative change that would convert most of our domestic standards activities to user-fee funding. USDA has proposed an amendment to the Agricultural Marketing Act of 1946 that will authorize the agency to implement, collect, and retain user fees for domestic standards that are associated with AMS grading and certification services.

BUDGET REQUEST SUMMARY

Our budget request includes \$84 million for Marketing Services. We request \$1.3 million in FSMIP grants funding—a decrease of \$2.5 million that was provided in fiscal year 2005 to support Wisconsin products. For administration of Section 32 activities, we request \$11.5 million to support commodity purchasing and \$16.1 million for the Marketing Agreements and Orders program. Our Marketing Services and Section 32 administrative funding requests include an increase for pay costs. Thank you for this opportunity to present our budget proposal.

Senator BENNETT. Thank you.
Dr. Pierson.

STATEMENT OF DR. MERLE D. PIERSON

Dr. PIERSON. Mr. Chairman, Senator Kohl, I am pleased to appear before you today to discuss the status of the Food Safety and Inspection Service programs and our fiscal year 2006 budget request.

PATHOGEN REDUCTION

Excellent progress has been made in improving the safety and security of the U.S. meat, poultry, and egg products supply. And as a result of implementing science— and risk-based policies, we have seen significant reductions in *E. coli* O157:H7, *Listeria monocytogenes*, and *Salmonella* in FSIS regulated products. Also there has been a dramatic decline in recalls.

What has been the impact of our science-based policies on public health? The Centers for Disease Control and Prevention will be publishing tomorrow a report that analyzes food-borne disease data for 2004. I am pleased to tell you that the CDC report will state that for 2004, there were important declines in food-borne illness.

For *E. coli* O157:H7, there was a 42 percent decrease from the 1996–1998 baseline, a continuation of last year’s downward trend. For *Campylobacter*, the decrease from the baseline was 31 percent. *Listeria monocytogenes*, 40 percent, and *Salmonella*, 8 percent.

While we have made considerable progress, there is more to be done. The USDA is committed to further protecting public health through our continuing programs, such as those described, as well as several science-based initiatives that we are now working on.

FISCAL YEAR 2006 BUDGET REQUEST

For fiscal year 2006, FSIS is requesting an appropriation of \$849.7 million. The fiscal year 2006 budget requests an increase of

\$19.5 million to support a food and agriculture defense initiative in partnership with several other Government agencies.

The budget request includes an increase of \$13.9 million to provide for a 2.3 percent pay raise for FSIS employees. In addition, we are requesting \$2.2 million in order to fill supervisory and administrative duties as we make better use of the scientific skills of our veterinary medical officers. And \$139 million is proposed to come from a new user fee.

PREPARED STATEMENTS

Mr. Chairman, thank you for providing me the opportunity to speak about these issues and our progress and to submit written testimony, which is much more extensive than I have just given you. I certainly do promise you that we will do our best to remain a world leader in public health.

[The statements follow:]

PREPARED STATEMENT OF DR. MERLE PIERSON

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today to discuss the status of the Food Safety and Inspection Service (FSIS) programs and the fiscal year 2006 budget for food safety within the U.S. Department of Agriculture (USDA). I am Dr. Merle Pierson, Acting Under Secretary for Food Safety. With me today is Dr. Barbara Masters, Acting Administrator of FSIS.

As we begin another new year at USDA, I am proud to emphasize several areas where we have used science based policies to effectively protect the health and well being of millions of consumers worldwide. These successes would not have been possible without the resources you have so generously given to us. I also will share with you our goals for this year, and will conclude with a discussion of the fiscal year 2006 budget request.

The crux of our public health challenge centers on combating biological, chemical, and physical hazards that range from the easily understood to those that evolve and present new and complex challenges. Thus, we must not only rely on existing knowledge and strategies for food safety, but also continue to introduce and evaluate new approaches. For me, as someone who has spent their entire career as a food scientist, I am particularly proud of the work our office and FSIS has done in developing science based policies to improve the safety and security of the U.S. meat, poultry, and egg products supply.

Evaluating the Effectiveness of the 2004 Vision

While there are many approaches to measuring success, we looked at indicators related to public health outcomes and pathogen reduction. Such an evaluation is essential in determining the success of our strategies and developing new ways to combat threats to public health. In our high-speed, fast-food world, it can be difficult for some to understand that successful science is not immediate gratification and it is not easily measured. But over time, positive results, or I should say, dramatic declines in foodborne illnesses or incidence of pathogens in products, show that our risk based approach is working.

Breaking the Cycle of Multi-Million Pound Recalls

One indication of our progress is that we have seen a break in the annual cycle of multi-million pound recalls. Through the use of risk assessments, working with partners along the farm-to-table continuum, and basing our policies on sound science, we have been able to break this vicious cycle. I will illustrate this by discussing our E. coli O157:H7, Listeria monocytogenes, and Salmonella policies.

After a comprehensive risk assessment on E. coli O157:H7 was completed, we developed additional strategies to eliminate this pathogen in beef establishments. We required all of the approximately 2,900 beef slaughter and processing establishments to reassess their Hazard Analysis and Critical Control Point (HACCP) plans relative to the potential presence and control of E. coli O157:H7 in raw beef. Then our scientifically trained personnel conducted the first-ever comprehensive reviews of the reassessed HACCP plans.

I believe this type of forward thinking initiated by USDA/FSIS will continue to contribute to the dramatic improvements we have been seeing. For instance, let's

take a look at results from our microbiological surveillance testing program for *E. coli* O157:H7 over the past 4 years.

- In CY 2001, our testing program yielded 59 positive results out of 7,010 samples;
- In CY 2002, there were 55 positive results from 7,025 samples;
- In CY 2003, there were 20 positives out of 6,584 samples; and
- In CY 2004, there were only 14 positives out of 8,010 samples.

The effectiveness of using sound science is also evident when we look at *Listeria monocytogenes*. Our 2003 interim final rule on control of *Listeria monocytogenes* in ready-to-eat (RTE) meat and poultry products, based on a thorough risk assessment, outlined three strategies that an establishment could choose from to control the pathogen depending on its product(s) and the environment in which it operates: Alternative 1, provides for a combination of a post-lethality treatment and a growth-suppressing agent or process; Alternative 2, provides for either a post-lethality treatment or a growth-suppressing agent or process; and Alternative 3, relies on sanitation as the primary mitigation. In January 2005, FSIS revised its sampling verification procedures so that more product samples are collected when an establishment relies solely on sanitation practices for *Listeria monocytogenes* control, while fewer samples are analyzed in situations where an establishment has more aggressive process control measures and interventions.

In 2003, we released data that showed a 25 percent drop in the percentage of positive Lm regulatory samples from the year before, and a 70 percent decline compared with years prior to the implementation of HACCP.

Our science based initiatives, including those used to counter *E. coli* O157:H7, have played a significant role in also reducing the prevalence of *Salmonella* in raw meat regulatory samples. If we look at the percentage of regulatory samples positive for *Salmonella* from our scientific HACCP verification testing program, we see an overall aggregate downward trend from 1998 through 2003. *Salmonella* presence in raw meat and poultry regulatory samples has dropped substantially over the past 6 years. Out of the number of regulatory samples collected and analyzed by FSIS in 2003, 3.8 percent tested positive for *Salmonella*, as compared with 4.29 percent in 2002, and 10.65 percent in 1998.

While the regulatory prevalence of *Salmonella* across all seven product categories tested continued to decrease in 2003, we are concerned that the percentage of positive *Salmonella* tests increased slightly in three poultry categories. FSIS has been examining *Salmonella* testing data from 1998 to the present in order to clearly identify those plants displaying negative performance trends. Enforcement Investigations and Analysis Officers can now conduct in-depth HACCP and sanitation verification reviews at those facilities to help ensure that this increase does not continue. FSIS compares regulatory testing results to pre-HACCP baseline prevalence to provide context to the yearly data. These 2003 numbers are still under the standard for the aggregate data, but FSIS is working aggressively to reverse the upward trend.

Let me also add that when there has been foodborne illness, FSIS aggressively explores both epidemiological links to products from individual establishments as well as conducts a food safety assessment to determine whether or not insanitary conditions exist. If the epidemiological link is found or insanitary conditions exist, appropriate regulatory enforcement action is taken.

I have provided a brief overview of some of the measures I believe have broken the annual cycle of multi-million pound recalls. I would like to mention trends we are seeing in recall data.

In the late-1990s, the number of recalls had been increasing steadily with at least one multi-million pound recall being conducted every year; however, this trend has dramatically changed in the past 2 years.

- In 1997, there were 27 recalls;
- Followed by 44 recalls in 1998;
- 58 recalls in 1999;
- 76 recalls in 2000;
- 87 recalls in 2001; and
- Reaching an all-time high of 113 recalls in 2002.

After we implemented the science based policies I mentioned earlier, we saw a dramatic decline in recalls, culminating in a reduction of nearly 18 percent in the number of pathogen-related recalls, from 28 in 2003, to 23 in 2004. While this is certainly good news, we still have areas of concern. One of the areas of concern is an increasing trend in the percentage of recalls triggered by undeclared allergens. This is a troubling development. We have alerted industry of our concerns and are currently taking case-by-case action and are looking at broader policies to address it industry-wide.

Perhaps even more dramatic is the fact that 2004 marked the second year in a row that we did not have a multi-million pound recall of meat or poultry in the United States. The decline in the number of recalls is just one of several indicators that highlight the dramatic improvements that can be achieved in our food safety system when government, industry, consumers, and academia work together and use science as a guide. Another measure of progress came from a Gallup poll released this past August. It found that more than 85 percent of Americans are confident in the Federal Government's ability to protect our food supply.

Declining Foodborne Illnesses

This news is encouraging, but the most significant measure of public health impact is the annual report published by the Center for Disease Control and Prevention (CDC) last spring in which they reported significant declines from 1996 to 2003 in illnesses caused by *E. coli* O157:H7, *Salmonella*, *Campylobacter*, and *Yersinia*.

Specifically to the products USDA regulates, the CDC reported that illnesses caused by *Salmonella* Typhimurium, typically associated with meat and poultry, decreased by 38 percent from 1996 to 2003. Human illnesses caused by *E. coli* O157:H7, often associated with ground beef, declined 42 percent from 1996 to 2003. The decrease in *E. coli* O157:H7 infections occurred primarily during 2002–2003.

The CDC attributes the changes in the incidence of these infections in part to the control measures implemented by government and industry leaders, enhanced food-safety education efforts, and increased attention by consumer groups and the media. We are hopeful that if we continue on our current course, this reduction will not be just for 1 year, but will continue from now until we have achieved the greatest reduction possible in the illnesses caused by these pathogens.

Bovine Spongiform Encephalopathy

Science based policies and recalls are two tangible methods that external parties see USDA conducting to protect public health. However, a significant amount of public health protection comes from the extensive strategic planning efforts to improve our systems and infrastructure that are not as easily recognized. I mention this in reference to the first case of bovine spongiform encephalopathy (BSE) detected in the United States in December 2003.

The December 23, 2003, detection of a BSE positive cow, originally from Canada, at a slaughter operation in Washington State could be seen by many as a precursor to the implementation of our BSE measures. However, we had completed an extensive amount of groundwork on FSIS' four BSE measures before USDA's major policy announcements on December 30, 2003. Our swift actions were unprecedented. The process for publishing FSIS' interim final rule on BSE normally would have taken several months; however, with the prior strategic planning this normally daunting task was achieved in less than 2 weeks, and was done at the time with an eye for protecting public health. Our BSE regulations add a significant level of protection to an already robust food safety system. FSIS' BSE related interim final rules will be published as final rules following an analysis of the more than 22,000 comments received on the interim final rules and the BSE Advance Notice of Proposed Rule-making (ANPR) as well as completion of the Animal and Plant Health Inspection Service (APHIS) enhanced BSE surveillance program and the Harvard BSE risk reassessment.

Training for the Mission

Strong, science-based regulations and policies are merely words on paper without personnel trained to carry them out. I would like to thank the Congress, and this Subcommittee in particular, for the record level of funding it has provided us in the area of training and education. Each training accomplishment directly correlates to improvements in the safety and security of the U.S. meat, poultry, and egg supply. We are extremely proud of our efforts in this area and I would like to share some of our successes with you today.

A large segment of our inspection program personnel is receiving intensive training in sanitation procedures and Hazard Analysis and Critical Control Point (HACCP) system principals, based on the type of products produced at the establishments where the inspectors are assigned. We expect to have this segment of our workforce fully trained by the end of the current fiscal year. In 2003, FSIS inaugurated Food Safety Regulatory Essentials (FSRE) training, which was designed to better equip inspection personnel in verifying an establishment's HACCP food safety system. All participants receive training in the fundamentals of inspection, covering HACCP, the Rules of Practice, Sanitation Performance Standards, and Sanitation Standard Operating Procedures. This program also provides food safety training based on the types of products being produced at the establishments where inspec-

tors are assigned. In fiscal year 2004, 1,700 individuals received the Agency's FSRE training, more than doubling the amount of students trained in fiscal year 2003.

FSIS has also initiated a comprehensive multi-year training and education effort designed to ensure that every FSIS employee fully understands their role in preventing or responding to an attack on the food supply. To date, over 5,000 employees have received food security training. The Law Enforcement Academic Research Network (LEARN), which is carrying out the training, has stated that this effort is unparalleled in the Federal sector since training is being provided to such a broad base of our employees.

Furthermore, FSIS has successfully launched training for newly hired Public Health Veterinarians (PHVs) and for newly hired food inspectors. We are also going back to train "new hires" to ensure that employees who did not initially receive this training are now fully equipped with the latest scientific knowledge. In addition, we now require entering Consumer Safety Inspectors to undergo and pass FSRE training. We are also in the process of implementing policies to require passage of mandatory training courses for entering Enforcement Investigations and Analysis Officers (EIAOs) and for PHVs. Specifically in 2005, we plan to provide training for 1,200 food inspectors, 400 PHVs, 200 EIAOs, 75 import inspectors, and 40 front line supervisors. We also plan to provide FSRE training for 1,400 Agency personnel. I also would like to note that we offer seats in our workforce training courses to State inspection personnel.

These numbers are impressive, but what is even more meaningful are the systematic changes at FSIS that this training effort has brought. Our workforce is becoming the most scientifically trained in the world. While we know these are merely the first steps, and that this knowledge still needs to be extended to all our employees, we have embarked on a path that will bring added protections to public health for generations to come.

Food Security

Ensuring the security of FSIS inspected products is indeed an awesome responsibility, and it is one which FSIS and its predecessor agencies have been equipped to handle for almost a century. Over the past several years, we have strengthened our focus on both intentional and unintentional contamination by conducting risk and vulnerability assessments. Specifically for food security, vulnerability assessments have provided a solid foundation from which we have launched many important initiatives to safeguard our food supply from any intentional threats.

We have found these assessments are very powerful risk management tools that can be used to develop strategies and policies that reduce or eliminate the potential risk at vulnerable points along the farm-to-table continuum. It is difficult to manage a threat when we are unsure of its scope, so it was especially important to take a broad look when developing the risk assessments.

The vulnerability assessments we conducted provided us the vital data regarding risks in our system that otherwise would not have been as apparent to us if we had not conducted them. If we had made food security decisions without performing vulnerability assessments, it would have been akin to aiming at a target in the dark without night-vision goggles. We would have had no idea if we had hit our mark. And when that mark is the security of the food on American tables, accuracy is crucial.

What we gleaned from these vulnerability assessments helped us develop more effective intervention strategies, especially when it comes to surveillance and incident response plans. The assessments allowed us to rank food products and potential contaminating agents in order of highest concern. By using this risk based ranking, during periods of heightened awareness, our laboratories can examine samples for threat agents posing the greatest risk as identified in our vulnerability assessments.

Communications

Public health benefits from our efforts in training and in food security cannot be fully realized without a comprehensive and cohesive communications infrastructure. For example, the highly trained import inspector may only have a few critical moments to alert his colleagues across the country in the event of a food security incident. Without "real time" information, inspectors in Montana may not know to stop a suspect cargo. In an emergency, the American public cannot afford for precious seconds to be lost while information slowly synchronizes over outdated modems. We are maximizing the effectiveness of our resources in this area and continue to work towards seamless integration, both internally and with our other food safety partners.

To be a successful public health Agency, our employees need the right information to do their jobs. This information needs to be communicated quickly and accurately,

ensuring public health will be protected. Data that is delayed is less useful and in extreme circumstances could have limited value because it is too late and could threaten the safety of our meat, poultry, and egg product supply. It is vitally important that the Agency continue to receive the necessary funds to develop and upgrade its information technology systems, which will improve efficiency and enhance communication among all FSIS employees. For FSIS, the use of databases to track inspection program tasks is essential for food safety verification. It is a vital communication resource whereby inspectors can enter information about their daily food safety, security, and humane handling verification duties. Because of our public health mission, real-time information and connectivity is vital, especially between key sites for our inspection program personnel. This is particularly important because FSIS has a geographically dispersed workforce. Managers in the field and at headquarters must make crucial management decisions based on tracking and analyzing information from their employees and the establishments they regulate. A rapid exchange of information with the field is critical for FSIS supervisors and managers to make better informed decisions on food safety and security issues, thus better protecting public health. We seek your continued support in this area.

Humane Handling and Slaughter Activities

FSIS continues to ensure compliance with the Humane Methods of Slaughter Act (HMSA) in livestock slaughter establishments that operate under Federal inspection. As part of their routine, ongoing and continuous inspection and enforcement duties, all FSIS inspection personnel are expected to take appropriate action, including suspending operations, if appropriate, of a livestock slaughter establishment if they observe any violations of HMSA. Further, all FSIS inspection personnel are trained and held accountable for enforcing HMSA during the slaughter process.

District Veterinary Medical Specialists (DVMSs) provide technical expertise and oversight for HMSA-related activities, and ensure that humane handling and slaughter activities and enforcement are handled consistently by inspection program personnel. The Agency's DVMSs and Deputy District Managers meet periodically as a group at the Technical Service Center in Omaha, Nebraska, to correlate on humane enforcement issues, and, in fact, one such meeting was just held in March 2005.

FSIS has continued to refine humane handling verification and tracking procedures for inspection personnel. On February 18, 2005, the Agency issued FSIS Notice 12-05, to provide inspection personnel with additional information for humane handling and slaughter verification activities related to animal stunning and procedures for checking for conscious animals.

Future Initiatives

While we have made considerable progress, I stress that there is more to be done to decrease the number of foodborne illnesses in the United States even further. USDA is committed to further improving public health through food safety and security through our continuing programs such as those I have described as well as several science-based initiatives I would like to mention.

Enhanced Data Integration

In order to better protect public health, our first initiative is to anticipate and predict food safety risks through enhanced data integration. One significant way to accomplish this is through the analysis of FSIS regulatory sampling data, as well as other sources of data, including baseline studies, in order to detect trends and identify connections between persistence, prevalence, and other factors such as practices employed by plants, seasonal variations, and establishment size.

However, there is a missing link here. FSIS would need access to industry data. Including data collected by the establishment would add robustness to FSIS' information and improve the quality and validity of decisions that are made. Ensuring the availability of data to FSIS from industry, academia, States, consumers, and others will be necessary to help us protect food safety risks. One way to accomplish this may be through the establishment of a repository to provide data integrity and confidentiality. We are examining this initiative and will have more details available in the near future.

Associate Program Outcomes to Public Health Surveillance Data

Our next initiative is to improve the association of program outcomes to public health surveillance data. We are working closely with the CDC and the Department of Health and Human Services' Food and Drug Administration (HHS-FDA) to improve our ability to link foodborne illness estimates with different food groups. Data on foodborne illnesses due to specific pathogens needs to be connected with prevalence data for different pathogens in specific foods.

The Foodborne Diseases Active Surveillance Network, or FoodNet, allows FSIS and our Federal, State, and local food safety partners to integrate this data by determining the burden of foodborne disease, monitoring foodborne disease trends, and determining the extent of foodborne diseases attributable to specific foods. By comparing and contrasting the characteristics of pathogens recovered from food samples with those recovered from foodborne illness patients, we are able to improve our ability to link foodborne illness data with specific foods.

As indicated from my overview earlier of our accomplishments, USDA and its partners have made significant and dramatic improvements in food safety since the implementation of HACCP as the driving component of FSIS' enforcement of the Federal Meat Inspection Act and the Poultry Products Inspection Act. The number of foodborne illnesses attributed to FSIS-regulated products has declined markedly as have the rates of contamination in regulatory samples. However, the implementation of our new science-based initiatives is critical for us to strengthen our food safety infrastructure even further. Enhancing data integration and improving the association of program outcomes to public health surveillance data will provide the additional, essential tools we need to improve public health.

Fiscal Year 2006 Budget Request

I appreciate having the opportunity to discuss a number of FSIS' accomplishments with you. Now, I would like to present an overview of the fiscal year 2006 budget request for FSIS.

Implementation of these budget initiatives is imperative to helping us attain FSIS' public health mission. In fiscal year 2006, FSIS is requesting an appropriation of \$849.7 million, a net increase of about \$32.5 million from the enacted level for fiscal year 2005, which includes \$139 million to be derived from proposed new user fees from the industry.

Food and Agriculture Defense Initiative

The fiscal year 2006 budget also requests an increase of \$19.5 million for FSIS to support a food and agriculture defense initiative in partnership with other USDA agencies, the Department of Health and Human Services and the Department of Homeland Security (DHS). Food contamination and animal and plant diseases can have catastrophic effects on human health and the economy. The three Federal departments involved are working together to create a comprehensive food and agriculture policy that will improve the government's ability to respond to the dangers of disease, pests, and poisons, whether natural or intentionally introduced. Our food and agriculture defense initiative has five components:

- The Food Emergency Response Network (FERN);
- Data systems to support the FERN;
- Enhancing FSIS laboratory capabilities;
- Biosurveillance; and
- Follow-up bio-security training.

For FERN we are seeking an increase of \$13 million; for FERN data systems we are asking for an increase of \$2.5 million; for enhancing laboratory capabilities we are requesting \$2.5 million; for biosurveillance we are requesting an increase of \$417,000; and for bio-security training we are seeking an increase of \$1 million.

The first component of the food and agriculture defense initiative is FERN, a coordinated initiative between FSIS and the Department of Health and Human Services' Food and Drug Administration (FDA) to develop an integrated network of Federal, State, and local laboratories. FERN is an integrated laboratory network capable of providing ongoing surveillance and monitoring of the food supply, as well as conducting the extensive testing necessary in the event of a terrorist attack on the food supply. The FSIS fiscal year 2006 budget request for FERN seeks an increase of \$13 million from fiscal year 2005 which will enable the Agency to manage, maintain, and expand on the existing group of FERN labs. These funds will improve the Agency's ability to handle the greatly increased number of samples that would be required to be tested in the event of a terrorist attack on the meat, poultry or egg products supply. These State and local laboratories in the FERN network would play an essential role in conducting this expanded testing.

The second and third components of the food and agriculture defense initiative provide further support to FERN. The electronic laboratory exchange network (eLEXNET) is a national, web-based, electronic data reporting system that allows analytical laboratories to rapidly report and exchange standardized data. The fiscal year 2006 budget request would provide funding needed to make eLEXNET available to additional FERN and other food-testing laboratories nationwide. In turn, the budget request would enhance FSIS' laboratory capabilities in order to detect new bioterror-associated agents, and to ensure FSIS' capability and capacity to perform

the toxin and chemical testing that will be standardized across all FERN laboratories.

Fourth, the food and agriculture defense initiative will allow FSIS to participate in an interagency biosurveillance initiative that would improve the Federal Government's ability to rapidly identify and characterize a potential bioterrorist attack. Funding this initiative will improve Federal surveillance capabilities and enable FSIS to integrate with DHS to compile FSIS surveillance information rapidly with threat information. This funding would also allow FSIS to focus its resources on the vulnerable products and processes identified during the Agency's vulnerability assessments of imported and domestic products and establish a Foodborne Disease Surveillance Communication system to coordinate with DHS systems.

Because the realm of biosecurity is ever changing, FSIS must provide its workforce with the most up-to-date information possible to ensure that meat, poultry, and egg products are protected from intentional contamination. Therefore, the final component of the food and agriculture defense initiative is follow-up biosecurity training of the workforce. This additional training is essential as part of the ongoing effort to protect the public by educating the workforce regarding the latest Agency policies, threat agents, and countermeasures to those agents.

Public Health Training

The maturation of HACCP has widened the scope of all front-line inspection duties. While slaughter line inspectors have largely retained their traditional tasks, other front-line personnel have acquired more complex responsibilities related to public health, including food safety assessments, food security, and documentation and analysis to support detentions, recalls, or other enforcement actions.

Further integrating front-line inspection and science will allow scientifically-trained FSIS personnel to most effectively utilize their expertise. For instance, FSIS intends to fully employ the scientific skills of its Public Health Veterinarians—systems analysis, epidemiology, biostatistics, microbiology, pathology, and toxicology—to safeguard public health. Accordingly, FSIS has been revising veterinary work assignments so that PHVs spend 25 percent of their time on public health assessment and assurance. As part of the fiscal year 2006 budget request, FSIS is requesting an increase of \$2.2 million for relief positions so that the Agency can take full advantage of the training, experience, and responsibilities of these highly-trained PHVs. The Agency and the public will benefit from more effective utilization of the technical knowledge and skills of our veterinarians through their expanded public health activities.

Supporting FSIS' Basic Mission

The FSIS budget request for fiscal year 2006 supports the Agency's basic mission of ensuring that the Nation's commercial supply of meat, poultry, and egg products is safe, wholesome, and correctly labeled and packaged.

In order to fulfill the Agency's statutory obligations to provide continuous inspection of meat, poultry, and egg products, the budget requests an increase of \$13.9 million for the FSIS inspection program to provide for the 2.3 percent pay raise for FSIS employees in fiscal year 2006 and to assure that the Agency is provided sufficient funds to maintain programs without disruption to industry operations.

User Fee Proposal

In fiscal year 2006, FSIS estimates it will collect \$122.9 million in existing annual user fees to recover the costs of overtime, holiday, and voluntary inspection. Of the \$849.7 million requested in the fiscal year 2006 budget, \$139 million is proposed to be derived from a new user fee that would recover the costs of providing inspection services beyond an approved 8-hour primary shift. A legislative proposal authorizing this new fee will soon be submitted to Congress. This will result in significant savings for the American taxpayer.

Closing

We will continue to engage the scientific community, public health experts, and all interested parties in an effort to identify science-based solutions to public health issues to ensure positive public health outcomes. It is our intention to pursue such a course of action this year in as transparent and inclusive a manner as is possible. The strategies I discussed today will help FSIS continue to pursue its goals and achieve its mission of reducing foodborne illness, and protecting public health through food safety and security.

Mr. Chairman, thank you again for providing me with the opportunity to speak with the Subcommittee and submit testimony regarding the steps that FSIS is taking to remain a world leader in public health. I look forward to working with you

to improve our food safety system, ensuring that we continue to have the safest food supply in the world.

PREPARED STATEMENT OF DR. BARBARA J. MASTERS, ACTING ADMINISTRATOR, FOOD SAFETY AND INSPECTION SERVICE

Mr. Chairman and members of the Subcommittee, I am pleased to be here today as we discuss public health and the U.S. Department of Agriculture's (USDA) fiscal year 2006 budget request for the Food Safety and Inspection Service (FSIS).

FSIS has a long, proud history of protecting public health. The Agency was established under its current name by the Secretary of Agriculture on June 17, 1981, and its history dates back to 1906. FSIS' mission is to ensure that meat, poultry, and egg products distributed in interstate commerce for use as human food are safe, secure, wholesome, and accurately labeled. FSIS is charged with administering and enforcing the Federal Meat Inspection Act (FMIA), the Poultry Products Inspection Act (PPIA), the Egg Products Inspection Act (EPIA), and the regulations that implement these laws.

Ensuring the safety of meat, poultry, and egg products requires a strong infrastructure. To accomplish this task, FSIS has a large workforce of approximately 10,000 employees, most of whom are stationed throughout the country and are present in plants everyday. In fiscal year 2004, over 7,500 inspection personnel stationed in about 6,000 federally inspected meat, poultry, and egg products plants verified that the processing of 43.6 billion pounds of red meat, 52.8 billion pounds of poultry, and approximately 4 billion pounds of liquid egg products complied with statutory requirements. In addition, approximately 4.2 billion pounds of meat and poultry and approximately 12.1 million pounds of egg products were presented for import inspection at U.S. ports and borders from 27 of 33 countries that we have determined have inspection systems equivalent to our own. Ensuring that these products are safe, secure, and wholesome is a serious responsibility.

As you are well aware, these are compelling times in food safety, and it is because of your support that we are making real progress in improving the safety of the U.S. food supply. I would like to thank you for providing FSIS the necessary resources to ensure the safety of the food supply. In fiscal year 2005, FSIS received \$7.2 million for important training activities, including entry-level field employee training, Food Safety Regulatory Essentials training (FSRE), and bio-security training. These funds are helping to move the public health agenda forward dramatically. Now, I would like to tell you about our accomplishments during the past year, and about our priorities for better ensuring the safety and security of meat, poultry, and egg products in the future.

FOOD SAFETY ACCOMPLISHMENTS DURING 2004

The American public remains confident in the safety of the U.S. meat, poultry, and egg supply, in part due to the many food safety accomplishments FSIS made in 2004. In August of 2004, a Gallup poll found that more than 85 percent of Americans are confident in the Federal government's ability to protect our food supply.

During the past year, FSIS has continued to make progress in breaking the cycle of foodborne illness through vigilant testing and science-based policies. The 2004 annual Centers for Disease Control and Prevention (CDC) report on the incidence of infections from foodborne illness showed significant declines from 1996 to 2003 (inclusive) in the incidences of *Yersinia* infections (down 49 percent), *E. coli* O157:H7 (down 42 percent), *Campylobacter* (down 28 percent), and *Salmonella* (down 17 percent).

The decrease in *E. coli* O157:H7 infections occurred primarily during 2002–2003. We anticipate this downward trend to continue when the next annual CDC report is released this spring. The CDC report attributes the changes in the incidence of these infections in part to the control measures implemented by government agencies and the food industry, as well as enhanced food safety education efforts. The CDC report noted that the decrease in human *E. coli* O157:H7 infections in 2003 followed an October 2002 FSIS notice to manufacturers of raw ground beef products that they reassess their HACCP plans regarding this pathogen. Our FSIS experience noted declines in the frequency of *E. coli* O157:H7 contamination of ground beef for 2003 and 2004.

Progress continues in combating *E. coli* O157:H7. After a comprehensive risk assessment on *E. coli* O157:H7 was completed, we required all of the approximately 2,900 beef slaughter and processing establishments to reassess their HACCP plans relative to the potential presence and control of *E. coli* O157:H7 in raw beef. Then,

our scientifically trained inspection program personnel conducted the first-ever comprehensive reviews of the reassessed HACCP plans.

The same rigorous scientific and risk-based approach that CDC attributes to the reduction of *E. coli* O157:H7 illness was used in the formulation of the *Listeria monocytogenes* rule that became effective October 6, 2003. Since implementation of the interim final rule, 57 percent of establishments that were not already testing for the pathogen have now begun testing, 27 percent have initiated the use of an antimicrobial agent to inhibit the growth of this organism, and 17 percent started using post-lethality treatments.

Our 2003 interim final rule on control of *Listeria monocytogenes* in ready-to-eat (RTE) meat and poultry products, based on a thorough risk assessment, outlined three strategies that an establishment could choose from to control the pathogen depending on its product(s) and the environment in which it operates: Alternative 1, provides for a combination of a post-lethality treatment and a growth-suppressing agent or process; Alternative 2, provides for either a post-lethality treatment or a growth-suppressing agent or process; and Alternative 3, relies on sanitation as the primary mitigation. In January 2005, FSIS revised its sampling verification procedures so that more product samples are collected when an establishment relies solely on sanitation practices for *Listeria monocytogenes* control, while fewer samples are analyzed in situations where an establishment has more aggressive process control measures and interventions.

Other indicators of success in combating these pathogens include a decrease in the number of recalls initiated for *E. coli* O157:H7, *Listeria monocytogenes*, and *Salmonella*. After we implemented the science based policies I mentioned earlier, we saw a dramatic decline, culminating in a reduction of nearly 18 percent in the number of pathogen-related recalls, from 28 in 2003, to 23 in 2004. While this is certainly good news, we still have areas of concern. One of these is an increasing trend in the percentage of recalls triggered by undeclared allergens. This is a troubling development. We have alerted industry of our concerns and are currently taking case-by-case action and are looking at broader policies to address it industry-wide.

We are also further strengthening the partnerships we have with our sister agency, the Animal and Plant Health Inspection Service (APHIS), and are participating in its enhanced bovine spongiform encephalopathy (BSE) surveillance program. Under the program, FSIS collects samples from all antemortem condemned cattle, except for veal calves not exhibiting central nervous system symptoms, and provides the samples to APHIS for BSE testing. Condemned cattle have never been allowed to enter the food supply. The goal of the APHIS surveillance program is to test as many high risk cattle as possible during a 12 to 18 month period to determine the prevalence of BSE in cattle in our country. In calendar year 2004, 176,468 cattle were tested throughout the United States, compared to 20,543 in 2003.

HUMANE HANDLING AND SLAUGHTER ACTIVITIES

FSIS also ensures compliance with the Humane Methods of Slaughter Act (HMSA) in livestock slaughter establishments that operate under Federal inspection. As part of their routine, ongoing and continuous inspection and enforcement duties, all FSIS inspection personnel are expected to take appropriate action, including suspending operations, if appropriate, of a livestock slaughter establishment if they observe any violations of HMSA. Further, all FSIS inspection personnel are trained and held accountable for enforcing HMSA during the slaughter process.

District Veterinary Medical Specialists (DVMSs) provide technical expertise and oversight for HMSA-related activities, and ensure that humane handling and slaughter activities and enforcement are handled consistently by inspection program personnel. The Agency's DVMSs and Deputy District Managers meet periodically as a group at the Technical Service Center in Omaha, Nebraska, to correlate on humane enforcement issues, and, in fact, one such meeting was just held in March 2005.

The Agency continues to encourage industry to implement good management practices for the humane handling of animals, and requires industry to abide by all of the requirements of USDA's regulations and HMSA. On September 9, 2004, FSIS published a Notice encouraging establishments to use a systematic approach to ensure that they meet the requirements of the law during handling and slaughter. With a systematic approach, establishments focus on treating livestock in such a manner as to minimize excitement, discomfort, and accidental injury the entire time they hold livestock in connection with slaughter. FSIS believes that establishments using a systematic approach to humane handling and slaughter can best ensure that they meet the requirements of the HMSA, FMIA, and implementing regulations.

FSIS also continues to refine humane handling verification and tracking procedures for inspection personnel. On February 18, 2005, the Agency issued FSIS Notice 12-05, to provide inspection personnel with additional information for humane handling and slaughter verification activities related to animal stunning and procedures for checking for conscious animals.

FSIS PRIORITIES FOR 2005—HOLDING OURSELVES ACCOUNTABLE

FSIS is holding itself accountable for improving public health. Last year, we outlined a series of priorities to better understand, predict, and prevent contamination of meat and poultry products to improve health outcomes for American families. I am determined to build upon these priorities and continue to improve the Agency's infrastructure with greater attention to risk so that we can then improve our performance under the public health model. The six priorities, all equally important, that I am about to share with you will drive our policies and actions during this calendar year.

Training, Education & Outreach

The first priority is training, education, and outreach. This has been, and will continue to be, a high priority, and we at FSIS would like to thank the Subcommittee for its invaluable support in this area. FSIS can only achieve its public health, food safety, and food security missions with adequate preparation of its workforce through scientific and technical training that reflects the Agency's risk-based approach to food safety and security. Results demonstrate that a highly trained workforce will lead to definitive advancements in public health.

A large segment of our inspection program personnel is receiving intensive training in sanitation procedures and Hazard Analysis and Critical Control Point (HACCP) system principles, based on the type of products produced at the establishments where the inspectors are assigned. We expect to have this segment of our workforce fully trained by the end of the current fiscal year. In 2003, FSIS inaugurated Food Safety Regulatory Essentials (FSRE) training, which was designed to better equip inspection personnel in verifying an establishment's HACCP food safety system. All participants receive training in the fundamentals of inspection, covering HACCP, the Rules of Practice, Sanitation Performance Standards, and Sanitation Standard Operating Procedures. This program also provides food safety training based on the types of products being produced at the establishments where inspectors are assigned. In fiscal year 2004, 1,700 individuals received the Agency's FSRE training, more than doubling the amount of students trained in fiscal year 2003.

FSIS has also initiated a comprehensive training and education effort designed to ensure that every FSIS employee fully understands their role in preventing or responding to an attack on the food supply. To date, more than 5,000 employees have received bio-security training. The Law Enforcement Academic Research Network (LEARN), which is carrying out the training, has stated that the scope of this effort is unparalleled in the Federal sector since training is being provided to such a broad base of our employees.

Furthermore, FSIS has successfully launched training for newly hired Public Health Veterinarians (PHVs) and for newly hired food inspectors. We are also going back to train "new hires" to ensure that any employees who did not initially receive this training are now fully equipped with the latest scientific knowledge. In addition, we now require entering Consumer Safety Inspectors to undergo and pass FSRE training. We are also in the process of implementing policies to require passage of mandatory training courses for entering Enforcement Investigations and Analysis Officers (EIAOs) and for PHVs. Specifically, in 2005 we plan to provide training for 1,200 food inspectors, 400 PHVs, 200 EIAOs, 75 import inspectors, and 40 front line supervisors. We also plan to provide FSRE training for 1,400 Agency personnel. I also would like to note that we offer seats in our workforce training courses to State inspection personnel.

Additionally, FSIS has enhanced training by taking training opportunities into the field. In August 2003, FSIS announced new regional training centers in Atlanta, GA; Dallas, TX; Philadelphia, PA; Des Moines, IA; and Boulder, CO, designed to provide comprehensive workforce training programs to FSIS field employees. Since October 2004, more than 2,000 employees have been trained regionally. We currently have five regional trainers and plan to hire and train an additional ten by the end of the fiscal year, if not sooner.

We have also posted the training modules for the Food Inspector, Public Health Veterinarian, and the FSRE training on the FSIS Web site. This is significant because it makes the materials we are using to train our workforce more accessible to everyone, including our food safety partners and industry. When Agency policies

change, these training materials, including the information posted on the Web site, are updated to reflect the latest scientific information.

FSIS has also extended its outreach to owners and operators of establishments nationwide through teaching workshops that provide detailed information about new directives. In 2004, five BSE and 11 E. coli O157:H7 workshops were held across the country to target all audiences concerned with food safety. We took the training materials used at these meetings and distributed them to approximately 2,000 plants (both Federal and State) that slaughter cattle and process beef products. In addition, several workshops were Web cast allowing participants from across the country to interact with the instructors and experts free of charge. Including Web cast participants, nearly a thousand people took part in the BSE and E. coli workshops. We are very proud of these FSIS outreach efforts and the resulting food safety accomplishments.

Because everyone has a responsibility for food safety, educating the public about its role is a crucial element in FSIS' food safety mission. All food preparers, from consumers to food service employees, must know and understand basic safe food-handling practices. These efforts must be broad enough to ensure that no segment of the public is uninformed about safe food handling practices, yet at the same time, target various segments of the population to positively influence those behaviors that pose the greatest potential risk. Communicating with the public about food safety must be accomplished in a manner that is easily understandable so that it is useful to every segment of the population. Thus, FSIS has developed innovative and collaborative methods for delivering the food safety message.

One such innovative way of spreading the food safety message is USDA's Food Safety Mobile, which was introduced in March 2003. This eye-catching "food safety educator-on-wheels" brings food safety information to consumers and builds on our partnerships in communities across the country. Through the Food Safety Mobile, FSIS is sharing its food safety message with the public, especially culturally diverse and underserved populations and those with the highest risk from foodborne illnesses. Since its launch in March 2003, through September 2004, the Food Safety Mobile traveled more than 40,000 miles and appeared in 178 events in approximately 129 cities in 47 States and Washington, D.C.

FSIS consumer education programs are modeled on the concept of integrated marketing. Utilizing that concept, the Agency is developing a mass media campaign plan aimed at improving the safe food handling habits of consumers at home. The campaign plan will include elements such as TV and radio ads, and a comprehensive multi-year plan for implementation and evaluation of the campaign. As part of this program, USDA and the State of Michigan launched a pilot mass media campaign focused on food thermometer use called "Is It DONE Yet? You Can't Tell by Looking. Use a Food Thermometer to Be Sure." The FSIS and Michigan State University project was designed to prevent foodborne illness by promoting thermometer usage among consumers when preparing meat and poultry. Results show a significant increase in the number of consumers who reported using a food thermometer.

USDA's Meat and Poultry Hotline is an additional tool that FSIS uses to share its food safety message. The Hotline handled over 104,000 calls and 111 media inquiries during fiscal year 2004. The Hotline provides recorded information and live assistance on food safety issues for both English and Spanish-speaking callers.

In April 2004, as a significant expansion of our food safety education outreach efforts, FSIS launched its newly designed, consumer-focused Web site that provides users with the latest information about food safety. "Ask Karen", the virtual food safety representative of the Agency, contains answers to over 1,300 food safety questions. More than 39,000 questions have been asked and answered since mid-2004. Also new to the redesigned Web site is a constituent subscription service that provides subscribers with up to the minute food safety information. As of March 2005, more than 9,700 subscribers signed up for over 90,000 subscriptions. FSIS averages more than 280 new subscribers per week.

Food Security

FSIS has accomplished much in the area of food security, making a strong system even stronger. USDA has had an effective and robust infrastructure in place for many decades that has protected the public against intentional and unintentional threats to the food supply. This science-based food safety and security verification system, with HACCP as the foundation, is designed to prevent and control contamination of the food supply during processing, regardless of whether the contamination is naturally occurring or introduced intentionally.

Recently, we issued and updated a series of directives to employees that outlined specific instructions on the procedures, monitoring, and sampling to be taken in the event the Department of Homeland Security (DHS) declares a Yellow, Orange, or

Red Alert. We particularly wanted to ensure that all FSIS divisions had specific instructions in place so that the U.S. meat, poultry, and egg products supply could remain the safest in the world should a threat to the Nation occur. In addition, we issued a directive which defined what steps the Agency would take if an emergency incident occurs. These instructions specifically outline steps and procedures for FSIS personnel to take so that the agency's daily operations are not interrupted by an incident. Depending on the threat level, inspection personnel will conduct food security verification procedures on a daily basis at minimum.

Within FSIS, we have established a full-time staff whose sole responsibility is food security—the Office of Food Security and Emergency Preparedness (OFSEP). That office is in the process of updating seven vulnerability assessments for selected domestic and imported food products. We have found that these risk-based assessments are very powerful risk management tools that can be used to develop strategies and policies that reduce or eliminate the potential risk at vulnerable points along the farm-to-table continuum. The vulnerability assessments we conducted provided us with vital data on some inherent risks in our food safety system that otherwise would not have been as apparent.

These assessments allowed us to rank food products and potential contaminating agents in order of highest concern. Using this risk-based ranking, during periods of heightened awareness our laboratories examine samples for threat agents posing the greatest risk as identified in our vulnerability assessments. For instance, if DHS declares a specific threat to the food supply or a particular product or process, then our lab personnel will activate the emergency response plan and test up to 100 percent of all food safety samples for possible food security risks.

Protection of the United States' food supply is critical for maintaining the safety and health of the Nation's citizens and the security of our economy. The Food Emergency Response Network (FERN) has been created to provide an integrated means of protecting the food supply at the local, State, and Nation levels. FERN is a coordinated initiative between the U.S. Department of Agriculture's Food Safety and Inspection Service (FSIS) and the Department of Health and Human Services' Food and Drug Administration (FDA) to develop an integrated laboratory network capable of providing ongoing surveillance and monitoring of the food supply, as well as conducting the extensive testing necessary in the event of a terrorist attack on the food supply. Specifically, laboratories participating in FERN are responsible for detecting and identifying biological, chemical, and radiological agents in food. The involvement, participation, and expertise of local, State, and Federal laboratories in FERN assures that all food commodities under all jurisdictions are covered by the network. The size of the network and its wide geographic representation are also important because they will enable FSIS to rely on State and local laboratories to participate in handling the numerous samples that will be required to be tested in the event that a terrorist attack on the food supply involves meat, poultry, or eggs.

FSIS Program Investigators are vigilant in ensuring food security, through annual reviews, audits, and investigations and by conducting other activities, including assessing product handling facilities, providing guidance to meat, poultry, and egg products industry officials regarding food security principals, and distributing Agency food security publications.

We have also utilized a risk-based approach in education materials prepared for our stakeholders. For instance, we have developed three sets of guidelines for different segments of the farm-to-table continuum: Food Security Guidelines for Food Processors; Safety and Security Guidelines for the Transportation and Distribution of Meat, Poultry and Egg Products; and Food Safety and Food Security: What Consumers Need to Know. All of these publications are available on FSIS' Web site at www.fsis.usda.gov.

We are looking at ways to further improve our Automated Import Information System (AIIS), which uses statistics to choose imports for reinspection and allows our inspectors at all ports-of-entry to share data. From the vulnerability assessment, we have enhanced this network to account for certain food security issues, and we are working with other agencies, such as the Customs and Border Patrol, to integrate our database systems to enhance the flow of vital information to further strengthen our food safety system against intentional attacks.

FSIS and USDA work closely with the White House and DHS to coordinate our food security efforts. Moreover, FSIS is an integral part of the White House Interagency Food Working Group, which is charged with developing an interagency strategy to protect the food supply and minimize it as a target for terrorist activity.

In addition, we are working with HHS–FDA, USDA's Food and Nutrition Service, and Agricultural Marketing Service to develop training in food security awareness. We also recently entered into a cooperative agreement with HHS–FDA, DHS, and the National Association of State Departments of Agriculture to develop the best

practices by which Federal assistance can be provided to States and localities expeditiously and effectively.

We are also interacting more closely with the intelligence and law enforcement communities. We are building stronger relationships with intelligence and enforcement agencies, such as the Federal Bureau of Investigation, the Central Intelligence Agency, the Transportation Security Agency, and the Coast Guard.

With respect to our trading partners, FSIS is seeking to enter into bilateral agreements with several countries to share information that would help secure the food supply. Agreements are being developed with Canada, and similar discussions are beginning with Australia, Japan, Mexico, and New Zealand.

Finally, it is vital that all food slaughter and processing establishments, as well as all import and export establishments, assess potential risks in their operations and take steps to ensure the security of their operations. With that in mind, FSIS has developed the "Industry Self-Assessment Checklist for Food Security" and is developing outreach efforts to distribute this document to regulated industry. This voluntary checklist provides establishments with a constructive tool to evaluate their security plans to prevent intentional contamination of their products, thus helping to further ensure food safety and security and protect public health.

Risk Analysis

FSIS is committed to emphasizing science in the development of food safety policies. A scientific approach to food safety that incorporates risk analysis is critical to FSIS' ability to combat the ever changing threats to public health. Thus, another priority is risk analysis, which includes risk assessment, risk management, and risk communication. In addition to providing regulatory agencies with a solid foundation for policy changes, science-based risk analysis is necessary to help the Agency better predict and respond to food safety threats by allowing us to focus Agency resources on hazards that pose the greatest threat to public health. Analysis of FSIS regulatory sampling data, as well as other sources of data, including baseline studies, helps us detect trends and identify connections between persistence, prevalence and other factors such as practices employed by plants, seasonal variations, and establishment size. With that in mind, the Agency will begin collecting samples in late Spring 2005, for a baseline study for beef trimmings in raw ground beef production. Planning for additional studies is underway.

In recent years, the Agency has conducted a number of risk assessments, most notably those with regard to *E. coli* O157:H7 and *Listeria monocytogenes*. As I stated earlier in my testimony, we have seen marked reductions in both pathogens, thanks, in large part, to the risk assessments that provided the scientific framework for our *E. coli* and *Listeria monocytogenes* policies. In the coming year, FSIS plans to conduct a similar risk assessment for *Salmonella* in raw ground beef and raw poultry products. Just last month, the Agency held a public meeting about two draft risk assessments—one for *Salmonella* in ready-to-eat (RTE) and poultry products and one for *Clostridium perfringens* in both RTE and heat-treated products that are not RTE.

To fully realize the benefits of risk analysis, however, FSIS must develop methods for anticipating or predicting risk through enhanced data integration. FSIS is engaged in developing innovative ways to anticipate hazards, so that it can act to ensure that those hazards do not manifest themselves as public health problems. The Agency is currently examining its regulatory data to identify conditions that consistently have foreshadowed the development of significant problems. By identifying such conditions, inspection personnel can utilize data to alert establishments so they can take corrective actions that may prevent a hazard.

Management Controls and Efficiency

FSIS is looking for ways to best achieve our operational goals and objectives. In order to better focus its resources, FSIS is establishing a more fully documented management control program. Management controls are operational checks and balances that safeguard policies, procedures and structures to ensure that tasks are completed in the most efficient and effective manner. With more fully documented proper management controls, authority, responsibility, and accountability are more clearly defined and delegated. In addition, program performance is routinely analyzed, policies, and procedures are regularly updated, management decisions are transparent and traceable, documentation is accurately maintained, and supervision is appropriate and continuous.

Communications

The Agency has also embarked on a comprehensive effort to ensure that all levels of communications are as efficient, effective, and rapid as possible. We recognize that as a public health regulatory agency, we are only as effective as our commu-

nication systems. Nowhere was this more evident than in the post-September 11th environment we find ourselves in as a country and as an Agency.

It is vitally important that the Agency continue to receive the necessary funds to maintain and upgrade its information technology (IT) systems, which will improve efficiency and enhance communication between and among all FSIS employees. For FSIS, the use of databases to track inspection program personnel tasks is essential for food safety verification. It is a vital communication resource whereby inspectors can enter information about their daily food safety, security, and humane handling verification duties. With the vast and dispersed number of meat, poultry, and egg processing facilities scattered across the country and throughout the world, our geographically dispersed workforce needs the ability to send, receive, analyze, and react to information gathered at any one of these potential hot-points, because it is critical to the protection of public health. As an Agency we are striving to ensure that our IT systems operate in a "realtime data exchange" environment. In addition, managers at the district level and at headquarters can make crucial management decisions based on tracking progress and analyzing the performance of their employees, as well as the establishments for which they are responsible. A more rapid exchange of information with the field enables FSIS supervisors and managers to make better informed decisions on food safety and security issues, thus better protecting public health.

I have made it a very high priority to ensure that our numerous data gathering and storage systems operate in a seamless and cooperative fashion across the Agency and with our partners. We appreciate the support this committee has provided in the past to allow us to improve and update our communications systems.

To be a successful public health Agency, our employees need the right information to do their jobs. Information needs to be communicated quickly and accurately; ensuring public health will be protected through safe and secure meat, poultry, and egg products. That is why the Agency has put together an Internal Communications Board and charged them with developing ways to enhance the flow of communication laterally and vertically within FSIS. This board is engaged in many projects to best meet the communication needs of our employees. One major activity is the new FSIS Intranet. The Intranet will be one-stop-shopping for all internal FSIS needs, providing access to notices, directives, regulations, policies, career tools, and up-to-date news and information about the Agency. The board has also been challenged with working on our Agency's image and message. It is crucial that all employees and stakeholders recognize and understand the critical public health mission of FSIS.

We continue to strive to improve our communications both internally with our workforce and externally with stakeholders and our public health partners. As one partner in the U.S. food safety effort, FSIS strives to maintain a strong working relationship with its sister public health agencies. Cooperation, communication, and coordination are absolutely essential if we are to be effective in addressing public health issues. We made great strides in this area when we dealt with the BSE-positive cow discovered in December 2003, and as we implemented the new interim regulations this year. Moreover, we have been involved in discussions on establishing data sharing systems with other agencies, such as APHIS and CDC. Maintaining information technology support will allow for a collaborative effort between State and Federal agencies by fully integrating currently duplicative processes and data collection, such as surveillance and monitoring activities for human and animal diseases.

The Continued Evolution of Inspection and Enforcement

Another Agency priority is to continue the evolution of inspection and enforcement. A risk based approach, encompassing all we do and combined with the Agency's scientific commitment, will facilitate FSIS' ability to combat ever changing threats to public health.

Today, we have a much better reaction to the hazard landscape. Our ability to target resources for food safety and security verification systems has greatly improved. FSIS has refined its risk-based approach from a fairly static environment to one that is more fluid and can better react to food safety challenges that exist, and those that may arise, in order to further improve public health.

Specifically, our Agency works interdependently to assess data from FoodNet, other Federal agencies, and State public health agencies, as well as the FSIS Consumer Complaint Monitoring System (CCMS), to investigate hazards by identifying sources, conducting food safety assessments in regulated facilities, and conducting investigations in associated transportation, distribution, and storage facilities. In addition, food security monitoring procedures have been incorporated into inspection verification methodology at all domestic and import establishments. In-plant regu-

latory control actions as well as effective administrative and criminal proceedings have been and continue to be effective deterrents to violations of law.

As we approach the completion of the first decade under HACCP, FSIS is determined to take a risk-based approach to food safety and security verification in order to realize the next dynamic in food safety. With recent developments in science and risk analysis, it is clear that there are enhancements that can be made to HACCP that offer a more complete approach to inspection and ensuring public health. This enhanced risk-based system builds on the strong foundation provided by the HACCP/Pathogen Reduction regulations and allows the FSIS workforce to more effectively utilize their expertise in assuring the safety and security of America's meat, poultry, and egg products.

To meet its goal of protecting public health, FSIS will continue to review policies and regulations and work with interested parties to modernize and further enhance its inspection and food safety and security verification efforts, including the verification of humane slaughter and handling. It is clear that progress has been made, but through the continued evolution of inspection and enforcement, in our risk based system, FSIS intends to make the world's safest food supply even safer.

FISCAL YEAR 2006 BUDGET REQUEST

I appreciate having the opportunity to discuss a number of FSIS' accomplishments with you. Now, I would like to present an overview of the fiscal year 2006 budget request for FSIS.

Implementation of these budget initiatives is imperative to helping us attain FSIS' public health mission. In fiscal year 2006, FSIS is requesting an appropriation of \$849.7 million, a net increase of about \$32.5 million from the enacted level for fiscal year 2005, which includes \$139 million to be derived from proposed new user fees from the industry.

Food and Agriculture Defense Initiative

The fiscal year 2006 budget also requests an increase of \$19.5 million for FSIS to support a food and agriculture defense initiative in partnership with other USDA agencies, the Department of Health and Human Services and the Department of Homeland Security. Food contamination and animal and plant diseases can have catastrophic effects on human health and the economy. The three Federal departments involved are working together to create a comprehensive food and agriculture policy that will improve the government's ability to respond to the dangers of disease, pests, and poisons, whether natural or intentionally introduced. Our food and agriculture defense initiative has five components:

- The Food Emergency Response Network (FERN);
- Data systems to support FERN;
- Enhancing FSIS laboratory capabilities;
- Biosurveillance; and
- Follow-up bio-security training.

For FERN we are seeking an increase of \$13 million; for FERN data systems we are asking for an increase of \$2.5 million; for enhancing laboratory capabilities we are requesting \$2.5 million; for biosurveillance we are requesting an increase of \$417,000; and for bio-security training we are seeking an increase of \$1 million.

The first component of the food and agriculture defense initiative is FERN, a coordinated initiative between FSIS and the Department of Health and Human Services' Food and Drug Administration (FDA) to develop an integrated network of Federal, State, and local laboratories. FERN is an integrated laboratory network capable of providing ongoing surveillance and monitoring of the food supply, as well as conducting the extensive testing necessary in the event of a terrorist attack on the food supply. The FSIS fiscal year 2006 budget request for FERN seeks an increase of \$13 million from fiscal year 2005 which will enable the Agency to manage, maintain, and expand on the existing group of FERN labs. These funds will improve the Agency's ability to handle the greatly increased number of samples that would be required to be tested in the event of a terrorist attack on the meat, poultry or egg products supply. These State and local laboratories in the FERN network would play an essential role in conducting this expanded testing.

The second and third components of the food and agriculture defense initiative provide further support to FERN. The electronic laboratory exchange network (eLEXNET) is a national, web-based, electronic data reporting system that allows analytical laboratories to rapidly report and exchange standardized data. The fiscal year 2006 budget request would provide funding needed to make eLEXNET available to additional FERN and other food-testing laboratories nationwide. In turn, the budget request would enhance FSIS' laboratory capabilities in order to detect new bioterror-associated agents, and to ensure FSIS' capability and capacity to perform

the toxin and chemical testing that will be standardized across all FERN laboratories.

Fourth, the food and agriculture defense initiative will allow FSIS to participate in an interagency biosurveillance initiative that would improve the Federal Government's ability to rapidly identify and characterize a potential bioterrorist attack. Funding this initiative will improve Federal surveillance capabilities and enable FSIS to integrate with DHS to compile FSIS surveillance information rapidly with threat information. This funding would also allow FSIS to focus its resources on the vulnerable products and processes identified during the Agency's vulnerability assessments of imported and domestic products and establish a Foodborne Disease Surveillance Communication system to coordinate with DHS systems.

Because the realm of biosecurity is ever changing, FSIS must provide its workforce with the most up-to-date information possible to ensure that meat, poultry, and egg products are protected from intentional contamination. Therefore, the final component of the food and agriculture defense initiative is follow-up biosecurity training of the workforce. This additional training is essential as part of the ongoing effort to protect the public by educating the workforce regarding the latest Agency policies, threat agents, and countermeasures to those agents.

Public Health Training

The maturation of HACCP has widened the scope of all front-line inspection duties. While slaughter line inspectors have largely retained their traditional tasks, other front-line personnel have acquired more complex responsibilities related to public health, including food safety assessments, food security, and documentation and analysis to support detentions, recalls, or other enforcement actions.

Further integrating front-line inspection and science will allow scientifically-trained FSIS personnel to most effectively utilize their expertise. For instance, FSIS intends to fully employ the scientific skills of its Public Health Veterinarians—systems analysis, epidemiology, biostatistics, microbiology, pathology, and toxicology—to safeguard public health. Accordingly, FSIS has been revising veterinary work assignments so that PHVs spend 25 percent of their time on public health assessment and assurance. As part of the fiscal year 2006 budget request, FSIS is requesting an increase of \$2.2 million for relief positions so that the Agency can take full advantage of the training, experience, and responsibilities of these highly-trained PHVs. The Agency and the public will benefit from more effective utilization of the technical knowledge and skills of our veterinarians through their expanded public health activities.

Supporting FSIS' Basic Mission

The FSIS budget request for fiscal year 2006 supports the Agency's basic mission of ensuring that the Nation's commercial supply of meat, poultry, and egg products is safe, wholesome, and correctly labeled and packaged.

In order to fulfill the Agency's statutory obligations to provide continuous inspection of meat, poultry, and egg products, the budget requests an increase of \$13.9 million for the FSIS inspection program to provide for the 2.3 percent pay raise for FSIS employees in fiscal year 2006 and to assure that the Agency is provided sufficient funds to maintain programs without disruption to industry operations.

User Fee Proposal

In fiscal year 2006, FSIS estimates it will collect \$122.9 million in existing annual user fees to recover the costs of overtime, holiday, and voluntary inspection. Of the \$849.7 million requested in the fiscal year 2006 budget, \$139 million is proposed to be derived from a new user fee that would recover the costs of providing inspection services beyond an approved 8-hour primary shift. A legislative proposal authorizing this new fee will soon be submitted to Congress. This will result in significant savings for the American taxpayer.

CLOSING

We will continue to engage the scientific community, public health experts, and all interested parties in an effort to identify science-based solutions to public health issues to ensure positive public health outcomes. It is our intention to pursue such a course of action this year in as transparent and inclusive a manner as is possible. The strategies I discussed today will help FSIS continue to pursue its goals and achieve its mission of reducing foodborne illness, and protecting public health through food safety and security.

Mr. Chairman, thank you again for providing me with the opportunity to speak with the Subcommittee and submit testimony regarding the steps that FSIS is taking to remain a world leader in public health. I look forward to working with you

to improve our food safety system, ensuring that we continue to have the safest food supply in the world.

Senator BENNETT. Thank you.

FOOD STAMP ERROR RATE

Mr. Bost, you talked about the failure rate, food stamp?

Mr. BOST. Yes, sir.

Senator BENNETT. And you are delighted that it is at 6 percent, which you say is a significant decrease? Help me understand—

Mr. BOST. Yes. It is a 25 percent decrease over the course of the last 4 years, which is the lowest that it has ever been in the history of the Food Stamp Program. We anticipate that when we release the results, probably in June of this year, for last year, it will be even lower.

Senator BENNETT. Well, help me understand what it means.

Mr. BOST. Essentially, the error rate is a measure of an inaccurate determination of benefits. For example, an error can occur when a person goes into an office, in Sandy, Utah, and applies for food stamps. It is an error if they get either too much or too little. If it is just right, then it is perfect.

Senator BENNETT. I see. So the error rate has to do with an improper amount being given out?

Mr. BOST. That is correct. An improper payment. The interesting thing is the fact that we are one of the few Federal programs where improper payments are measured, and reported every year.

Senator BENNETT. Okay. Good. I just hadn't understood what that meant before, and I—

Mr. BOST. Well, it is something that we are very proud of in terms of working with our State partners. It demonstrates to everyone how seriously we take this, and it ensures that there is integrity in the program and that there is an accurate determination of benefits for people that come in to apply.

FOOD STAMP PARTICIPATION

Senator BENNETT. Can you explain the increase in participants?

Mr. BOST. Well, I think there are probably three major reasons. First and foremost, provisions we implemented as a direct result of the farm bill, and the Food Stamp Program being reauthorized. Second, Congress made it easier for eligible persons to enroll in the program, and made it easier for the States to implement it. Also, we have seen the results of our outreach efforts, in terms of enrolling eligibles.

Last, but not least, the beauty of the Food Stamp Program is that it responds to the changing tides of the economy. When the economy is not doing so well, you see an increase in the number of enrollees. When the economy is doing great, you see a decrease. Those are the three main reasons that we have seen an increase in terms of participation in the Food Stamp Program.

Senator BENNETT. Well, the economy is doing better, but you are still increasing?

Mr. BOST. Right. But there tends to be a lag—

Senator BENNETT. I see.

Mr. BOST [continuing]. In terms of when the economy goes up and participation declines. Interestingly enough, this month, was

the first month, and while I am not ready to say that it is a trend yet, that participation didn't go up. It stayed the same and started to decrease, which would indicate to us—and like I said, I want to make this point that I am not ready to say it is a trend yet—that participation is on the decline.

Senator BENNETT. Okay. Well—

Mr. BOST. The economy may be catching up with it.

Senator BENNETT. In the economy as a whole, the unemployment rate is a lagging indicator?

Mr. BOST. That is correct.

WIC PARTICIPATION AND FUNDING

Senator BENNETT. And this lags the unemployment rate. Okay. Let us talk about WIC for a minute. We had a lot of angst about WIC last year because we had to add about half a billion dollars just to stay even as a result of the increase in milk prices.

Mr. BOST. Yes, sir.

Senator BENNETT. Now you are asking for another \$275 million. What does that represent?

Mr. BOST. Well, right now, we are serving about 8.2 million persons in the Women, Infants, and Children Program. We anticipate that rate going up to about 8.5 million persons, and these funds would fully support the expected participation rate.

We believe that based on these numbers, we will be able to meet the needs of those persons that are eligible to participate in the program who seek services. We are also asking for a contingency fund of \$125 million just in case our numbers are off.

I want to add two points I think are very important. The issue of WIC and its associated costs are tied to two things. It is not only participation, but as you said, the cost of the WIC food package. When we saw a significant increase in dairy prices last year, I saw a significant increase in my overall WIC food costs.

WIC FOOD COSTS

Senator BENNETT. Now do you have any forecast as to what is going to happen to food costs this year? Are we going to have another challenge as we get close to the final passage of the bill in September, where we are going to have to find some more, several hundred million dollars more?

Mr. BOST. No. The preliminary numbers we have at this point would lead us to believe that we should not see a significant increase in those costs. But it is unpredictable. We are guessing in terms of looking into the future and trying to anticipate it.

We have put some cost containment measures in place. We have been working with the States to ensure we are as efficient in the administration of this program as possible. That is one reason that we looked at the WIC-only stores in California and around the country. That increased our cost by an additional \$30 million.

We are looking at everything that we can possibly do to not deter eligible persons from participating in the program. I am working with the States to ensure that, one, we hold them accountable and, two, this program is operated just as efficiently and as effectively as possible.

Senator BENNETT. You will remember we took a great interest in WIC-only stores in the bill last year, and that interest continues.

Mr. BOST. Well, it is something that we are very interested in also, Mr. Chairman. I wrote not only to California, but to every State in the country where there are WIC-only stores and encourage them to look at some cost containment measures.

I want to make this point. We are not interested, we are not motivated in putting the WIC-only stores out of business. What I am interested in is controlling the costs.

Senator BENNETT. Yes. Yes, so are we. And we encourage you in that.

Mr. BOST. Thank you.

NATIONAL ANIMAL IDENTIFICATION SYSTEM

Senator BENNETT. Secretary Hawks, national animal identification. You have asked for \$33 million to continue the program, and that is in addition to some \$18 million to \$19 million that was transferred from the Commodity Credit Corporation, and another \$33 million that was appropriated last year. Can you give us a status on where this is and where you think it is going?

Mr. HAWKS. Yes, sir. I would be quite happy to.

We did transfer \$18.8 million from CCC last year. With those funds, we started cooperative agreements with 43 States and 16 tribes that we are working with. We held a series of animal ID listening sessions around the country. I personally attended every one of those. There were 16 of them, from one end of this country to the other.

The consistent message that we were hearing from the countryside, and I felt it was very important to get out to where the real cowboys are, if you will—

Senator BENNETT. Yes.

Mr. HAWKS [continuing]. To get a good understanding of what was going on out there, was confidentiality of information, and the ability to be flexible as well as to have a system that would perform appropriately.

Last October, the Administration submitted legislation, to address the issue of confidentiality. We will be resubmitting that. We had identified premise registration as the first order of business. We have accomplished that now. We have 45 States that are fully operational. We hope to have the rest of the States fully operational in the near future. We will start, hopefully by July, to issue actual animal identification numbers, individual numbers.

Of the \$33 million requested and appropriated in our 2005 budget, we will take approximately \$19 million and move forward with additional cooperative agreements. It is very important that as we move forward with this, we move forward in a manner that it does what we want to do. And I think there is a lot of misunderstanding about animal identification. The fact is we are looking at it from a disease control standpoint using the authority provided in the Animal Health Protection Act.

And we only need a very small bit of information. We are looking at various technologies. Radio frequency identification is one of them. Retinal scans is one. DNA is one. So we are trying to, with these cooperative agreements, test multiple ways of doing this to

make sure that we have a system that is economical and functional, and that the confidentiality issues are addressed.

Senator BENNETT. Very good. I am looking for a completion date. We start in July?

Mr. HAWKS. We will be able to issue those individual numbers in July. We actually are looking at a fully functional, potentially mandatory system by 2009. But we feel it is very important to move forward with this in a systematic manner.

The last thing that I want to do or I think you want me to do is to be out there with a system that is not functional. We are doing this very cooperatively. We are preparing to publish in the very near future a current thinking paper, a strategic plan with timelines and dates, and get input back on that. So we feel like it has got to be a cooperative arrangement that we go forward with and that we not have something that won't be functional when we get through with it.

OVERSEAS PROGRAMS

Senator BENNETT. Okay. Tell me about your APHIS offices overseas. I understand you are talking about new offices in Brazil, Thailand, India, Italy, and West Africa?

Mr. HAWKS. Yes, sir.

Senator BENNETT. What do we expect to get out of that?

Mr. HAWKS. One of the things that I said in my opening statement is the fact that I want to see us put some sanity back in sanitary and phytosanitary trade issues. It seems that over the last few years, sanitary and phytosanitary issues have become the trade distorting practices of choice around the world. We only have to look at the situation with Japan right now and our beef, and not being able to open that market.

But it is important to have, from a technical perspective, those people that can address these issues. As I said, we did 112 of those SPS issues last year that allowed for \$5 billion of trade to occur. So it is important to have those types of offices, the personnel there that can address these from a technical perspective, to maintain those markets, to open those markets and address those issues.

That is the reason we have been increasing resources. And we have to constantly look at the areas and re-evaluate where those resources need to be because it is very important that we are prudent with our dollars, with your tax dollars.

Senator BENNETT. Sure. Sure.

FOOD EMERGENCY RESPONSE NETWORK

Dr. Pierson, let us talk about FERN. You have requested a \$13 million increase for the Food Emergency Response Network, and you say this will allow USDA to establish 100 laboratories that will be able to exchange data, inform the public, and so on.

Why do we need 100 laboratories? How many do you have now? And I assume these are all existing labs with whom you will contract, rather than standing up brand-new ones. But let us understand where you are now, and 100 sounds like pretty ambitious. That is two a week. That is quite an administrative task to undertake.

Dr. PIERSON. Correct. As you correctly described, FERN would be the Food Emergency Response Network. As you know, FERN is a laboratory system that was put together in cooperation with the Food and Drug Administration and other partners to provide a system whereby we could have an immediate response if there is, in fact, a food-related emergency event, such as an intentional widespread contamination of foods.

We feel it is much better to be prepared and to have a system in place that can respond immediately to provide that immediate result that is needed through analysis, rather than approaching it in a piecemeal way or more of a reactive way.

What we are doing is to build upon existing resources. We are not asking to build new facilities or new laboratories. Throughout the United States, we have many very, very capable State laboratories and local laboratories. And our goal, yes, is to bring into the fold up to 100 laboratories.

What we are working towards is to provide standard methodologies, and standard protocols that can be shared by these laboratories, so that we have a commonality of understanding as to how to approach and analyze the samples. It is very, very important that we have uniformity so we don't get some differences in response.

Senator BENNETT. Yes, I understand that. But you are talking two per State. Is that how it is going to be allocated, or is it going to be one per State and then the rest bunched some place?

Dr. PIERSON. We are looking towards adding about 15 laboratories initially, and our ultimate goal is 100. This is a building process that we are going through, and we are establishing this infrastructure and then building upon that over a period of time.

Senator BENNETT. Will you have at least one per State?

Dr. PIERSON. That is eventually what we are looking for, at least one per State. Then, of course, there would eventually be more.

I know I personally presented this proposal 2 years ago before the Association of Food and Drug officials, the consortium of State laboratories, and at that time, we were working with them to conceptually buy into this concept. We have a very good response, and so we are then looking to incrementally bring those labs online.

Senator BENNETT. Okay. Thank you very much.

Senator Kohl.

Senator KOHL. Thank you, Senator Bennett.

MILWAUKEE HUNGER TASK FORCE

Mr. Bost, the Hunger Task Force based in Milwaukee was established in 1974 to work toward making sure that Milwaukee's young people received breakfast at school. Since then, their mission has been expanded, and now they advocate public policies that we hope will eventually stamp out hunger.

Until this larger mission is accomplished, however, they serve nearly 45,000 people a month at their pantries, and nearly half are children. And they provide more than 60,000 meals each month at their homeless shelters and meal programs. I think you are familiar with this.

Organizations such as this one, local groups that work on the ground and actually carry out both public and private feeding pro-

grams, I believe have much to offer in the way of shaping good public policy, providing suggestions on how to improve what we are currently doing.

I know that USDA has worked with the Hunger Task Force in the past and is currently working with them on their mozzarella cheese effort that I spoke of on Tuesday. I also know that they have many other ideas that I believe that we should hear and take into consideration.

Mr. Bost, perhaps the best way to appreciate a group like this and the way they carry out what appears to be at times a very difficult task is to visit them in person and watch them in action. I know you have met with representatives of the task force on hunger for Milwaukee here in Washington.

Mr. BOST. Yes, I have.

Senator KOHL. And I wonder if I might prevail upon you at some point to get out there and see what they are doing on the ground and listen to them and have an opportunity to appreciate and to perhaps learn a little on how important their work is.

Mr. BOST. Well, interestingly enough, Senator Kohl, I was scheduled to visit Milwaukee and had an opportunity to do that, except that I had a hearing.

Senator KOHL. Today?

Mr. BOST. No, it wasn't today. It was in the House. And so, yes, it was already scheduled. We are looking for an opportunity to have it rescheduled.

Senator KOHL. I didn't know that. I think that is terrific.

Mr. BOST. Yes. It was already scheduled. We had an opportunity to meet with the executive director not too long ago, and so there has been some correspondence. We are working on scheduling a trip for me to visit with them.

Senator KOHL. I do thank you so much. That is a surprise, and I think it is great.

Mr. BOST. Well, I don't know why you would be surprised. I told her that I was coming.

Senator KOHL. Yes.

Mr. BOST. It was a question of being able to get it scheduled.

Senator KOHL. I thank you.

Mr. BOST. You are quite welcome.

PRIVACY PROTECTION OF CERTAIN SELLERS OF FARM PRODUCTS

Senator KOHL. Secretary Hawks, last year, I inserted a provision—General Provision 776—to modernize the law governing agricultural lien central filing systems, to do it in a way that protects farmers from identity theft that could occur if their Social Security numbers were widely distributed.

What has been done to implement this change, and can we expect at some point to have it completed?

Mr. HAWKS. Yes, sure. You actually threw me off with that question, Senator Kohl. I was not prepared to respond to that question. And so, I will have to get back with you on that.

I know that in GIPSA, there's central filing. And so, I will have to say I am not prepared to give you an absolute as to where we are on that process.

[The information follows:]

CLEAR TITLE

Section 1324 of the Food Security Act of 1985 (Act) authorized the Secretary of Agriculture to approve and certify central filing systems operated at the State level for farm products and to approve amendments to such certified central filing systems that have been proposed by a Secretary of State, provided that the proposed central filing systems, or amendments thereof, conform with the Act, as amended. Section 776 of the Consolidated Appropriations Act of 2005 allows a Secretary of State to propose the use of a unique identifier to be used in lieu of a social security number and allows the Secretary of Agriculture to approve proposed unique identifiers.

The Grain Inspection, Packers and Stockyards Administration (GIPSA) is responsible for the administration of the Act. GIPSA posted on its web page a copy of the amended Act. GIPSA is in the process of updating the regulations and will be completed within one year. Section 776 does not provide GIPSA with the authority to create a selection system or method by which unique identifiers are produced. GIPSA will review any system proposed by a Secretary of State's office. Upon thorough review, GIPSA will determine whether to approve the selection system or method proposed.

Senator KOHL. All right. I thank you, and we will—

Mr. HAWKS. Honesty is one of the things you will find from me. And I have already visited you in Wisconsin, too.

Senator KOHL. Yes, I remember. At least on one occasion, we met at the airport on your way through.

Mr. HAWKS. We sure did.

TWENTY-FIVE PERCENT CAP OF WIC NSA FUNDS

Senator KOHL. Secretary Bost, the budget request includes language to limit the funding for nutrition services and administrative expenses of the WIC program to no more than 25 percent of the total amount provided. This will reduce funding available for nutrition services and administration, but more importantly, it changes the structure providing these very important dollars.

On the surface, this may sound like only a reduction in administrative expenses. But there is more to it, as you know, than this what appears to be a more superficial explanation. This funding isn't just lights and office expenses, as you know. It includes nutrition education, obesity prevention, breast feeding support and promotion, prenatal and pediatric health care referrals, spouse and child abuse referral, and other vital services.

Further, this request, by changing the way administrative funding is provided, will actually create a disincentive for food costs containment. In the past, administrative dollars were tied to the number of people you served. So you would keep food costs low, serve more people, and receive more administrative money.

In this proposal, however, your administrative money is not tied to the number of people you serve. It is tied to the total amount you spend on food. So if you keep food costs low, you are not rewarded. You actually lose administrative dollars. And over time, this could actually drive WIC costs up.

I think we agree that the WIC program provides more than only food. This request is more than just a cutback on lights and office. It will reduce essential services provided through the WIC program, and so I think it deserves some serious reconsideration.

Do you have some thoughts that you would like to express?

Mr. BOST. Yes, Senator Kohl. A couple of things. If you recall in my opening comments, we are always interested in ensuring that all of the programs that I am responsible for, are managed just as

efficiently as possible. We believe that this proposal will cause, hopefully, in cooperation with us, some State agencies to seek ways to be much more efficient. We do not believe that it will compromise those core services that they are directly responsible for. That is the first point.

The second point is that I had an opportunity to meet with the WIC groups when they were in town not too long ago. The commitment that I made to them is that we would be willing to sit down with them and entertain ideas in terms of the best way to get to the 25 percent cap that would not compromise their ability to provide the level of services that we are interested in providing.

And last, but not least—and I am going to read this because I want to make sure that it is right—the percentage of total funds available for States for grants in 2005 is about 26 percent. We are looking at bringing that down to 25 percent, which is only 1.5 percent. In addition to that, the funding available in fiscal year 2006 is about \$1.3 billion, and for 2005, it was a little bit less. So, it is another way that we believe we can work with our State partners, to say to them, “What can we do to make this program as efficient as we possibly can, given the fact that we just don’t have endless dollars available to run it?”

No decision has been made at this point in terms of what the allocation formula would be. That was a commitment that I made to the group, that we would be willing to sit down and work with them to get to the point of putting the cap of 25 percent in place.

Senator KOHL. Good. Thank you.

SHARING DISTRIBUTION LISTS

Secretary Pierson, it is my understanding that USDA is considering a rule that will publicly disclose any retail outlets that may have received tainted meat. To me, it seems that this is an idea that should be acted upon.

Is this proposed rule still being reviewed by OMB, and do you have any information regarding if and when we can expect this rule to be promulgated?

Dr. PIERSON. Thank you, Senator Kohl.

Yes, FSIS did, in fact, prepare a proposed rule relative to the sharing of distribution lists. That rule has gone through departmental clearance at all levels. It had been forwarded to OMB, and it is at a pre-decisional stage so I cannot publicly discuss the details of what is there.

OMB has had a number of questions that they sent back to us. We are looking at those questions. I don’t have an exact timeline on OMB’s decision, but we are now considering the issues between us and OMB.

Senator KOHL. You don’t know when this might, in fact, wind up being effectuated or what?

Dr. PIERSON. I do not know.

Senator KOHL. Can you—

Dr. PIERSON. At this time, I don’t know.

Senator KOHL [continuing]. Keep me abreast as to what is happening, when it is going to get published? As I said, I believe it is a good idea. I think most people believe this is a good idea.

Dr. PIERSON. Sure. Certainly, we will keep you posted on the progress.

FOOD STAMP CATEGORICAL ELIGIBILITY

Senator KOHL. Secretary Bost, last October, Economic Research Service reported 11.2 percent of U.S. households were "food insecure," which means hungry, at least sometime during 2003, the last year for which data is available. One of your stated goals is to decrease the percent of food insecure families down to 7.7 percent by 2006.

This budget contains, however, provisions to restrict expanded categorical eligibility for the Food Stamp Program, and as you say in your statement, it is going to kick more than 300,000 people off the food stamp roles. I have heard the administration's argument on this. Essentially, you say that all people have to do is ask about receiving TANF and just pick up a flyer, and they are automatically eligible for food stamps.

However, let us be honest. These are not wealthy families that are coming in to seek Federal assistance. These are working families, families struggling to make ends meet, while housing, gas, child care, health care, and utility prices continue to rise.

In Wisconsin, one of the hardest-hit States in your proposal, this is 19,000 people who depend on food stamps each month and who will be denied this basic benefit. In Wisconsin, this proposal will take away the automatic eligibility for children in these families to receive free lunches at school.

So how do you respond to these concerns, and what advice do you have for these families who can no longer depend on the Government and are increasingly unable to depend on emergency food?

Mr. BOST. Senator Kohl, I think there are several things that I would say. First and foremost, we have instituted and implemented one of the most comprehensive outreach programs over the course of the last 10 or 15 years in terms of reaching out and attempting to enroll eligible families in all of our nutrition programs. That is the first thing that I would say.

The second thing that I would say to you is that for those persons that are affected by this proposal, if they still believe that they are eligible to participate in the Food Stamp Program, they can still go and apply. What we are interested in accomplishing here is to ensure that we target those families that are in the greatest of need in terms of meeting their nutritional well-being.

Last, but not least, we have seen, as the Chairman noted, that the food stamp roles in this country have significantly increased over the course of the last several years. Right now, we are serving over 25, almost 25.5 million people in the Food Stamp Program. I am continuing to do outreach in terms of ensuring that eligible people are enrolled. We have radio ads. We have a major campaign. We spent money in terms of access and participation grants.

So, for people that believe that they are still eligible, we want them to come and to apply. This provision is there to specifically target those that are in the greatest need in terms of meeting their nutritional needs and providing food for children and their families. If they believe that they are still eligible to apply, they should go apply.

Senator KOHL. Thank you, Mr. Chairman.

Senator BENNETT. Senator Burns.

Senator BURNS. Welcome, gentlemen. Nice to have you here, and I have only got a couple of questions. That will probably lead to another one, but you know how it is.

We have pretty well gone over the BSE thing. I think Mr. Hawks probably got sick and tired of me in December a couple of years ago. I looked over my phone log, and you were on there a lot.

Mr. HAWKS. I never get tired of you.

Senator BURNS. But first of all, I thank you for the hard work that you did. I think we had a real problem on the first announcement of the cow in Washington State, and we did succeed in maintaining the consumer confidence in our beef that was here. And we took a little dip in the market, but it didn't last very long, and I think it was handled the best way I know how in as far as a bureaucracy is concerned.

You know, I always worry about it. Every time I see a camel, I look at it and said, "He had to be put together by a committee." Because nobody could come up with a conglomeration of that and make it work.

ANIMAL AND DAMAGE CONTROL IN MONTANA

But nonetheless, I have got a couple of questions. In our country out there, Mr. Hawks, could you tell me, provide me with some details of the current status of the Animal and Plant Health Inspection Service and what we can expect? We have some concerns with that. We have some new problems and challenges on the horizon. Well, not on the horizon. They are here.

And could you give me some kind of an idea of where you think that agency is going and some details on it?

Mr. HAWKS. Yes, sure. I would be quite happy to do that. I have actually visited your State quite a bit and actually have—

Senator BURNS. A lot of predators around, wasn't there?

Mr. HAWKS. There are a lot of predators around.

Senator BURNS. Two-legged ones.

Mr. HAWKS. And yes, sure, they are out there. No doubt about it.

But that is a program that is obviously very important to an area like yours. Obviously, you have got a lot of different predators. I know that the wolves are an issue for your sheep producers, your cattle producers out there. We have consistently worked with the States and with your producers. And as I have said, I have personally been out there.

So I think that program is online from where it needs to be. But a commitment that I will make to you right here is that we will work with you. You know, my favorite statement is "working together works." So I am prepared to work with you if there are specific issues that we need to address there.

Senator BURNS. That cooperation is okay until it comes to the coyote and the wolf. You know, I can remember it was said, well, they will stay in the park, too, you know? But they found out that the wolves couldn't read the park signs. They fell down or.

NATIONAL ANIMAL IDENTIFICATION SYSTEM

I know that the Chairman here has asked you a little bit about the national ID, and you have got some pilot projects that are out there now. And I understand there are some people in the private sector that are also working on this situation. Are we making any progress on a national ID?

Now I will tell you that a national ID is not met with a lot of enthusiasm from some of us, me being one of those people. But nonetheless, I also know what reality is. And can you give me an update? And when do you think that you are going to make a decision on what this Department of Agriculture wants to do, or how do you read Congress on what Congress wants to do?

Mr. HAWKS. Senator, as you well know, I have been personally engaged in the animal ID. We held the listening session right there in Billings. I heard from quite a few of your producers out there what their interests were.

You asked a question about the private sector. Obviously, there is a role for the private sector as well as the public sector here. We have got to work cooperatively.

We will be publishing very soon in the Federal Register what we are calling a current thinking or a strategic plan to try to get input to make sure that this system that we put together is functional. The thing that we don't want is we don't want to have a lot of duplicative systems out there. We want something that will work.

And you have got some unique situations out West with the brand States. So part of the goal of these cooperative agreements is to work to test things out there to make sure that it will work.

You know, we have a diverse country. And when you go from Florida to the State of Washington, the agriculture is different. The livestock industry is a lot different. So we feel like we are making good progress. We have got 45 States now that are registering premises. We are going to be ready to do individual animal numbers, hopefully, by mid July.

So I think at one of my listening sessions, a gentleman summed it up pretty good. He said, "I think you are at a yellow light." He said, "When you approach a yellow light, you have got a decision to make. You can either mash on the gas and speed up, or you can throw on the brakes. Either way, you may cause an accident."

So I think we are at that yellow light. And we hear a lot from a lot of circles that are saying "mash on the gas." A lot of other circles are saying "throw on the brakes." I think it is prudent that we do neither one rapidly, but that we make sure that we negotiate this intersection safely.

Senator BURNS. And I agree with that. I would say if this is one place where we are trying to write a national law that "one size fits all", that will be very difficult. And that is why I recommended early on that states, all you have to do is understand their system and certify it, and then you kind of step out of the way and let the States do it because usually they have the best handle, especially in animal health. They have got the best handle on where they are and the condition.

Of course, we have got a brand law in Montana, and that helps us a little bit. But the hot brand is not the total answer, as you

well know. But nonetheless, I still think the records, the owners, and their method of identification should be kept within the State borders.

I think each State has got to do that in some way or other, through some sort of a reimbursement or whatever. Because I just don't think you can run a law like this that one size fits all. I just don't think you can do it.

It is just like trying to write a farm bill that applies to Iowa and applies to the Golden Triangle in Montana. By gosh, it don't work. It just don't work because it don't rain at the same time. It don't freeze at the same time. There are just a lot of variables that makes it almost impossible to manage from Washington, D.C., from this place that I call 17 square miles of logic-free environment.

And so, we deal with these issues that have real people involved, real faces. And I would say as you go down that line on identification that you look very, very hard and let the States handle it because we have a livestock department that is very efficient, understands it.

Also we have a brand law in the same department, so we kind of know where these things go and where they come from. And I appreciate your patience on that.

Mr. HAWKS. Now, Senator, you are right. As I have already alluded, there is a lot of diversity in this country. And we are working very closely with the State animal health officials. And you are right. You have a very good—

Senator BURNS. Those records have got to be kept in those States. They cannot come back here.

Mr. HAWKS. Well, we want to work with you to make sure that we have a system that is functional. I hear what you are saying, but I am committed to having a good, functional system to—

Senator BURNS. I won't fund it. I won't fund it. Let us keep it in the States. That is where the records ought to be kept, okay? Strong letter to follow.

Thank you very much.

Mr. HAWKS. Thank you.

Senator BENNETT. Senator Kohl, do you have any additional questions?

Senator KOHL. Just one.

Senator BENNETT. Yes.

FSIS IMPORT INSPECTIONS

Senator KOHL. Secretary Pierson, this committee has included report language for the past several years regarding FSIS import inspections. Specifically, the language instructs USDA to be especially vigilant in countries where a significant number of plants fail inspection.

However, I understand that USDA has not been continuously vigilant, specifically in regard to Mexican plants. Of the nine audits USDA has conducted since the spring of 1999, in Mexico, more than one-fourth of the plants audited failed six of those times, and no comprehensive audit has ever been conducted. This appears to be a very high number of failing plants and no increased scrutiny.

Does the USDA have any plans to increase audits in Mexico, considering their high failure rate? Or is it USDA's opinion that the

current level is adequate to ensure that the plants exporting to this country actually meet the same standards on a continuous basis as plants in the United States?

Dr. PIERSON. Thank you. I do very much appreciate your remarks, and might I take you right up to today?

We are actually getting a lot of criticism for being overly tough, which is an interesting statement. And I think what has happened is that we have implemented a rigorous system to ensure equivalency that countries exporting meat, poultry, and egg products to the United States, in fact, meet our equivalency requirements.

We schedule, at least annually, audits of countries that export to the United States. We can, in fact, and do audit more frequently when countries are, let us say presenting problems and issues.

ENFORCEMENT AUDIT OF MEXICO'S INSPECTION SYSTEM

Specifically, Mexico, at one time, did have very serious difficulties. We worked very closely with Mexico, and we let them know very seriously that they needed to pay very close attention to their inspection system. It has to be an independent inspection system, one where the plants don't pay the inspectors, for example. That is a no-no for us. They have to be paid by their government, and they have to be government employees.

We then make sure that we audit that system—the inspection infrastructure. The other part is we then audit plants, and I can say that fairly recently, within the past year, we have done a comprehensive audit of Mexico; and as a matter of fact, they have made vast improvements. I believe, Dr. Masters, we did not have any delistments of plants in that inspection, did we?

Dr. MASTERS. It was an enforcement audit, and we can get the exact details of that audit.

Dr. PIERSON. Sure. We can present that to you. The outcome of that audit was, I would say, very positive. Mexico did work very hard to come up to speed to our equivalency requirements, and we were pleased with the work that they had done.

So I can assure you that our audits are very thorough, and they are very rigorous. We expect countries to meet the same requirements that we have for our domestic suppliers or producers.

[The information follows:]

FINAL

APR 18 2005

FINAL REPORT OF AN AUDIT CARRIED OUT IN MEXICO
COVERING MEXICO'S MEAT AND PROCESSED POULTRY
INSPECTION SYSTEM

NOVEMBER 3 THROUGH NOVEMBER 18, 2004

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ABBREVIATIONS AND SPECIAL TERMS USED IN THE REPORT

CCA	Central Competent Authority [Servicio Nacional de Sanidad Inocuidad y Calidad Agroalimentaria (SENASICA)]
BSE	Bovine Spongiform Encephalopathy
CFR	U.S. Code of Federal Regulations
CVO	Chief Veterinary Officer
MVZ	Medical Veterinarian of Zoonosis
NOID	Notice of Intent to Delist
SAGARPA	Secretaria de Agricultura, Ganaderia, Desarrollo Rural, Pesca Y Alimentacion
SENASICA	Servicio Nacional de Sanidad Inocuidad y Calidad Agroalimentaria
FSIS	Food Safety and Inspection Service
PR/HACCP	Pathogen Reduction/Hazard Analysis and Critical Control Point System
SSOP	Sanitation Standard Operating Procedures
TIF	Tipo Inspeccion Federal
<i>E. coli</i>	<i>Escherichia coli</i>
<i>Salmonella</i>	<i>Salmonella</i> species

1. INTRODUCTION

The audit took place in the Republic of Mexico from November 3 through 18, 2004.

An opening meeting was held on November 3 in Mexico City with the Central Competent Authority (CCA). At this meeting, the audit team confirmed the objective and scope of the audit and discussed the audit team's itinerary to complete the audit of Mexico's meat and processed poultry inspection system.

The audit team members were accompanied during the entire audit by representatives from the SENASICA central office and/or representatives from the SAGARPA state offices.

2. OBJECTIVE OF THE AUDIT

This audit was a comprehensive follow-up to the enforcement audit conducted in April-May 2004. The objective of the audit was to determine whether Mexico corrected the deviations identified during the April-May 2004, and was maintaining an equivalent inspection system.

In pursuit of the objective, the following sites were visited: the headquarters of the CCA, four SAGARPA state offices, one beef slaughter establishment, two swine slaughter establishments, nine meat and/or processed poultry processing establishments, and five microbiological laboratories.

Competent Authority Visits			Comments
Competent Authority	Central	1	SENASICA
	State	4	SAGARPA State Offices
Laboratories		5	Establishments produce beef, pork and/or poultry.
Meat Slaughter Establishments		3	
Meat/Poultry Processing Establishments		9	

3. PROTOCOL

This on-site audit was conducted in three parts. One part involved visits with SENASICA inspection officials at the central office and SAGARPA state offices to discuss oversight programs and practices, including enforcement activities. The second part involved an audit of a selection of records in the country's inspection headquarters or regional offices. The third part involved on-site visits to 12 certified establishments and five laboratories conducting microbiological testing of samples of meat and processed poultry products. Two of these laboratories were not currently testing products being

exported to the United States. These laboratories were certified by SAGARPA to conduct official analytical testing of official government samples.

Government oversight was evaluated using the five FSIS government oversight requirements stipulated in FSIS regulations (9 CFR 327). Program effectiveness determinations of Mexico's inspection system focused on five areas of risk: (1) sanitation controls, including the implementation and operation of Sanitation Standard Operating Procedures, (2) animal disease controls, (3) slaughter/ processing controls, including the implementation and operation of HACCP programs and a testing program for generic *E. coli*, (4) residue controls, and (5) enforcement controls, including a testing program for *Salmonella*.

During the establishment visits, the auditors evaluated the nature, extent and degree to which findings impacted on food safety and public health. The auditors also assessed how inspection services are carried out by Mexico and determined if establishment and inspection system controls were in place to ensure the production of meat and processed poultry products that are safe, unadulterated and properly labeled.

At the opening meeting, the audit team explained to the CCA that their inspection system would be audited in accordance with two areas of focus. First, the auditors would audit against FSIS requirements. FSIS requirements include daily inspection in all certified establishments, humane handling and slaughter of animals, the handling and disposal of inedible and condemned materials, species verification testing, and requirements for HACCP, SSOP, testing for generic *E. coli*, *Salmonella* species, *E. coli* O157:H7, and *Listeria monocytogenes*.

Second, the audit team would audit against any equivalence determinations that have been made by FSIS for Mexico under provisions of the Sanitary/Phytosanitary Agreement. Currently, Mexico has an equivalence determination regarding an exemption from performing species verification testing.

4. LEGAL BASIS FOR THE AUDIT

The audit was undertaken under the specific provisions of United States laws and regulations, in particular:

- The Federal Meat Inspection Act (21 U.S.C. 601 et seq.).
- The Federal Meat Inspection Regulations (9 CFR Parts 300 to end), which include the Pathogen Reduction/HACCP regulations.

5. SUMMARY OF PREVIOUS AUDITS

Final audit reports are available on FSIS' website at:

http://www.fsis.usda.gov/Regulations_&Policies/Foreign_Audit_Reports/index.asp

FSIS audit of Mexico's inspection system conducted in May-June 2003.

- Eleven establishments and one laboratory reviewed.
- Four establishments were delisted and became ineligible to export to the United States.
- Four establishments received an NOID.
- No government inspector during third processing shift in one establishment.
- Insufficient number of government inspectors conducting post-mortem inspection in two establishments.
- Deviations identified during previous FSIS audit were not corrected in some establishments.
- Inadequate HACCP implementation in some establishments.
- Some establishments did not reassess its HACCP plan to include *E.coli* O157:H7 and/or *Listeria monocytogenes* as hazards likely to occur.
- Inadequate maintenance of facilities in some establishments.
- Inadequate government oversight.

FSIS audit of Mexico's inspection system conducted in April-May 2004.

- 3 certified establishments were delisted.
- 1 non-certified establishment that Mexico requested for recertification was not acceptable, and would have been delisted if it had been certified.
- 3 establishments received an NOID.
- 3 establishments were cited for product contamination.
- 12 establishments were cited for inadequate HACCP implementation.
- 10 establishments were cited for inadequate SSOP implementation.
- 19 establishments were cited for inadequate government enforcement.

6. MAIN FINDINGS

6.1 Government Oversight

SENASICA has responsibility of regulating Mexico's meat and processed poultry inspection system and live animal health requirements. This responsibility includes certifying and regulating TIF establishments for the exportation of meat or processed poultry products to the United States.

The production of meat and poultry products in Mexico is either conducted in TIF establishments or municipal establishments. SENASICA has authority only over TIF establishments whereas Mexico's Department of Health has authority over municipal establishments. The majority of the meat and poultry production in Mexico is conducted in TIF establishments. Only TIF establishments have the authority to produce product for export to other countries.

6.1.1 CCA Control Systems

Audit of the CCA control systems included the following document reviews during on-site visits to headquarters, state offices, and local inspection offices (TIF establishments):

- Supervisory visits to establishments that were certified to export to the United States.
- New laws and implementation documents such as regulations, notices, directives and guidelines.
- Label approval records.
- Sampling and analyses for residues and water supply.
- Pathogen reduction and other food safety initiatives such as SSOP and HACCP programs, generic *E. coli*, *Salmonella* species, *E. coli* O157:H7, *Listeria monocytogenes* testing, and implementation of the new BSE control measures.
- Sanitation, slaughter and processing inspection procedures and standards.
- Control of products from livestock with conditions such as tuberculosis, cysticercosis, etc., and inedible and condemned materials.
- Export product inspection and control including export certificates.
- National residue control program and monitoring results.
- Enforcement records including examples of criminal prosecutions, consumer complaints, recalls, seizures and control of noncompliant product, and withholding, suspending, withdrawing inspection services from or delisting an establishment that is certified to export product to the United States.

6.1.2 Ultimate Control and Supervision

Each TIF establishment is under the direct authority of a SAGARPA state office. Each state office has at least one SENASICA state supervisor who is assigned to provide government oversight of all TIF establishments within the state and to assure that inspection requirements are being enforced at the TIF establishments. Based on the size of the state and/or the number of TIF establishments, SENASICA may assign two state supervisors. In addition, SENASICA has assigned a MVZ supervisor to each TIF establishment certified to export meat or processed poultry to the United States. Additional MVZ inspection officials are assigned to certified establishments to carry out government inspection responsibilities. Since early 2004, SENASICA has hired several new MVZ inspection officials to conduct official inspection duties at TIF establishments. Daily inspection by inspection officials is being carried out in all TIF establishments certified to export to the United States.

SENASICA has adequate levels of authority (headquarters, state offices, and certified establishments) to ensure effective oversight of all U.S. import inspection requirements.

6.1.3 Assignment of Competent, Qualified Inspectors

Upon entering government employment as an official inspector, new employees undergo induction training as well as participate in on-the-job practical training under the supervision of experienced veterinarians. Training is supplemented by refresher courses on inspection requirements and participation in U.S. government technical assistance programs. Limited resources have restricted SENASICA's ability to conduct sufficient

training for its inspection personnel. However, since the April-May 2004 FSIS audit, Mexico has provided three training courses for its inspection personnel regarding implementation and oversight of the U.S. import inspection requirements. Additional training regarding HACCP requirements is scheduled for its inspection personnel.

6.1.4 Authority and Responsibility to Enforce the Laws

SENASICA has the authority and responsibility to enforce the applicable laws relevant to establishments producing product for export to the United States. However, additional personnel at SENASICA headquarters' office would enhance Mexico's ability to ensure continued compliance of the U.S. inspection requirements.

6.1.5 Adequate Administrative and Technical Support

During the audit, the audit team found that SENASICA has administrative and technical support to operate Mexico's inspection system and has the ability to support a third-party audit.

6.2 Headquarters / State Offices / Local Inspection Offices Review

The audit team conducted a review of inspection documents that included the following:

- Internal review reports.
- Supervisory visits to establishments certified to export to the United States.
- Training records for inspection personnel.
- New laws and implementation documents such as regulations, notices, directives and guidelines.
- Export product inspection and control including export certificates.
- Enforcement records, including examples of recalls, control of noncompliance product, and withholding, suspending, withdrawing inspection services from or delisting an establishment that is certified to export product to the United States.

7. ESTABLISHMENT AUDITS

The FSIS audit team reviewed the 12 TIF establishments certified to export meat and/or processed poultry products to the United States. Three were slaughter establishments and nine were processing establishments.

Specific deviations are noted on the attached individual foreign establishment audit checklists.

8. RESIDUE AND MICROBIOLOGY LABORATORY AUDITS

The FSIS auditor reviewed five laboratories conducting microbiological testing of meat and processed poultry products. No significant deviations were identified. No laboratories conducting residue testing were reviewed.

9. SANITATION CONTROLS

As stated earlier, the FSIS audit team focused on five areas of risk to assess an exporting country's meat inspection system. The first of these risk areas was Sanitation Controls.

Based on the on-site reviews of establishments, and except as noted below, Mexico's inspection system had controls in place for SSOP programs, all aspects of facility and equipment sanitation, the prevention of actual or potential instances of product cross-contamination, good personal hygiene and practices, and good product handling and storage practices.

In addition, and except as noted below, Mexico's inspection system had controls in place for water potability records, chlorination procedures, back-siphonage prevention, separation of operations, temperature control, work space, ventilation, ante-mortem facilities, welfare facilities, and outside premises.

9.1 SSOP

Each establishment was evaluated to determine if the basic FSIS regulatory requirements for SSOP were met, according to the criteria employed in the United States' domestic inspection program. Of the 12 establishments reviewed, there was inadequate implementation of SSOP requirements in two establishments.

SSOP implementation deviations are stated on the attached foreign establishment audit checklists.

9.2 Sanitation

The following deviations were identified:

- The heads of five carcasses in one establishment was contacting the floor and a non-sanitized (not identified as a product-contact surface) stepladder.
- Specs of dried white paint were on two boning tables identified as product-contact surfaces.

In both cases, immediate corrective actions occurred.

10. ANIMAL DISEASE CONTROLS

The second of the five risk areas that the FSIS audit team reviewed was Animal Disease Controls. These controls include ensuring adequate animal identification, control over condemned and restricted product, and procedures for sanitary handling of returned and reconditioned product. The auditor determined that Mexico's inspection system had adequate controls in place with the following exception:

- An abdominal viscera, which fell on the floor and condemned, was not presented to the inspection official for examination.

There had been no outbreaks of animal diseases with public health significance since the last FSIS audit.

11. SLAUGHTER/PROCESSING CONTROLS

The third of the five risk areas that the FSIS audit team reviewed was Slaughter/Processing Controls. Controls reviewed included the following areas: ante-mortem and post-mortem inspection procedures and disposition, humane handling and humane slaughter, post-mortem inspection procedures, post-mortem disposition, ingredients identification, control of restricted ingredients, formulations, processing schedules, equipment and records, and processing controls of cured, dried, and cooked products.

Review of controls also included the implementation of HACCP systems in all establishments, implementation of a testing program for generic *E. coli*, and *E. coli* O157:H7 in slaughter establishments, *Listeria monocytogenes* in processing establishments, and implementation of the BSE control measures.

Deviations identified by the FSIS audit team are addressed below, as applicable, in each category.

11.1 Humane Handling and Humane Slaughter

The following deviation was identified:

For two of three bovine animals observed, the stunning operator was required to apply two applications of the captive bolt stunning device to render the animals insensible. It appeared that this deviation was due to the smaller size of the two animals and the inability of the stunning operator to restrain both animals and adequately apply the stunning device to the heads.

11.2 HACCP Implementation

All establishments approved to export meat products to the United States are required to have developed and adequately implemented a HACCP program. Each of these programs was evaluated according to the criteria employed in the United States' domestic inspection program.

The HACCP programs were reviewed during the on-site reviews of 12 establishments. Of these establishments, there was inadequate implementation of HACCP requirements in nine establishments. The degree of non-compliance varied, but non-compliances were identified as HACCP design issues.

HACCP implementation deviations are noted on the attached foreign establishment audit checklists.

11.3 Testing for Generic *E. coli*

- The slaughter establishments had effectively implemented testing for generic *E. coli*.

11.4 Testing for *Listeria monocytogenes*

Applicable establishments had reassessed their HACCP plans to include *Listeria monocytogenes* as a hazard reasonably likely to occur.

11.5 Testing for *E. coli* O157:H7

The applicable establishment had reassessed its HACCP plans to include *E. coli* O157:H7 as a hazard reasonably likely to occur.

11.6 Implementation of BSE Control Measures

The beef slaughter establishment had effectively implemented the BSE control measures.

12. RESIDUE CONTROLS

The fourth of the five risk areas reviewed by FSIS is Residue Controls. These controls include sample handling and frequency, timely analysis, data reporting, tissue matrices for analysis, equipment operation and printouts, minimum detection levels, recovery frequency, percent recoveries, and corrective actions. During this audit, the audit team did not visit any laboratories conducting residue testing; thus the review of Mexico's national residue program was limited.

13. ENFORCEMENT CONTROLS

The fifth of the five risk areas that the FSIS audit team reviewed was Enforcement Controls. These controls include the enforcement of inspection requirements and the testing programs for *Salmonella* and Species Verification.

13.1 Daily Inspection

Inspection was being conducted daily in all slaughter and processing establishments.

13.2 Testing for *Salmonella*

The slaughter establishments had effectively implemented the testing program for *Salmonella* species.

13.3 Species Verification

FSIS had previously granted Mexico an exemption from conducting species verification testing. The FSIS audit team verified that adequate controls were in place to assure clear separation of meat products of different species.

13.4 Monthly Reviews

During this audit it was found that in all establishments visited, monthly supervisory reviews of certified establishments were being performed and documented as required.

13.5 Inspection System Controls

The CCA had controls in place for ante-mortem inspection procedures and dispositions; restricted product and inspection samples; disposition of dead, dying, diseased or disabled animals; shipment security, including shipment between establishments; and prevention of commingling of product intended for export to the United States with product intended for the domestic market.

In addition, controls were in place for the importation of only eligible livestock from other countries, i.e., only from eligible third countries and certified establishments within those countries, and the importation of only eligible meat products from other countries for further processing.

Lastly, adequate controls were found to be in place for security items, shipment security, and products entering the establishments from outside sources.

Furthermore, the following concerns were raised by the FSIS audit team:

- Nine of 12 establishments reviewed were cited for inadequate government enforcement. This was primarily due to deviations in the establishments' HACCP plans.

14. CLOSING MEETING

A closing meeting was held on November 18, 2004 in Mexico City with the CCA. At this meeting, the primary findings from the audit were presented by the FSIS audit team.

The CCA understood and accepted the findings.

STEVEN A. MCDERMOTT
Team Leader
International Equivalence Staff
Office of International Affairs



15. ATTACHMENTS TO THE AUDIT REPORT

Individual Foreign Establishment Audit Checklists
Foreign Country Response to Draft Final Audit Report (when it becomes available)

United States Department of Agriculture
Food Safety and Inspection Service

Foreign Establishment Audit Checklist

1. ESTABLISHMENT NAME AND LOCATION Frigorifico Agropecuario Sonorense, Hermosillo, Sonora Mexico	2. AUDIT DATE 11/05/04	3. ESTABLISHMENT NO. TIF 66	4. NAME OF COUNTRY Mexico
5. NAME OF AUDITOR(S) Dr. Jonathan B. Coleman		6. TYPE OF AUDIT <input checked="" type="checkbox"/> ON-SITE AUDIT <input type="checkbox"/> DOCUMENT AUDIT	

Place an X in the Audit Results block to indicate noncompliance with requirements. Use O if not applicable.

Part A - Sanitation Standard Operating Procedures (SSOP) Basic Requirements	Audit Results	Part D - Continued Economic Sampling	Audit Results
7. Written SSOP		33. Scheduled Sample	
8. Records documenting implementation.		34. Species Testing	
9. Signed and dated SSOP, by on-site or overall authority.		35. Residue	
Sanitation Standard Operating Procedures (SSOP) Ongoing Requirements		Part E - Other Requirements	
10. Implementation of SSOPs, including monitoring of implementation.	X	36. Export	
11. Maintenance and evaluation of the effectiveness of SSOPs.		37. Import	
12. Corrective action when the SSOPs have failed to prevent direct product contamination or adulteration.		38. Establishment Grounds and Pest Control	
13. Daily records document item 10, 11 and 12 above.		39. Establishment Construction/Maintenance	
Part B - Hazard Analysis and Critical Control Point (HACCP) Systems - Basic Requirements		40. Light	
14. Developed and implemented a written HACCP plan.		41. Ventilation	
15. Contents of the HACCP list the food safety hazards, critical control points, critical limits, procedures, corrective actions.	X	42. Plumbing and Sewage	
16. Records documenting implementation and monitoring of the HACCP plan.		43. Water Supply	
17. The HACCP plan is signed and dated by the responsible establishment individual.		44. Dressing Rooms/Lavatories	
Hazard Analysis and Critical Control Point (HACCP) Systems - Ongoing Requirements		45. Equipment and Utensils	
18. Monitoring of HACCP plan.		46. Sanitary Operations	
19. Verification and validation of HACCP plan.		47. Employee Hygiene	
20. Corrective action written in HACCP plan.		48. Condemned Product Control	
21. Reassessed adequacy of the HACCP plan.		Part F - Inspection Requirements	
22. Records documenting: the written HACCP plan, monitoring of the critical control points, dates and times of specific event occurrences.	X	49. Government Staffing	
Part C - Economic / Wholesomeness		50. Daily Inspection Coverage	
23. Labeling - Product Standards		51. Enforcement	X
24. Labeling - Net Weights		52. Humane Handling	
25. General Labeling		53. Animal Identification	
26. FWH Prod. Standards/Boneless (Defects/AQL/Pork Skins/Moisture)		54. Ante Mortem Inspection	
Part D - Sampling Generic E. coli Testing		55. Post Mortem Inspection	X
27. Written Procedures		Part G - Other Regulatory Oversight Requirements	
28. Sample Collection/Analysis		56. European Community Directives	
29. Records		57. Monthly Review	
Salmonella Performance Standards - Basic Requirements		58.	
30. Corrective Actions		59.	
31. Reassessment			
32. Written Assurance			

60. Observation of the Establishment

November 5, 2004: Est. TIF-66, Frigorifico Agropecuario Sonorense, Hermosillo, Sonora, Mexico

- 10/51 The heads of 5 carcasses were permitted by the establishment to contact the floor and framework of the establishment's defect trimming platform during the handling and trimming of these carcasses. Neither the floor nor the framework of the trim platform was identified as a product contact surface in the establishment's SSOP. [9 CFR 416.13]
- 15/51 Returned product was not included in the flow chart or considered in the hazard analysis. [9CFR §417.2 and 417.8]
- 22/51 The monitoring procedure for CCP 1 was being conducted in the manner and at the frequency described in the establishment's HACCP plan for slaughter; however, the results from each monitoring procedure performed was not recorded on the HACCP monitoring record. Also, each entry made on these HACCP records did not include the time at which the monitoring procedure was performed. [9 CFR 417.5(a)3 and 417.8]
- 55/51 An abdominal viscera was not presented to the SAGARPA inspector for postmortem inspection. The SAGARPA officials recommended the establishment to take appropriate corrective actions immediately. [9 CFR 310.2 (a)]

All findings were either corrected on the day of the audit or SAGARPA officials indicated they would initiate a plan of actions to ensure that the establishment complies with all appropriate USDA, FSIS regulations.

61. NAME OF AUDITOR
Dr. Jonathan B. Coleman

62. AUDITOR SIGNATURE AND DATE

 +BColeman DVM 12/06/04

United States Department of Agriculture
Food Safety and Inspection Service

Foreign Establishment Audit Checklist

1. ESTABLISHMENT NAME AND LOCATION Sana Internacional, S.A. De C.V. San Luis Rio Colorado, Son., Mexico	2. AUDIT DATE 11/03/004	3. ESTABLISHMENT NO. TIF 86	4. NAME OF COUNTRY Mexico
5. NAME OF AUDITOR(S) Dr. Jonathan B. Coleman		6. TYPE OF AUDIT <input checked="" type="checkbox"/> ON-SITE AUDIT <input type="checkbox"/> DOCUMENT AUDIT	

Place an X in the Audit Results block to indicate noncompliance with requirements. Use O if not applicable.

Part A - Sanitation Standard Operating Procedures (SSOP) Basic Requirements		Audit Results	Part D - Continued Economic Sampling		Audit Results
7. Written SSOP			33. Scheduled Sample		O
8. Records documenting implementation.			34. Species Testing		O
9. Signed and dated SSOP, by on-site or overall authority.			35. Residue		O
Sanitation Standard Operating Procedures (SSOP) Ongoing Requirements			Part E - Other Requirements		
10. Implementation of SSOP's, including monitoring of implementation.			36. Export		
11. Maintenance and evaluation of the effectiveness of SSOP's.			37. Import		
12. Corrective action when the SSOP's have failed to prevent direct product contamination or adulteration.			38. Establishment Grounds and Pest Control		
13. Daily records document item 10, 11 and 12 above.			39. Establishment Construction/Maintenance		
Part B - Hazard Analysis and Critical Control Point (HACCP) Systems - Basic Requirements			40. Light		
14. Developed and implemented a written HACCP plan.			41. Ventilation		
15. Contents of the HACCP list the food safety hazards, critical control points, critical limits, procedures, corrective actions.			42. Plumbing and Sewage		
16. Records documenting implementation and monitoring of the HACCP plan.			43. Water Supply		
17. The HACCP plan is signed and dated by the responsible establishment individual.			44. Dressing Rooms/Lavatories		
Hazard Analysis and Critical Control Point (HACCP) Systems - Ongoing Requirements			45. Equipment and Utensils		
18. Monitoring of HACCP plan.			46. Sanitary Operations		
19. Verification and validation of HACCP plan.			47. Employee Hygiene		
20. Corrective action written in HACCP plan.			48. Condemned Product Control		
21. Reassessed adequacy of the HACCP plan.			Part F - Inspection Requirements		
22. Records documenting the written HACCP plan, monitoring of the critical control points, dates and times of specific event occurrences.		X	49. Government Staffing		
Part C - Economic / Wholesomeness			50. Daily Inspection Coverage		
23. Labeling - Product Standards			51. Enforcement		X
24. Labeling - Net Weights			52. Humane Handling		O
25. General Labeling			53. Animal Identification		O
26. Fin. Prod. Standards/Boneless (Defects/AQL/Pork Skins/Moisture)			54. Ante Mortem Inspection		O
Part D - Sampling Generic E. coli Testing			55. Post Mortem Inspection		O
27. Written Procedures		O	Part G - Other Regulatory Oversight Requirements		
28. Sample Collection/Analysis		O	56. European Community Directives		O
29. Records		O	57. Monthly Review		
Salmonella Performance Standards - Basic Requirements			58.		
30. Corrective Actions		O	59.		
31. Reassessment		O			
32. Written Assurance		O			

60. Observation of the Establishment

November 3, 2004 : Establishment TIF -- 86, Sana Internacional, S.A. De C.V., San Luis Rio Colorado, Son., Mexico

22/51 The HACCP records documenting the establishment's monitoring of the critical limit for CCP2 and the results of these monitoring activities did not include quantifiable values. The HACCP plan stated CCP2 and its critical limit was designed to monitor the presence of metal in product; however, the results from the establishment's monitoring of this CCP were recorded as "Bien" (Good) on the HACCP records. The establishment corrected this noncompliance on the day of the audit. [9 CFR 417.5a3 and 9 CFR 417.8]

Following the audit, SAGARPA officials indicated they would initiate a plan of actions to ensure that the establishment complies with all parts of 9 CFR 417.

61. NAME OF AUDITOR Dr. Jonathan B. Coleman	62. AUDITOR SIGNATURE AND DATE  12/06/04
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United States Department of Agriculture
Food Safety and Inspection Service

Foreign Establishment Audit Checklist

1. ESTABLISHMENT NAME AND LOCATION Sigma Alimentos Noreste, S.A. de C.V. Monterrey, Nuevo Leon	2. AUDIT DATE 11-04-2004	3. ESTABLISHMENT NO. TIF-100	4. NAME OF COUNTRY Mexico
	5. NAME OF AUDITOR(S) Marshall C. Thibodeaux		6. TYPE OF AUDIT <input checked="" type="checkbox"/> ON-SITE AUDIT <input type="checkbox"/> DOCUMENT AUDIT

Place an X in the Audit Results block to indicate noncompliance with requirements. Use O if not applicable.

Part A - Sanitation Standard Operating Procedures (SSOP) Basic Requirements	Audit Results	Part D - Continued Economic Sampling	Audit Results
7. Written SSOP		33. Scheduled Sample	
8. Records documenting implementation.		34. Species Testing	
9. Signed and dated SSOP, by on-site or overall authority.		35. Residue	O
Sanitation Standard Operating Procedures (SSOP) Ongoing Requirements		Part E - Other Requirements	
10. Implementation of SSOP's, including monitoring of implementation.		36. Export	
11. Maintenance and evaluation of the effectiveness of SSOP's.		37. Import	
12. Corrective action when the SSOP's have failed to prevent direct product contamination or adulteration.		38. Establishment Grounds and Pest Control	
13. Daily records document item 10, 11 and 12 above.		39. Establishment Construction/Maintenance	
Part B - Hazard Analysis and Critical Control Point (HACCP) Systems - Basic Requirements		40. Light	
14. Developed and implemented a written HACCP plan.		41. Ventilation	
15. Contents of the HACCP list the food safety hazards, critical control points, critical limits, procedures, corrective actions.		42. Plumbing and Sewage	
16. Records documenting implementation and monitoring of the HACCP plan.		43. Water Supply	
17. The HACCP plan is signed and dated by the responsible establishment individual.		44. Dressing Rooms/Lavatories	
Hazard Analysis and Critical Control Point (HACCP) Systems - Ongoing Requirements		45. Equipment and Utensils	
18. Monitoring of HACCP plan.		46. Sanitary Operations	
19. Verification and validation of HACCP plan.		47. Employee Hygiene	
20. Corrective action written in HACCP plan.		48. Condemned Product Control	
21. Reassessed adequacy of the HACCP plan.		Part F - Inspection Requirements	
22. Records documenting: the written HACCP plan, monitoring of the critical control points, dates and times of specific event occurrences.		49. Government Staffing	
Part C - Economic / Wholesomeness		50. Daily Inspection Coverage	
23. Labeling - Product Standards		51. Enforcement	
24. Labeling - Net Weights		52. Humane Handling	O
25. General Labeling		53. Animal Identification	
26. Fin. Prod. Standards/Boneless (Defects/AQU/Pork Skins/Moisture)		54. Ante Mortem Inspection	O
Part D - Sampling Generic E. coli Testing		55. Post Mortem Inspection	O
27. Written Procedures		Part G - Other Regulatory Oversight Requirements	
28. Sample Collection/Analysis		56. European Community Directives	O
29. Records		57. Monthly Review	
Salmonella Performance Standards - Basic Requirements		58.	
30. Corrective Actions		59.	
31. Reassessment			
32. Written Assurance			

60. Observation of the Establishment

11/04/2004: Establishment TIF-100, Sigma Alimentos Noreste, S.A. de C.V., Monterrey, Nuevo Leon, Mexico
No Findings
Finding from previous audit corrected.

61. NAME OF AUDITOR

Marshall C. Thibodeaux

62. AUDITOR SIGNATURE AND DATE

Marshall C. Thibodeaux 11/04/04

United States Department of Agriculture
Food Safety and Inspection Service

Foreign Establishment Audit Checklist

1. ESTABLISHMENT NAME AND LOCATION Ganaderia Integral Vizus SA de CV Carretera Culiacan-Vitaroto km 14.5 Culiacan, Sinaloa Mexico	2. AUDIT DATE 11/12/2004	3. ESTABLISHMENT NO. TIF-111	4. NAME OF COUNTRY Mexico
5. NAME OF AUDITOR(S) Dr. Jonathan B. Coleman		6. TYPE OF AUDIT <input checked="" type="checkbox"/> ON-SITE AUDIT <input type="checkbox"/> DOCUMENT AUDIT	

Place an X in the Audit Results block to indicate noncompliance with requirements. Use O if not applicable.

Part A - Sanitation Standard Operating Procedures (SSOP) Basic Requirements	Audit Results	Part D - Continued Economic Sampling	Audit Results
7. Written SSOP		33. Scheduled Sample	
8. Records documenting implementation.		34. Species Testing	
9. Signed and dated SSOP, by on-site or overall authority.		35. Residue	
Sanitation Standard Operating Procedures (SSOP) Ongoing Requirements		Part E - Other Requirements	
10. Implementation of SSOP's, including monitoring of implementation.	X	36. Export	
11. Maintenance and evaluation of the effectiveness of SSOP's.		37. Import	
12. Corrective action when the SSOP's have failed to prevent direct product contamination or adulteration.		38. Establishment Grounds and Pest Control	
13. Daily records document item 10, 11 and 12 above.		39. Establishment Construction/Maintenance	
Part B - Hazard Analysis and Critical Control Point (HACCP) Systems - Basic Requirements		40. Light	
14. Developed and implemented a written HACCP plan.		41. Ventilation	
15. Contents of the HACCP list the food safety hazards, critical control points, critical limits, procedures, corrective actions.	X	42. Plumbing and Sewage	
16. Records documenting implementation and monitoring of the HACCP plan.		43. Water Supply	
17. The HACCP plan is signed and dated by the responsible establishment individual.		44. Dressing Rooms/Lavatories	
Hazard Analysis and Critical Control Point (HACCP) Systems - Ongoing Requirements		45. Equipment and Utensils	
18. Monitoring of HACCP plan.		46. Sanitary Operations	
19. Verification and validation of HACCP plan.		47. Employee Hygiene	
20. Corrective action written in HACCP plan.		48. Condemned Product Control	
21. Reassessed adequacy of the HACCP plan.		Part F - Inspection Requirements	
22. Records documenting: the written HACCP plan, monitoring of the critical control points, dates and times of specific event occurrences.		49. Government Staffing	
Part C - Economic / Wholesomeness		50. Daily Inspection Coverage	
23. Labeling - Product Standards		51. Enforcement	X
24. Labeling - Net Weights		52. Humane Handling	X
25. General Labeling		53. Animal Identification	
26. Fin. Prod. Standards/Boneless (Defects/AQL/Pork Skins/Moisture)		54. Ante Mortem Inspection	
Part D - Sampling Generic E. coli Testing		55. Post Mortem Inspection	
27. Written Procedures		Part G - Other Regulatory Oversight Requirements	
28. Sample Collection/Analysis		56. European Community Directives	O
29. Records		57. Monthly Review	
Salmonella Performance Standards - Basic Requirements		58.	
30. Corrective Actions		59.	
31. Reassessment			
32. Written Assurance			

60. Observation of the Establishment

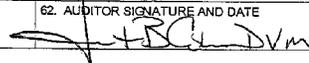
November 12, 2004: Est. TIF-111, Ganaderia Integral Vizus SA de CV, Culiacan, Sinaloa, Mexico

- 15/51 The establishment's Slaughter, Deboned products (raw not ground), and Marinated products (raw not ground) HACCP plans did not include the verification activity of direct observation of monitoring activities and corrective actions. [9 CFR 417.4(a)2 and 417.8]
- 10/51 During pre-operational sanitation inspection, many numerous specks of dried white paint were observed on the product contact surfaces of two boning tables in the viscera separation and washing area. Immediate corrective actions were taken by the establishment management. [9 CFR 416.13]
- 52/51 Two applications of the captive bolt stunning device was required to render insensible two of the three animals observed. The stunning device operator's inability to immobilize sufficiently the smaller cattle restrained in the knocking box resulted in the misplacement of the stunning device on the heads of both animals. In both cases, the operator effectively rendered insensible these animals before they were released from the stunning area. [9 CFR 313.15(a)]

All findings were either corrected on the day of the audit or SAGARPA officials indicated they would initiate a plan of actions to ensure that the establishment complies with all appropriate USDA, FSIS regulations.

61. NAME OF AUDITOR
Jonathan R. Coleman DVM

62. AUDITOR SIGNATURE AND DATE

 DVM 12/06/04

United States Department of Agriculture
Food Safety and Inspection Service

Foreign Establishment Audit Checklist

1. ESTABLISHMENT NAME AND LOCATION Trosi de Carnes, SA de CV Apodaca (Monterrey), Nuevo Leon	2. AUDIT DATE 11/05/2004	3. ESTABLISHMENT NO. TIP-114	4. NAME OF COUNTRY Mexico
	5. NAME OF AUDITOR(S) Marshall C. Thibodeaux		6. TYPE OF AUDIT <input checked="" type="checkbox"/> ON-SITE AUDIT <input type="checkbox"/> DOCUMENT AUDIT

Place an X in the Audit Results block to indicate noncompliance with requirements. Use O if not applicable.

Part A - Sanitation Standard Operating Procedures (SSOP) Basic Requirements		Audit Results	Part D - Continued Economic Sampling		Audit Results
7. Written SSOP			33. Scheduled Sample		
8. Records documenting implementation.			34. Species Testing		
9. Signed and dated SSOP, by on-site or overall authority.			35. Residue		O
Sanitation Standard Operating Procedures (SSOP) Ongoing Requirements			Part E - Other Requirements		
10. Implementation of SSOP's, including monitoring of implementation.			36. Export		
11. Maintenance and evaluation of the effectiveness of SSOP's.			37. Import		
12. Corrective action when the SSOP's have failed to prevent direct product contamination or adulteration.			38. Establishment Grounds and Pest Control		
13. Daily records document item 10, 11 and 12 above.			39. Establishment Construction/Maintenance		
Part B - Hazard Analysis and Critical Control Point (HACCP) Systems - Basic Requirements			40. Light		
14. Developed and implemented a written HACCP plan.			41. Ventilation		
15. Contents of the HACCP list the food safety hazards, critical control points, critical limits, procedures, corrective actions.			42. Plumbing and Sewage		
16. Records documenting implementation and monitoring of the HACCP plan.			43. Water Supply		
17. The HACCP plan is signed and dated by the responsible establishment individual.			44. Dressing Rooms/Lavatories		
Hazard Analysis and Critical Control Point (HACCP) Systems - Ongoing Requirements			45. Equipment and Utensils		
18. Monitoring of HACCP plan.			46. Sanitary Operations		
19. Verification and validation of HACCP plan.			47. Employee Hygiene		
20. Corrective action written in HACCP plan.			48. Condemned Product Control		
21. Reassessed adequacy of the HACCP plan.			Part F - Inspection Requirements		
22. Records documenting: the written HACCP plan, monitoring of the critical control points, dates and times of specific event occurrences.			49. Government Staffing		
Part C - Economic / Wholesomeness			50. Daily Inspection Coverage		
23. Labeling - Product Standards			51. Enforcement		
24. Labeling - Net Weights			52. Humane Handling		O
25. General Labeling			53. Animal Identification		O
26. Fin. Prod. Standards/Boneless (Defeca/AQL/Pork Skins/Moisture)			54. Ante Mortem Inspection		O
Part D - Sampling Generic E. coli Testing			55. Post Mortem Inspection		O
27. Written Procedures		O	Part G - Other Regulatory Oversight Requirements		
28. Sample Collection/Analysis		O	56. European Community Directives		O
29. Records		O	57. Monthly Review		
Salmonella Performance Standards - Basic Requirements			58.		
30. Corrective Actions		O	59.		
31. Reassessment		O			
32. Written Assurance		O			

60. Observation of the Establishment

11/05/2004 : Est. TIF-114, Trosi de Carnes, SA de CV, Apodaca (Monterrey), Nuevo Leon, Mexico
No Findings
Finding from previous audit corrected

61. NAME OF AUDITOR
Marshall C. Thibodeaux

62. AUDITOR SIGNATURE AND DATE
Marshall C. Thibodeaux 11/05/04

United States Department of Agriculture
Food Safety and Inspection Service

Foreign Establishment Audit Checklist

1. ESTABLISHMENT NAME AND LOCATION Frigorifico Agropecuario Sonorense S. de R.L. de C.V. Hermosillo, Sonora, Mexico	2. AUDIT DATE 11/08/04	3. ESTABLISHMENT NO. TIF 148	4. NAME OF COUNTRY Mexico
5. NAME OF AUDITOR(S) Dr. Jonathan B. Coleman		6. TYPE OF AUDIT <input checked="" type="checkbox"/> ON-SITE AUDIT <input type="checkbox"/> DOCUMENT AUDIT	

Place an X in the Audit Results block to indicate noncompliance with requirements. Use O if not applicable.

Part A - Sanitation Standard Operating Procedures (SSOP) Basic Requirements	Audit Results	Part D - Continued Economic Sampling	Audit Results
7. Written SSOP		33. Scheduled Sample	
8. Records documenting implementation.		34. Speces Testing	
9. Signed and dated SSOP, by on-site or overall authority.		35. Residue	
Sanitation Standard Operating Procedures (SSOP) Ongoing Requirements		Part E - Other Requirements	
10. Implementation of SSOP's, including monitoring of implementation.		36. Export	
11. Maintenance and evaluation of the effectiveness of SSOP's.		37. Import	
12. Corrective action when the SSOP's have failed to prevent direct product contamination or adulteration.		38. Establishment Grounds and Pest Control	
13. Daily records document item 10, 11 and 12 above.		39. Establishment Construction/Maintenance	
Part B - Hazard Analysis and Critical Control Point (HACCP) Systems - Basic Requirements		40. Light	
14. Developed and implemented a written HACCP plan.		41. Ventilation	
15. Contents of the HACCP list the food safety hazards, critical control points, critical limits, procedures, corrective actions.		42. Plumbing and Sewage	
16. Records documenting implementation and monitoring of the HACCP plan.		43. Water Supply	
17. The HACCP plan is signed and dated by the responsible establishment individual.		44. Dressing Rooms/Lavatories	
Hazard Analysis and Critical Control Point (HACCP) Systems - Ongoing Requirements		45. Equipment and Utensils	
18. Monitoring of HACCP plan.		46. Sanitary Operations	
19. Verification and validation of HACCP plan.		47. Employee Hygiene	
20. Corrective action written in HACCP plan.		48. Condemned Product Control	
21. Reassessed adequacy of the HACCP plan.		Part F - Inspection Requirements	
22. Records documenting: the written HACCP plan, monitoring of the critical control points, dates and times of specific event occurrences.		49. Government Staffing	
Part C - Economic / Wholesomeness		50. Daily Inspection Coverage	
23. Labeling - Product Standards		51. Enforcement	
24. Labeling - Net Weights		52. Humane Handling	O
25. General Labeling		53. Animal Identification	O
26. Fin. Prod. Standards/Boneless (Defects/AQL/Pork Skins/Moisture)		54. Ante Mortem Inspection	O
Part D - Sampling Generic E. coli Testing		55. Post Mortem Inspection	O
27. Written Procedures	O	Part G - Other Regulatory Oversight Requirements	
28. Sample Collection/Analysis	O	56. European Community Directives	
29. Records	O	57. Monthly Review	
Salmonella Performance Standards - Basic Requirements		58.	
30. Corrective Actions	O	59.	
31. Reassessment	O		
32. Written Assurance	O		

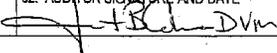
60. Observation of the Establishment

November 8, 2004: Est. TIF-148, Frigorifico Agropecuario Sonorense S. de R.L. de C.V.
Hermosillo, Sonora, Mexico

There were no significant findings observed during this audit.

Currently, the establishment chooses to control *Listeria monocytogenes* in post-lethality exposed Ready-to-eat products by meeting the regulatory requirements of 9 CFR 430.4a, 9 CFR 430.4b2 (Alternative 2), and 9 CFR 430.4c.

61. NAME OF AUDITOR
Dr. Jonathan B. Coleman

62. AUDITOR SIGNATURE AND DATE
 12/06/04

United States Department of Agriculture
Food Safety and Inspection Service

Foreign Establishment Audit Checklist

1. ESTABLISHMENT NAME AND LOCATION Delímex de Mexico, S.A. de C.V. San Nicolás de los Garza, Nuevo León	2. AUDIT DATE 11/08/2004	3. ESTABLISHMENT NO. TIF-150	4. NAME OF COUNTRY Mexico
5. NAME OF AUDITOR(S) Marshall C. Thibodeaux		6. TYPE OF AUDIT <input checked="" type="checkbox"/> ON-SITE AUDIT <input type="checkbox"/> DOCUMENT AUDIT	

Place an X in the Audit Results block to indicate noncompliance with requirements. Use O if not applicable.

Part A - Sanitation Standard Operating Procedures (SSOP) Basic Requirements	Audit Results	Part D - Continued Economic Sampling	Audit Results
7. Written SSOP		33. Scheduled Sample	
8. Records documenting implementation.		34. Species Testing	O
9. Signed and dated SSOP by on-site or overall authority.		35. Residue	O
Sanitation Standard Operating Procedures (SSOP) Ongoing Requirements		Part E - Other Requirements	
10. Implementation of SSOP's, including monitoring of implementation.		36. Export	
11. Maintenance and evaluation of the effectiveness of SSOP's.		37. Import	O
12. Corrective action when the SSOP's have failed to prevent direct product contamination or adulteration.		38. Establishment Grounds and Pest Control	
13. Daily records document item 10, 11 and 12 above.		39. Establishment Construction/Maintenance	
Part B - Hazard Analysis and Critical Control Point (HACCP) Systems - Basic Requirements		40. Light	
14. Developed and implemented a written HACCP plan.		41. Ventilation	
15. Contents of the HACCP list the food safety hazards, critical control points, critical limits, procedures, corrective actions.		42. Plumbing and Sewage	
16. Records documenting implementation and monitoring of the HACCP plan.		43. Water Supply	
17. The HACCP plan is signed and dated by the responsible establishment individual.		44. Dressing Rooms/Lavatories	
Hazard Analysis and Critical Control Point (HACCP) Systems - Ongoing Requirements		45. Equipment and Utensils	
18. Monitoring of HACCP plan.		46. Sanitary Operations	
19. Verification and validation of HACCP plan.		47. Employee Hygiene	
20. Corrective action written in HACCP plan.		48. Condemned Product Control	
21. Reassessed adequacy of the HACCP plan.		Part F - Inspection Requirements	
22. Records documenting: the written HACCP plan, monitoring of the critical control points, dates and times of specific event occurrences.	X	49. Government Staffing	
Part C - Economic / Wholesomeness		50. Daily Inspection Coverage	
23. Labeling - Product Standards		51. Enforcement	X
24. Labeling - Net Weights		52. Humane Handling	O
25. General Labeling		53. Animal Identification	O
26. Fin. Prod. Standards/Boneless (Defects/AQL/Pak Skins/Moisture)		54. Ante Mortem Inspection	O
Part D - Sampling Generic E. coli Testing		55. Post Mortem Inspection	O
27. Written Procedures	O	Part G - Other Regulatory Oversight Requirements	
28. Sample Collection/Analysis	O	56. European Community Directives	O
29. Records	O	57. Monthly Review	
Salmonella Performance Standards - Basic Requirements		58.	
30. Corrective Actions	O	59.	
31. Reassessment	O		
32. Written Assurance	O		

60. Observation of the Establishment

11/08/2004: Est. TIF-150, Delimex de Mexico, S.A. de C.V., San Nicolás de los Garza, Nuevo León, Mexico

22/51 The HACCP records documenting the establishment's monitoring of the critical limit for CCP2 and the results of these monitoring activities did not include quantifiable values. The HACCP plan stated CCP2 and its critical limit was designed to monitor the presence of metal in product; however, the results from the establishment's monitoring of this CCP were recorded as a check on the HACCP records. The HACCP plan did not include a description of what the check designated. The establishment corrected this noncompliance on the day of the audit. [9 CFR 417.5a3 and 9 CFR 417.8]

61. NAME OF AUDITOR Marshall C. Thiodeaux	62. AUDITOR SIGNATURE AND DATE <i>Marshall C. Thiodeaux</i> 11/08/04
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United States Department of Agriculture
Food Safety and Inspection Service

Foreign Establishment Audit Checklist

1. ESTABLISHMENT NAME AND LOCATION Sigma Alimentos Centro S.A. de C.V. Planta Atitalaquia Atitalaquia, Hidalgo Mexico	2. AUDIT DATE 11/15/2004	3. ESTABLISHMENT NO. TIF-158	4. NAME OF COUNTRY Mexico
5. NAME OF AUDITOR(S) Marshall C. Thibodeaux		6. TYPE OF AUDIT <input checked="" type="checkbox"/> ON-SITE AUDIT <input type="checkbox"/> DOCUMENT AUDIT	

Place an X in the Audit Results block to indicate noncompliance with requirements. Use 0 if not applicable.

Part A - Sanitation Standard Operating Procedures (SSOP) - Basic Requirements	Audit Results	Part D - Continued Economic Sampling	Audit Results
7. Written SSOP		33. Scheduled Sample	
8. Records documenting implementation.		34. Species Testing	
9. Signed and dated SSOP, by on-site or overall authority.		35. Residue	
Sanitation Standard Operating Procedures (SSOP) - Ongoing Requirements		Part E - Other Requirements	
10. Implementation of SSOP's, including monitoring of implementation.		36. Export	
11. Maintenance and evaluation of the effectiveness of SSOP's.		37. Import	
12. Corrective action when the SSOP's have failed to prevent direct product contamination or adulteration.		38. Establishment Grounds and Pest Control	
13. Daily records document item 10, 11 and 12 above.		39. Establishment Construction/Maintenance	
Part B - Hazard Analysis and Critical Control Point (HACCP) Systems - Basic Requirements		40. Light	
14. Developed and implemented a written HACCP plan.		41. Ventilation	
15. Contents of the HACCP list the food safety hazards, critical control points, critical limits, procedures, corrective actions.	X	42. Plumbing and Sewage	
16. Records documenting implementation and monitoring of the HACCP plan.		43. Water Supply	
17. The HACCP plan is signed and dated by the responsible establishment individual.		44. Dressing Rooms/Lavatories	
Hazard Analysis and Critical Control Point (HACCP) Systems - Ongoing Requirements		45. Equipment and Utensils	
18. Monitoring of HACCP plan.		46. Sanitary Operations	
19. Verification and validation of HACCP plan.		47. Employee Hygiene	
20. Corrective action: written in HACCP plan.		48. Condemned Product Control	
21. Reassessed adequacy of the HACCP plan.		Part F - Inspection Requirements	
22. Records documenting: the written HACCP plan, monitoring of the critical control points, dates and times of specific event occurrences.		49. Government Staffing	
Part C - Economic / Wholesomeness		50. Daily Inspection Coverage	
23. Labeling - Product Standards		51. Enforcement	X
24. Labeling - Net Weights		52. Humane Handling	0
25. General Labeling		53. Animal Identification	0
26. Fin, Prod. Standards/Boneless (Defects/AQL/Pork Skins/Moisture)		54. Ante Mortem Inspection	0
Part D - Sampling Generic E. coli Testing		55. Post Mortem Inspection	0
27. Written Procedures	0	Part G - Other Regulatory Oversight Requirements	
28. Sample Collection/Analysis	0	56. European Community Directives	0
29. Records	0	57. Monthly Review	
Salmonella Performance Standards - Basic Requirements		58.	
30. Corrective Actions	0	59.	
31. Reassessment	0		
32. Written Assurance	0		

80. Observation of the Establishment

11/15/2004: Est. TIF-158, Sigma Alimentos Centro S.A. de C.V., Planta Atitalaquia, Atitalaquia, Hidalgo, Mexico

15/51 1) Rework product was not included in the flow chart or considered in the hazard analysis. [9CFR 417.2 and 417.8]

2) The written HACCP plan does address all processing steps in the flow chart, all hazards are addressed as significant; the plan does not assign these significant hazards with a critical limit or a critical control point. [9CFR 417.2(a) and 417.8]

SAGARPA officials indicated they would initiate a plan of actions to ensure that the establishment complies with all appropriate USDA, FSIS regulations.

61. NAME OF AUDITOR
Marshall C. Thibodeaux

62. AUDITOR SIGNATURE AND DATE
Marshall C. Thibodeaux 11/15/04

United States Department of Agriculture
Food Safety and Inspection Service

Foreign Establishment Audit Checklist

1. ESTABLISHMENT NAME AND LOCATION Alimentos Sigma Con Agra Foods S.A. de C.V. Linares, Nuevo Leon	2. AUDIT DATE 11/09/2004	3. ESTABLISHMENT NO. TIF-209	4. NAME OF COUNTRY Mexico
5. NAME OF AUDITOR(S) Marshall C. Thibodeaux		6. TYPE OF AUDIT <input checked="" type="checkbox"/> ON-SITE AUDIT <input type="checkbox"/> DOCUMENT AUDIT	

Place an X in the Audit Results block to indicate noncompliance with requirements. Use O if not applicable.

Part A - Sanitation Standard Operating Procedures (SSOP) Basic Requirements	Audit Results	Part D - Continued Economic Sampling	Audit Results
7. Written SSOP		33. Scheduled Sample	
8. Records documenting implementation.		34. Species Testing	
9. Signed and dated SSOP, by on-site or overall authority.		35. Residue	O
Sanitation Standard Operating Procedures (SSOP) Ongoing Requirements		Part E - Other Requirements	
10. Implementation of SSOP's, including monitoring of implementation.		36. Export	
11. Maintenance and evaluation of the effectiveness of SSOP's.		37. Import	
12. Corrective action when the SSOP's have failed to prevent direct product contamination or adulteration.		38. Establishment Grounds and Pest Control	
13. Daily records document item 10, 11 and 12 above.		39. Establishment Construction/Maintenance	
Part B - Hazard Analysis and Critical Control Point (HACCP) Systems - Basic Requirements		40. Light	
14. Developed and implemented a written HACCP plan.		41. Ventilation	
15. Contents of the HACCP list the food safety hazards, critical control points, critical limits, procedures, corrective actions.		42. Plumbing and Sewage	
16. Records documenting implementation and monitoring of the HACCP plan.	X	43. Water Supply	
17. The HACCP plan is signed and dated by the responsible establishment individual.		44. Dressing Rooms/Lavatories	
Hazard Analysis and Critical Control Point (HACCP) Systems - Ongoing Requirements		45. Equipment and Utensils	
18. Monitoring of HACCP plan.		46. Sanitary Operations	
19. Verification and validation of HACCP plan.		47. Employee Hygiene	
20. Corrective action written in HACCP plan.		48. Condemned Product Control	
21. Reassessed adequacy of the HACCP plan.		Part F - Inspection Requirements	
22. Records documenting the written HACCP plan, monitoring of the critical control points, dates and times of specific event occurrences.	X	49. Government Staffing	
Part C - Economic / Wholesomeness		50. Daily Inspection Coverage	
23. Labeling - Product Standards		51. Enforcement	X
24. Labeling - Net Weights		52. Humane Handling	O
25. General Labeling		53. Animal Identification	O
26. Fin. Prod. Standards/Boneless (Defects/AQL/Pork Skins/Moisture)		54. Ante Mortem Inspection	O
Part D - Sampling Generic E. coli Testing		55. Post Mortem Inspection	O
27. Written Procedures	O	Part G - Other Regulatory Oversight Requirements	
28. Sample Collection/Analysis	O	56. European Community Directives	O
29. Records	O	57. Monthly Review	
Salmonella Performance Standards - Basic Requirements		58.	
30. Corrective Actions	O	59.	
31. Reassessment	O		
32. Written Assurance	O		

60. Observation of the Establishment

11/09/2004: Est. TIF-209, Alimentos Sigma ConAgra Foods S.A. de C.V., Linares, Mexico

16/22/51 CCP for metal detector states a size for the critical limit, the monitoring procedure is described as continuous. No records are available for monitoring of the CCP as described in 417.5(a)(3) and agency verification 417.8.

61

Marshall C. Thibodeaux

Marshall C. Thibodeaux 11/09/04

United States Department of Agriculture
Food Safety and Inspection Service

Foreign Establishment Audit Checklist

1. ESTABLISHMENT NAME AND LOCATION Productos Alimenticios Tia Lencha S.A. Cienega de Flores, Nuevo Leon	2. AUDIT DATE 11/10/2004	3. ESTABLISHMENT NO. TIF-237	4. NAME OF COUNTRY Mexico
	5. NAME OF AUDITOR(S) Marshall C. Thibodeaux		6. TYPE OF AUDIT <input checked="" type="checkbox"/> ON-SITE AUDIT <input type="checkbox"/> DOCUMENT AUDIT

Place an X in the Audit Results block to indicate noncompliance with requirements. Use O if not applicable.

Part A - Sanitation Standard Operating Procedures (SSOP) Basic Requirements	Audit Results	Part D - Continued Economic Sampling	Audit Results
7. Written SSOP		33. Scheduled Sample	
8. Records documenting implementation.		34. Species Testing	
9. Signed and dated SSOP, by on-site or overall authority.		35. Residue	O
Sanitation Standard Operating Procedures (SSOP) Ongoing Requirements		Part E - Other Requirements	
10. Implementation of SSOP's, including monitoring of implementation.		36. Export	
11. Maintenance and evaluation of the effectiveness of SSOP's.		37. Import	
12. Corrective action when the SSOP's have failed to prevent direct product contamination or adulteration.		38. Establishment Grounds and Past Control	
13. Daily records document item 10, 11 and 12 above.		39. Establishment Construction/Maintenance	
Part B - Hazard Analysis and Critical Control Point (HACCP) Systems - Basic Requirements		40. Light	
14. Developed and implemented a written HACCP plan.		41. Ventilation	
15. Contents of the HACCP list the food safety hazards, critical control points, critical limits, procedures, corrective actions.	X	42. Plumbing and Sewage	
16. Records documenting implementation and monitoring of the HACCP plan.	X	43. Water Supply	
17. The HACCP plan is signed and dated by the responsible establishment individual.		44. Dressing Rooms/Lavatories	
Hazard Analysis and Critical Control Point (HACCP) Systems - Ongoing Requirements		45. Equipment and Utensils	
18. Monitoring of HACCP plan.		46. Sanitary Operations	
19. Verification and validation of HACCP plan.		47. Employee Hygiene	
20. Corrective action written in HACCP plan.	X	48. Condemned Product Control	
21. Reassessed adequacy of the HACCP plan.		Part F - Inspection Requirements	
22. Records documenting: the written HACCP plan, monitoring of the critical control points, dates and times of specific event occurrences.	X	49. Government Staffing	
Part C - Economic / Wholesomeness		50. Daily Inspection Coverage	
23. Labeling - Product Standards		51. Enforcement	X
24. Labeling - Net Weights		52. Humane Handling	
25. General Labeling		53. Animal Identification	
26. Fin. Prod. Standards/Boneless (Defects/AQL/Pork Skins/Moisture)		54. Ante Mortem Inspection	
Part D - Sampling Generic E. coli Testing		55. Post Mortem Inspection	
27. Written Procedures	O	Part G - Other Regulatory Oversight Requirements	
28. Sample Collection/Analysis	O	56. European Community Directives	O
29. Records	O	57. Monthly Review	
Salmonella Performance Standards - Basic Requirements		58.	
30. Corrective Actions	O	59.	
31. Reassessment	O		
32. Written Assurance	O		

60. Observation of the Establishment

11/10/2004: Est. TIF-237, Cienega de Flores, Nuevo Leon, Mexico

16/22/51 CCP for metal detector states a size for the critical limit, the monitoring procedure is described as continuous. No records are available for monitoring of the CCP as described in 417.5(a)(3), 417.2(a)(6) and 417.8

20/51 Corrective action associated with CCP1 for cooking as written in the HACCP plan do not address all four parts of 417.3(a) and 417.8

15/51 CCP2 sets a critical limit of 21% moisture in the finished product. No supporting or decision making documentation is available for this critical limit. There is no correlation between the water activity and the % moisture in product. This is a shelf stable product, dried beef with salt. This CCP is used to control pathogens that may be introduced after cooking. 417.5 and 417.8

SAGARPA officials indicated they would initiate a plan of actions to ensure that the establishment complies with all appropriate USDA, FSIS regulations.

61. NAME OF AUDITOR
Marshall C. Thibodeaux

62. AUDITOR SIGNATURE AND DATE

Marshall C. Thibodeaux 11/10/04

United States Department of Agriculture
Food Safety and Inspection Service

Foreign Establishment Audit Checklist

1. ESTABLISHMENT NAME AND LOCATION Tasky De Mexico, S.A. De C.V. Cuidad Juarez, Chih., Mexico	2. AUDIT DATE 11/10/2004	3. ESTABLISHMENT NO. TIF 271	4. NAME OF COUNTRY Mexico
	5. NAME OF AUDITOR(S) Dr. Jonathan B. Coleman		6. TYPE OF AUDIT <input checked="" type="checkbox"/> ON-SITE AUDIT <input type="checkbox"/> DOCUMENT AUDIT

Place an X in the Audit Results block to indicate noncompliance with requirements. Use O if not applicable.

Part A - Sanitation Standard Operating Procedures (SSOP) Basic Requirements	Audit Results	Part D - Continued Economic Sampling	Audit Results
7. Written SSOP		33. Scheduled Sample	O
8. Records documenting implementation.		34. Species Testing	O
9. Signed and dated SSOP, by on-site or overall authority.		35. Residue	O
Sanitation Standard Operating Procedures (SSOP) Ongoing Requirements		Part E - Other Requirements	
10. Implementation of SSOPs, including monitoring of implementation.		36. Export	
11. Maintenance and evaluation of the effectiveness of SSOPs.		37. Import	
12. Corrective action when the SSOPs have failed to prevent direct product contamination or adulteration.		38. Establishment Grounds and Pest Control	
13. Daily records document item 10, 11 and 12 above.		39. Establishment Construction/Maintenance	
Part B - Hazard Analysis and Critical Control Point (HACCP) Systems - Basic Requirements		40. Light	
14. Developed and implemented a written HACCP plan.		41. Ventilation	
15. Contents of the HACCP list the food safety hazards, critical control points, critical limits, procedures, corrective actions.	X	42. Plumbing and Sewage	
16. Records documenting implementation and monitoring of the HACCP plan.		43. Water Supply	
17. The HACCP plan is signed and dated by the responsible establishment individual.		44. Dressing Rooms/Laboratories	
Hazard Analysis and Critical Control Point (HACCP) Systems - Ongoing Requirements		45. Equipment and Utensils	
18. Monitoring of HACCP plan.		46. Sanitary Operations	
19. Verification and validation of HACCP plan.		47. Employee Hygiene	
20. Corrective action written in HACCP plan.		48. Condemned Product Control	
21. Reassessed adequacy of the HACCP plan.		Part F - Inspection Requirements	
22. Records documenting the written HACCP plan, monitoring of the critical control points, dates and times of specific event occurrences.	X	49. Government Staffing	
Part C - Economic / Wholesomeness		50. Daily Inspection Coverage	
23. Labeling - Product Standards		51. Enforcement	X
24. Labeling - Net Weights		52. Humane Handling	O
25. General Labeling		53. Animal Identification	O
26. Fin. Prod. Standards/Boneless (Defects/AQL/Pork Skins/Moisture)		54. Ante Mortem Inspection	O
Part D - Sampling Generic E. coli Testing		55. Post Mortem Inspection	O
27. Written Procedures	O	Part G - Other Regulatory Oversight Requirements	
28. Sample Collection/Analysis	O	56. European Community Directives	O
29. Records	O	57. Monthly Review	
Salmonella Performance Standards - Basic Requirements		58.	
30. Corrective Actions	O	59.	
31. Reassessment	O		
32. Written Assurance	O		

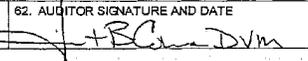
60. Observation of the Establishment

November 10, 2004: Est. TIF-271, Tasky De Mexico, Ciudad Juarez, Chihuahua, Mexico

- 15/51 1. Returned product was not included in the flow chart or considered in the hazard analysis. [9CFR 417.2 and 417.8]
- 2. The HACCP plan did not include the verification activity of direct observation of monitoring activities and corrective actions. [9 CFR 417.4a2 and 417.8]
- 22/51 The HACCP records did not document the results of the verification activities performed. [9 CFR 417.5a3]

Currently, the establishment chooses to control *Listeria monocytogenes* in post-lethality exposed Ready-to-eat products by meeting the regulatory requirements of 9 CFR 430.4a, 9 CFR 430.4b2 (Alternative 2), and 9 CFR 430.4c.

All findings were either corrected on the day of the audit or SAGARPA officials indicated they would initiate a plan of actions to ensure that the establishment complies with all appropriate USDA, FSIS regulations.

61. NAME OF AUDITOR Jonathan Coleman DVM	62. AUDITOR SIGNATURE AND DATE  12/08/04
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United States Department of Agriculture
Food Safety and Inspection Service

Foreign Establishment Audit Checklist

1. ESTABLISHMENT NAME AND LOCATION Elaboradora La Esperanza, S.A. de C.V. Sabinas Hidalgo, Nuevo Leon	2. AUDIT DATE 11/11/2004	3. ESTABLISHMENT NO. TIF-304	4. NAME OF COUNTRY Mexico
5. NAME OF AUDITOR(S) Marshall C. Thibodeaux		6. TYPE OF AUDIT <input checked="" type="checkbox"/> ON-SITE AUDIT <input type="checkbox"/> DOCUMENT AUDIT	

Place an X in the Audit Results block to indicate noncompliance with requirements. Use O if not applicable.

Part A - Sanitation Standard Operating Procedures (SSOP) Basic Requirements	Audit Results	Part D - Continued Economic Sampling	Audit Results
7. Written SSOP		33. Scheduled Sample	
8. Records documenting implementation.		34. Species Testing	
9. Signed and dated SSOP, by on-site or overall authority.		35. Residue	O
Sanitation Standard Operating Procedures (SSOP) Ongoing Requirements		Part E - Other Requirements	
10. Implementation of SSOP's, including monitoring of implementation.		36. Export	
11. Maintenance and evaluation of the effectiveness of SSOP's.		37. Import	
12. Corrective action when the SSOP's have failed to prevent direct product contamination or adulteration.		38. Establishment Grounds and Pest Control	
13. Daily records document item 10, 11 and 12 above.		39. Establishment Construction/Maintenance	
Part B - Hazard Analysis and Critical Control Point (HACCP) Systems - Basic Requirements		40. Light	
14. Developed and implemented a written HACCP plan.		41. Ventilation	
15. Contents of the HACCP list the food safety hazards, critical control points, critical limits, procedures, corrective actions.	X	42. Plumbing and Sewage	
16. Records documenting implementation and monitoring of the HACCP plan.		43. Water Supply	
17. The HACCP plan is signed and dated by the responsible establishment individual.		44. Dressing Rooms/Lavatories	
Hazard Analysis and Critical Control Point (HACCP) Systems - Ongoing Requirements		45. Equipment and Utensils	
18. Monitoring of HACCP plan.		46. Sanitary Operations	
19. Verification and validation of HACCP plan.		47. Employee Hygiene	
20. Corrective action written in HACCP plan.	X	48. Condemned Product Control	
21. Reassessed adequacy of the HACCP plan.		Part F - Inspection Requirements	
22. Records documenting the written HACCP plan, monitoring of the critical control points, dates and times of specific event occurrences.		49. Government Staffing	
Part C - Economic / Wholesomeness		50. Daily Inspection Coverage	
23. Labeling - Product Standards		51. Enforcement	X
24. Labeling - Net Weights		52. Humane Handling	
25. General Labeling		53. Animal Identification	
26. Fin. Prod. Standards/Boneless (Defects/AQL/Pork Skins/Moisture)		54. Ante Mortem Inspection	
Part D - Sampling Generic E. coli Testing		55. Post Mortem Inspection	
27. Written Procedures	O	Part G - Other Regulatory Oversight Requirements	
28. Sample Collection/Analysis	O	56. European Community Directives	O
29. Records	O	57. Monthly Review	
Salmonella Performance Standards - Basic Requirements		58.	
30. Corrective Actions	O	59.	
31. Reassessment	O		
32. Written Assurance	O		

60. Observation of the Establishment

April 23, 2004: Est. TIF-304, Elaboradora La Esperanza, S.A. de C.V., Hidalgo, Nuevo Leon, Mexico

15/51 CCP1 sets a critical limit of 18% moisture in the finished product. No supporting or decision making documentation is available for this critical limit as described in 417.5(a)(2). There is no correlation between the water activity and the % moisture in product. This is a shelf stable product, dried beef with salt. 417.8

20/51 Corrective action as written in the HACCP plan do not address all four parts of 417.3(a) and 417.8

SAGARPA officials indicated they would initiate a plan of actions to ensure that the establishment complies with all appropriate USDA, FSIS regulations.

61. NAME OF AUDITOR Marshall C. Thibodeaux	62. AUDITOR SIGNATURE AND DATE <i>Marshall C. Thibodeaux</i> 11/12/04
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COURTESY TRANSLATION

April 7, 2005

Officiate: BOO.04.00.01.01 1473

Ms. Karen Stuck
Assistant Administrator
Office of International Affairs
Food Safety and Inspection Service

The following comments are expressed from this General Direction concerning the Final Draft Report of the audit performed on the Federal Inspection System (TIF) from November 3 to 18, 2004, by the Food Safety and Inspection Service (FSIS) of the United States Department of Agriculture (USDA).

Establishment TIF No. 66 "Frigorifico Agropecuaria Sonorense S. de R.L. de C.V."

10/51 The heads of 5 carcasses touched the floor and the trimming structure platform. Furthermore, the floor and the structure were not identified as contact surfaces, according to the establishment's SSOP's.

The SENASICA personnel who participated in the audit did not agree with the way the auditor Jonathan B. Coleman wrote-up the observation, because he considers that he did not write what exactly was perceived, because it was not the heads that touched the floor and the platform structure, but the ears of five heads of very large size carcasses, also the floor, and the trimming platform are only one structure and was reported as two different surfaces.

Concerning all other observations, the SENASICA personnel agrees with the auditor from FSIS-USDA.

Establishment TIF 271 "Tasky de Mexico S.A. de C.V"

Concerning the observations noted by the USDA-FSIS auditor, SENASICA personnel consider these to be valid, but want to make clear that the corrective actions were taken immediately.

Establishment TIF 304 "Elaboradora La Esperanza S.A. de C.V."

At this establishment, the state official supervisor did not agree with the observation noted by the auditor, Marshall C. Thibodeaux, who commented that the, "VALUE IS NOT QUANTIFIABLE IN THE METAL DETECTOR", since this plant doesn't consider the metal detector as a CCP in the HACCP plan, nor do they have this apparatus.

Concerning all other observations, the inspector agrees with the auditor from USDA-FSIS.

With respect to the comments concerning the other audited plants, we agree with the observations pointed out by the auditors from USDA-FSIS.

Likewise, I inform you that the observations derived from this audit performed on the visited establishments have now been corrected, the documented evidence will be sent to you following this letter.

Sincerely

Q.F.B. Amada Velez Mendez
General Director

ADDITIONAL COMMITTEE QUESTIONS

Senator KOHL. I thank you.

I thank you, Mr. Chairman.

The Subcommittee will submit some additional questions from Members for your response.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR ROBERT F. BENNETT

LOW PATHOGENIC AVIAN INFLUENZA

Question. The funding level for the Low Pathogenic Avian Influenza program was increased from \$994,000 in fiscal year 2004 to \$23 million for fiscal year 2005. The increase was provided to indemnify producers for losses and to increase surveillance activities. Can you provide an update on the status of the fiscal year 2005 funding and when we should expect this program to be fully implemented?

Answer. This program has two components: the commercial poultry industry and the live bird marketing system (LBMS). The LPAI program will be fully operational when a regulation is passed for the commercial component of the program.

The breakout of the funding is as follows:

—\$12,000,000 for *Indemnities*.—These funds will cover the indemnity and euthanasia, disposal, cleaning and disinfection costs of flocks that test positive for LPAI and need to be depopulated. Because this is a new program, we are in the process of developing a regulation that is specific to indemnities associated with LPAI outbreaks in both the LBMS and the commercial poultry industry. Fortunately, we have had no LPAI outbreaks this fiscal year and have not yet needed to use these funds.

—\$3,871,547 for *Surveillance Activities*.—Funds have been devoted to cooperative agreements with States that have significant LBMS activities, as well as State laboratories participating in the NPIP LPAI program. States are using these funds to provide personnel to inspect and collect samples within the LBMS, to conduct trace backs and trace forwards, and to support the additional laboratory activities associated with the NPIP program for the commercial poultry industry. Currently, 10 States have established cooperative agreements and 11 additional States have shown interest in joining the program by the end of this fiscal year.

—\$932,285 for *Reagents and Costs of Administering Tests*.—These funds have been provided to the National Veterinary Services Laboratory (NVSL) for the processing of samples submitted. NVSL has developed the agreement to contract out the production and distribution of test reagents. These test reagents have been distributed to State and industry laboratories approved to participate in the NPIP.

—\$4,326,693 for *Salaries, Benefits and Staff Support*.—These funds provided for the hiring of Federal personnel to assist with the implementation of the national program, and to support the States in managing and preventing LPAI infections. To date, we have hired 17 people and are in the process of hiring an additional 29 employees (i.e., veterinary medical officers, epidemiologists, animal health technicians, laboratory technicians, etc.).

—\$600,000 for the *Center for Veterinary Biologics (CVB)*.—These funds have been used for the expansion of an Avian Influenza vaccine bank through a contract with a biologics company. While vaccines are not routinely used to prevent infections, vaccines still have a potential role in controlling the spread of an outbreak or in a situation where depopulation of infected flocks is not possible or feasible. APHIS anticipates that the Statement of Work (SOW) for this contract will be completed by the end of May 2005. The SOW will be submitted with a requisition, and the solicitation for bids will be prepared and published. APHIS anticipates signing this contract by September 2005.

—\$513,575 for *Education and Outreach Initiatives*.—These funds are being used to train all newly hired veterinary medical officers and animal health technicians, and all LBMS participants in the recognition of avian influenza and the enhancement of biosecurity practices in live bird markets, auctions, wholesalers, distributors, dealers and producer facilities.

—\$555,900 for *Information and Technology Support*.—These funds are supporting the cost of certifying, accrediting, refining and securing an information tech-

nology system. The funds will also be used to purchase or enhance communications technology to support basic surveillance functions such as data collection, evaluation, and interpretation. This system is currently under development and is expected to be ready to implement by the end of the calendar year.

WEB-BASED SUPPLY CHAIN MANAGEMENT

Question. The fiscal year 2006 budget request \$10 million to develop a Web-based Supply Chain Management System (WBSCM). This system would replace the current system and allow for more efficiency in the purchasing and tracking of commodities for nutrition programs.

Can you briefly describe the need for this new web-based program?

Answer. The Web-based Supply Chain Management System (WBSCM) would replace the Department's Processed Commodity Inventory Management System (PCIMS). WBSCM is designed to improve management of USDA's domestic and international food assistance programs for a seamless, transparent, and efficient flow of food products throughout the supply chain process. PCIMS does not efficiently and effectively support e-government approaches to dealing with program clientele. It is based on 1980's technology and its architecture is extremely inflexible and costly to maintain. In contrast, WBSCM's design uses proven commercial-off-the-shelf software that incorporates commercial best business practices in an open, flexible architecture to meet functional, operational and compliance requirements.

The anticipated benefits of WBSCM include reduced costs for commodities, transportation, inventory and warehousing, which will benefit both customers and vendors. WBSCM offers improved reporting capabilities and more timely delivery of commodities, a shortened processing cycle, and improved collaboration and integration between associated programs within the Department.

USDA AND DEPARTMENT OF HOMELAND SECURITY EMPLOYEES

Question. The Department of Agriculture has transferred a number of employees to the Department of Homeland Security. Please update us on the current relationship between USDA and the Department of Homeland Security? More importantly, do you have any concerns with the current arrangement that this Subcommittee should be aware of?

Answer. USDA and the Department of Homeland Security (DHS) continue to work cooperatively to ensure quality agriculture research and inspections remain a high priority. Scientists from the USDA's Agricultural Research Agency (ARS) are co-located with DHS scientists at the Plum Island Animal Disease Center, which houses the ARS research program and APHIS foreign animal disease testing. The relationship between these programs and the DHS testing and evaluation program has been defined in a plan which lays out respective agency roles in protecting American livestock from acts of bioterrorism. This formal definition of roles facilitates cooperation between the departments. Additionally, APHIS and DHS' Customs and Border Protection (CBP) have established a joint quality assurance program to ensure that the quality of agricultural inspections is maintained and to facilitate an appropriate level of communications between CBP and APHIS. Additional details of these two endeavors follow.

Agricultural Quarantine Inspections.—APHIS and CBP operations officials are meeting twice monthly to carry out quality assurance program activities and address ongoing operational issues at ports of entry. As part of the program, APHIS and CBP have conducted a pilot joint inspection blitz at the port of Detroit and joint reviews of operations at the ports of Philadelphia and Miami. Reviews of operations at the maritime ports of Long Beach, California; Port Elizabeth, New Jersey; and Seattle, Washington are planned for summer 2005.

APHIS Administrator DeHaven and CBP Commissioner Bonner met in early April 2005 to discuss agricultural inspection operations at U.S. ports of entry. In addition to continuing to implement the joint quality assurance program to evaluate operations at ports of entry, Dr. DeHaven and Commissioner Bonner have established a series of meetings at various administrative and operational levels to ensure that any problems with the inspection program are addressed by the appropriate officials. Operational managers are already meeting several times a month in conjunction with the quality assurance program, and Dr. DeHaven and Commissioner Bonner agreed to hold quarterly meetings to address any issues that cannot be resolved at the operational level. APHIS' Deputy Administrator for the Plant Protection and Quarantine Program and CBP's Assistant Commissioner will also meet on a monthly basis.

APHIS and CBP officials are also continuing to address the large number of vacancies at ports of entry. With the transfer of the port inspection portion of the agri-

culture quarantine inspection function to CBP in fiscal year 2003, APHIS transferred 363 fully-funded vacant inspector positions from Agricultural Quarantine Inspection. This number has increased significantly through attrition in the last 2 years. While progress has been made in filling many positions, APHIS encourages CBP to continue an aggressive recruitment and hiring program. APHIS assists CBP in recruiting by distributing vacancy announcements to a large pool of qualified candidates and expeditiously training those hired. Following the April 2005 meeting between Dr. DeHaven and Assistant CBP Commissioner Ahern, APHIS is enhancing its recruitment program for CBP vacancies through promoting the jobs to qualified candidates at job fairs and on college campuses. APHIS' Professional Development Center has 14 classes scheduled for incoming agricultural specialists (with space for 36 new inspectors in each class).

Progress has been made in other areas, such as APHIS access to CBP's data systems. In March 2005, APHIS and CBP reached an agreement to allow APHIS users to access CBP's Automated Targeting System (ATS), which will allow APHIS to review incoming cargo manifests electronically and determine which should be targeted for agricultural inspections. At this time, 14 APHIS users are approved to access ATS, with 6 more in the approval process. APHIS is also placing two agricultural specialists in CBP's National Targeting Center to develop criteria for determining which incoming shipments to target for agricultural inspections.

APHIS and CBP officials are working cooperatively to address operational inspection issues through the quality assurance program, which includes quarterly data reviews and port of entry evaluations. APHIS and CBP officials will continue cooperating through these channels to manage the agricultural inspection program. However, APHIS officials remain concerned about the large number of vacancies for agricultural inspectors at CBP.

Plum Island Animal Disease Center.—The relationship between DHS and USDA is defined administratively by an annually renewed interagency agreement. The agreement provides for a local council at Plum Island to manage day-to-day resource issues. The agreement also provides for a Board of Directors of Agency Heads to manage the overall programmatic relationship at the Plum Island Animal Disease Center.

The current arrangements are working. As programs change and ARS maintains a primary focus on protecting livestock from exotic diseases and DHS focuses on terrorism countermeasures, there may be a divergence in issues for each agency that could place stress on resources available for research and testing and evaluation. The Board of Governors' approach to dealing with programmatic issues will serve as a forum to resolve those issues.

QUESTIONS SUBMITTED BY SENATOR CONRAD BURNS

COUNTRY OF ORIGIN LABELING

Question. Country of Origin Labeling is a hot issue in Montana. In order for producers to be ready to comply with the law when it takes effect on Sept. 30, 2006, they will need to know what's expected of them. USDA has already published the proposed rule, and taken all the public comment on beef labeling. Why not publish the rule now, and give producers advance notice of what they will need to do to comply, to minimize the burden?

Answer. The Agency believes it is prudent to monitor the fish and shellfish industry's compliance with the interim final rule for mandatory country of origin labeling of fish and shellfish for an appropriate period of time prior to finalizing the regulation for the other covered commodities to determine whether there are any provisions that should be modified prior to implementation for the remaining affected industries. AMS published the interim final rule for mandatory country of origin labeling of fish and shellfish in the October 5, 2004, Federal Register, and the regulations became effective April 4, 2005. This rule provides for an active enforcement program to begin in October 2005, during which time the agency will focus its resources on education and outreach.

NATIONAL ANIMAL IDENTIFICATION SYSTEM

Question. Can you give us an update on the Department's actions on Animal ID? In particular, can you address how USDA plans to address data confidentiality and cost to the producer?

Answer. The National Animal Identification System (NAIS) will contain only information necessary for animal health officials to be able to track suspect animals and identify any other animals that may have been exposed to a disease. To ensure

that officials have immediate, reliable, and uninterrupted access to this information in the event of a disease concern, certain basic data must be readily available to the Federal Government.

Animal identification and tracking systems maintained by the States or regional alliances will be an integral part of the overall NAIS information infrastructure. The State and regional systems will be able to collect and maintain more information than is required for NAIS, yet only the required data need to be available for the national animal records repository.

In order to secure full participation from livestock producers, the USDA is pursuing legislation to establish a system for withholding or disclosing information obtained through the animal identification system established by the Secretary of the USDA.

APHIS understands that there is no “one-size-fits-all” identification technology. Many methods are currently on the market, such as branding, radio frequency identification devices, and retinal scans. It is likely that some technologies will work better for certain animal species than others. Rather than focus on a specific technology, APHIS will focus on the design of the identification data system; what information should be collected; and, when the data should be collected and reported. Once the identification system is designed, the market will determine which technologies will be the most appropriate to meet the needs of the system. As specific technologies are determined, the standards for those technologies will be established to ensure compatibility across all sectors of the industry. For example, the cattle industry is recommending radio frequency identification eartags, using the international standards for radio frequency identification of animals.

The NAIS must allow producers to use NAIS in coordination with production management systems, marketing incentives, etc., allowing for the transition to a “one number—one animal” system for disease control programs and other industry-administered programs. While animals must be identified prior to being moved from their current premises, producers can decide whether to identify their stock at birth or during other management practices.

The integration of existing branding procedures into NAIS, while integrating animal identification technology standards (electronic identification, retinal scan, DNA, etc.) will be determined by industry to ensure the most practical and cost effective options are implemented and that new ones can easily be incorporated into NAIS.

Question. USDA has funded a number of pilot projects to explore methods for implementing a national animal ID. What is the status of these projects? Is the Department providing these projects with clear guidance and expectations?

Answer. Pilot projects for the NAIS are currently being conducted via cooperative agreements with States and tribes. Cooperative agreement funds are used to obtain resources to support data collection or the integration of data from existing systems. In July 2004, the first-round of awarding cooperative agreement funds through a competitive application process resulted in 29 project agreements. In October 2004, \$1.5 million that had been previously reserved for other expenses became available for establishing 13 additional cooperative agreements.

Most of the projects became “active” late in 2004 following the preparation and approval of each cooperators work plan. The application provided the States with specific objectives and the expected outcomes of each project. Cooperators are responsible for providing quarterly reports describing achievements in relationship to the original approved plan using specific performance measures required by the Department. Such measures include the number and percent of premises registered, the number of stakeholders reached through outreach, and the cost of attaining each of these measures. In States that have pilot projects, specific reports on the progress of the project are also required.

Question. How do you plan to connect the results of all these pilot projects together into a national framework? Are there any industry models for bringing all these pieces together?

Answer. The results of the pilot projects will be summarized to provide more direction on how the industry can most effectively collect animal identification and movement data. While there have been various projects in the past that provide valuable information, there remains a need to evaluate the practicality of data collection reflective of the vast diversification of the U.S. livestock industry. As more animals enter the voluntary system, the ability to collect and transmit the information from various production points and through service providers will continue to advance.

Each of the pilot projects were selected for funding based on the merits of the project proposal. The criteria were broad based, soliciting projects that would demonstrate the adaptability of new technology, the coordination and integration of existing databases that may contain premises information, and the solutions to prob-

lems faced in certain regions of the country, such as brand inspection states. At the conclusion of the pilot projects, APHIS will evaluate the results using staff resources. We will determine what questions have been answered, what questions remain unanswered, and what new questions arose as a result of the projects.

BLUETONGUE RESTRICTIONS

Question. As the Department works to harmonize trade regulations and scientific protocols with Canada, is the issue of bluetongue being addressed? How close are we to eliminating bluetongue restrictions that serve as a barrier to trade?

Answer. The Canadian Food Inspection Agency (CFIA) and the USDA's Animal and Plant Health Inspection Service (APHIS) have expressed a commitment to work together toward harmonizing disease management policies. Both Agencies have initiated discussions regarding health status recognition for anaplasmosis, bluetongue, brucellosis, and tuberculosis that may be applied against additional categories of cattle and other livestock.

Most of our trading partners have imposed some restrictions on the importation of U.S. cattle, goats, and sheep due to the presence of bluetongue viruses in the United States. USDA does not expect total elimination of these restrictions. Yet, the Department continues to work towards minimizing restrictions based on scientific evaluation of the disease presence in the United States. APHIS is continuously negotiating with country officials to eliminate or reduce restrictions not fully justified by the available science. For example, APHIS provided disease surveillance data to compel Canada to modify its restrictions in March 2004. The CFIA removed bluetongue testing and treatment requirements for U.S. feeder cattle imported from 39 States considered to have a low incidence of bluetongue. Feeder cattle from the remaining 11 States, which are considered to have a high incidence of bluetongue, are also not required to be tested provided they reside for at least 60 days prior to import in a low incidence state. These States include Alabama, Arizona, Arkansas, California, Florida, Georgia, Louisiana, Mississippi, Nevada, South Carolina, and Texas. Testing is still an option and should the feeder cattle be found free of bluetongue, the 60-day period will be waived. Historically, these high incidence states have not exported significant numbers of feeder cattle to Canada.

QUESTIONS SUBMITTED BY SENATOR HERB KOHL

AMS NATIONAL ORGANIC PROGRAM

Question. Mr. Hawks, for the past 2 years, language has been included in the Senate report strongly encouraging USDA to hire an Executive Director for the National Organic Standards Board, and to create an on-going Peer Review Panel to oversee and give advice to the Secretary regarding the process for accrediting organic certifiers. Can you please give me an update on USDA's response to these directives?

Answer. AMS has drafted a position announcement for an Executive Director after gathering input from the National Organic Standards Board (NOSB) regarding expertise and other qualifications required for the position. We expect the announcement to be posted by early June. The National Organic Program (NOP) is also working with the NOSB to formalize an ongoing Peer Review procedure and is awaiting input from the NOSB on the frequency, timing, and technical expert assistance needed to address peer review. The results of an AMS-initiated peer-review audit of the NOP accreditation process by the American National Standards Institute (ANSI) were posted on the NOP website in January 2005.

Question. If they have not already been implemented, can you please provide me with a date by which this will be completed?

Answer. An executive director is expected to be hired later this summer. A peer review process is awaiting further input pending the upcoming NOSB meeting in August 2005.

Question. Last April, USDA published and then rescinded four documents regarding organic standards and enforcement. It is my understanding that this caused significant confusion within the organic community, and that last October at a National Organic Standards Board meeting, USDA committed to publishing clarifications on the National Organic Program website in order to resolve this confusion. However, these clarifications have not yet been published. Can you provide me with a timeline for publishing these clarifications?

Answer. The clarifications were posted on the NOP website on April 22, 2005.

GIPSA IDENTITY THEFT

Question. Mr. Hawks, last year I inserted a provision (General Provision 776) to modernize the law governing agricultural lien central filing systems and to do so in a way that protects farmers from identity theft that could occur if their social security numbers are widely distributed. Please provide me with information regarding what has been done to implement this change, and when we can expect it to be complete.

Answer. Section 1324 of the Food Security Act of 1985 (Act) authorized the Secretary of Agriculture to approve and certify central filing systems operated at the State level for farm products and to approve amendments to such certified central filing systems that have been proposed by a Secretary of State, provided that the proposed central filing systems, or amendments thereof, conform with the Act, as amended. Section 776 of the Consolidated Appropriations Act of 2005 allows a Secretary of State to propose the use of a unique identifier to be used in lieu of a social security number and allows the Secretary of Agriculture to approve proposed unique identifiers.

The Grain Inspection, Packers and Stockyards Administration (GIPSA) is responsible for the administration of the Act. GIPSA posted on its web page a copy of the amended Act. GIPSA is in the process of updating the regulations and will be completed within 1 year. Section 776 does not provide GIPSA with the authority to create a selection system or method by which unique identifiers are produced. GIPSA will review any system proposed by a Secretary of State's office. Upon thorough review, GIPSA will determine whether to approve the selection system or method proposed.

AGRICULTURE BORDER INSPECTIONS

Question. When Secretary Johanns appeared here this week, I asked him about a recent GAO report on Agro-Terrorism and, in particular, the problem that agriculture border inspections have decreased since that responsibility was transferred to the Department of Homeland Security.

The Secretary mentioned a lot of the things the States are doing to protect the farm sector, but we need to know more about why the number of Federal agriculture inspections has declined over the past 2 years. The GAO report says that during that period, agricultural inspections at ports of entry, the first line of defense, have declined while imports have increased. According to DHS's own data, there were 40.9 million agriculture import inspections in 2002 and that number dropped to 37.5 million in 2004. According to GAO, neither USDA or DHS can explain why this has happened.

I realize that you could easily say this is DHS's problem, but protection of U.S. agriculture is your problem and if DHS is not doing its job, somebody had better raise some red flags. I would hope that somebody would be USDA. What kind of specific procedures do you use to coordinate with DHS on animal and plant health issues?

Answer. APHIS is responsible for setting agricultural import policy and communicating any policy changes to DHS' Customs and Border Protection (CBP) officials. Agency officials notify CBP of any changes through designated points of contact. CBP has agreed to send time-sensitive pest alerts, issued when APHIS officials determine that a particular product poses a serious pest risk, to all field locations within 24 hours of receiving them. APHIS also has a series of comprehensive manuals that detail inspection procedures to be used at various types of locations and for specific types of cargo. APHIS officials update the manuals on a regular basis and notify their counterparts at CBP when changes have been made. All manuals are available to CBP and the public on APHIS' Web site.

APHIS and CBP officials are also continuing to address the large number of vacancies at ports of entry. With the transfer of the port inspection portion of the agriculture quarantine inspection function to CBP in fiscal year 2003, APHIS transferred 363 fully-funded vacant inspector positions from Agricultural Quarantine Inspection. This number has increased significantly through attrition in the last 2 years. While progress has been made in filling many positions, APHIS encourages CBP to continue an aggressive recruitment and hiring program. APHIS assists CBP in recruiting by distributing vacancy announcements to a large pool of qualified candidates and expeditiously training those hired. Following the April 2005 meeting between Dr. DeHaven and Assistant CBP Commissioner Ahern, APHIS is enhancing its recruitment program for CBP vacancies through promoting the jobs to qualified candidates at job fairs and on college campuses. APHIS' Professional Development Center has 14 classes scheduled for incoming agricultural specialists (with space for 36 new inspectors in each class).

To ensure that the quality of inspections is maintained and to facilitate an appropriate level of communication between the two agencies, APHIS and CBP recently established a joint quality assurance program. Officials from both Agencies are conducting a series of port evaluations as part of the program. Additionally, APHIS conducts quarterly reviews of data collected by CBP through the inspection process for consistency and completeness. When APHIS officials notice anomalies in the data, they request that CBP investigate the issues and make any necessary corrections.

Question. GAO says that DHS inspectors don't always get timely information about the arrival of high-risk cargo, but were you aware of such cargo when you were responsible for inspections?

Answer. Prior to the transfer of the inspection program to DHS, APHIS officials accessed the U.S. Customs Service's automated targeting system (ATS) and automated manifest system to review incoming cargo shipments and determine which to target for specific levels of inspection. APHIS' port operations manuals also detail what types of incoming cargo should undergo specialized inspections.

In March 2005, APHIS and CBP reached an agreement to allow APHIS users to access CBP's ATS, which will allow us to resume reviewing incoming cargo manifests electronically. At this time, 14 APHIS users are approved to access ATS, with 6 more in the approval process. APHIS is also placing two agricultural specialists in CBP's National Targeting Center to develop criteria for determining which incoming shipments to target for agricultural inspections.

Question. Do you have information you need to be sharing with DHS?

Answer. APHIS believes that all pertinent information regarding agricultural imports is being shared. APHIS officials communicate regularly with their counterparts at CBP and notify them of all policy changes. APHIS and CBP are working together through the joint quality assurance program to ensure that the two agencies are sharing all necessary information and effectively managing the agricultural quarantine inspection program.

Question. I know there are some who suspect the reduced number of agriculture inspections is because DHS is assigning inspectors to other non-agriculture cargos. I hope that is not the case. But either way, I think that someone needs to hold DHS accountable to make sure that safeguards for the Agriculture sector are, at least, as strong as they were 2 years ago. Do you have, or do you think you should have, some way to ensure that plant and animal pests and diseases are being properly stopped at the border? After all, if they get past the border, spread, and get established, your job will be a lot harder and a lot more expensive. Don't you agree?

Answer. APHIS officials believe that, if followed properly, the inspection protocols and procedures detailed in our port operations manuals should stop high-risk cargo at the borders for inspection. However, new pests and diseases could still be introduced through smuggling and means of natural spread.

APHIS places a high priority on preventing the entry of agricultural pests and diseases through its pest and disease exclusion programs. These include regulatory activities and border inspections as well as off-shore risk reduction programs such as the international cooperative efforts to eradicate Mediterranean fruit fly from Central America and foot-and-mouth disease from Central and South America. APHIS also maintains emergency response capabilities to deal with pests and diseases that inevitably slip through our borders with the enormous volume of international travel and trade.

Question. The Office of Inspector General is issuing a report dated April 14, 2005, on the subject of the transition and coordination of border inspection activities between USDA and DHS. In summary, the report includes the following observations:

- Border inspection responsibilities were transferred from APHIS to DHS in March of 2003.
- 2,500 front line inspectors were transferred from APHIS to DHS.
- APHIS could not assure that the DHS process for agriculture inspection operations contains adequate controls to safeguard U.S. Agriculture against entry of foreign pests and disease.
- There was a reported 32 percent drop in the number of pest inspections following the transfer to DHS.
- DHS has denied APHIS access to port locations even when access was requested, even to perform duties for which APHIS still has regulatory responsibility.
- APHIS does not have a process to periodically review the extent and results of attention given to critical inspection areas.
- APHIS and FSIS do not require DHS to notify FSIS of all incoming shipments, which could allow the shipments to bypass FSIS re-inspection.

- APHIS has been unable to effectively evaluate or provide advice to DHS on agriculture inspection activities.
- DHS has not provided adequate data on staffing levels and deployment of agriculture inspectors to APHIS for evaluation.
- APHIS officials continue to express concern about how DHS is using inspection user fees.
- APHIS needs to establish a more effective way to coordinate with DHS.

Would you please respond to the findings of this report?

Answer. APHIS is currently preparing its response to the findings of the report, which we must provide to OIG by June 6, 2005. In response to the observations that OIG pointed out, much progress has been made on many of the issues. As APHIS and CBP officials continue to work cooperatively through the quality assurance program, we will resolve many of the issues identified in the OIG's report, such as APHIS officials' ability to evaluate operations at ports of entry. For example, APHIS and CBP developed protocols recently that provide access to ports of entry for APHIS' port veterinarians.

Additionally, APHIS Administrator DeHaven and CBP Commissioner Bonner met in early April 2005 to discuss joint management of agricultural inspection operations at U.S. ports of entry. In addition to continuing to implement the quality assurance program to evaluate operations at ports of entry, Dr. DeHaven and Commissioner Bonner have established a series of meetings at various administrative and operational levels to ensure that any problems with the inspection program are addressed by the appropriate officials. Operational managers are already meeting several times a month in conjunction with the quality assurance program, and Dr. DeHaven and Commissioner Bonner agreed to hold quarterly meetings to address any issues that cannot be resolved at the operational level. APHIS' Deputy Administrator for the Plant Protection and Quarantine Program and CBP's Assistant Commissioner will also meet on a monthly basis.

HIGH PATHOGENIC AVIAN INFLUENZA

Question. Would you please provide information regarding actions taken by the Department to work with other countries on the containment of high pathogen avian influenza and steps being taken to avoid its introduction into the United States?

Answer. APHIS participates in several international organizations that address animal health issues such as avian influenza. For example, issues pertaining to surveillance, and control and eradication of the high pathogen avian influenza (HPAI) strain H5N1 in Asia, are being directly addressed by the World Health Organization (WHO), the Asia Pacific Economic Cooperation (APEC), the United Nation's Food and Agriculture Organization (FAO) and the World Organization for Animal Health (OIE). APHIS has been an active participant in the OIE, has attended Expert Meetings at FAO, and has assisted in planning and leading FAO interventions (Rome and Bangkok, February 2004; Bangkok, July 2004; Rome, October 2004; Ho Chi Minh City, Vietnam, February 2005).

APHIS also takes steps to prevent the introduction of animal diseases by sharing knowledge and expertise with counterparts in foreign countries. For example, in September 2004, APHIS provided personal protective equipment supplies to the Philippines and coordinated a 3-day training course on AI and exotic Newcastle disease (END) to 40 Bureau of Animal Health employees in Quezon City, in the Philippines.

USDA Deputy Undersecretary Lambert has proposed a conference among Asia-Pacific Economic Cooperation members designed to improve coordination between States and international organizations over AI-related issues, and to discuss the affects of AI on trade and other sectors. The USDA Foreign Agricultural Service, in coordination with OIE and FAO, is currently organizing this 2-day meeting scheduled for July 28–29, 2005 in San Francisco, California.

As a primary safeguard against the introduction of HPAI (H5N1) into the United States, APHIS maintains scientifically-based trade restrictions on the importation of poultry and poultry products from affected countries. In many of these countries, APHIS had prior poultry and poultry product import restrictions in place because they were also known to have END. The import restrictions targeted against the introduction of END also effectively mitigate the risk of HPAI. These restrictions include:

- Prohibiting the importation of live birds and hatching eggs from H5N1 affected countries;
- Requiring imports of poultry products from East-and Southeast-Asia be processed or cooked in accordance with a USDA permit prior to importation;

- Requiring all imported birds be quarantined at a USDA bird quarantine facility and tested for the avian influenza virus before entering the country; which now includes returning U.S. origin pet birds;
- Developing a risk assessment that specifically considers the threat to the United States of HPAI introduction from Southeast Asia. This assessment is helping APHIS to identify and closely monitor pathways that are vulnerable to potential HPAI (H5N1) introduction. APHIS has also alerted the U.S. Department of Homeland Security to be especially vigilant in performing agricultural inspections for prohibited products at U.S. ports of entry handling passengers and cargo from Asia. In addition, APHIS is also increasing its monitoring of domestic commercial markets for illegally smuggled poultry and poultry products;
- APHIS is working closely with international organizations like OIE, FAO, and WHO to assist HPAI affected countries and other neighboring Asian-Pacific countries with disease prevention, management, and eradication activities. By helping these countries prepare for, manage, or eradicate HPAI (H5N1) outbreaks, APHIS can reduce the risk of the disease spreading from overseas to the United States.

USDA agricultural attachés are closely monitoring the HPAI situation in Asia and routinely report new developments.

APHIS reviewed and provided input to the U.S. Department of Health and Human Services' Centers for Disease Control and Prevention (CDC) on its Pandemic Influenza Response and Preparedness Plan. APHIS provided guidance concerning its role in animal health and wildlife disease management. APHIS also collaborated with the CDC to draft recommendations to help prevent the transmission of HPAI (H5N1) to animal disease outbreak response workers.

APHIS is conducting a multi-level outreach and education campaign called "Biosecurity is For the Birds" to provide disease and biosecurity information to backyard poultry producers. The campaign also encourages producers to report sick birds, thereby increasing APHIS' poultry foreign animal disease surveillance opportunities.

USDA, Agriculture Research Service (ARS) supports APHIS and poultry industry action programs with epidemiology, molecular virology, and pathogenesis research on avian influenza. ARS has been/is:

- Evaluating new AI viruses as they occur around the world and will continue to assist infected countries and agencies.
- Currently classifying AI viruses received recently from the United States, Hong Kong, Italy, El Salvador, Chile, Netherlands, Indonesia, Vietnam, and South Korea for disease-causing potential.
- Conducting research studies including: molecular characterization related to the lethality of the viruses; the search for genetic markers for this lethality, and investigating the epidemiology and spread of the viruses. Also, pathogenic potential of the viruses is being assessed in disease-free chickens held in bio-containment facilities.
- Developing and evaluating techniques to predict which mild forms of virus will change to more deadly forms of the AI virus.

In January 2005, APHIS initiated a \$5 million, 3 year Coordinated Agricultural Project for the "Prevention and Control of Avian Influenza in the United States." Seventeen States are working together to develop critical diagnostic tests and vaccines for detection and control. They are also working in live bird markets in California, Minnesota, and New York to study transmission risk factors and provide educational and outreach programs. For the first time, we will be conducting influenza surveillance in waterfowl of the four major flyways over the United States. The group is also studying how influenza emerges in domestic chickens and turkeys. Stakeholder and Scientific Advisory Boards include industry, other Federal and State agencies, and renowned avian influenza experts. This activity is also tightly coordinated with the Department of Homeland Security "National Center for Foreign Animal and Zoonotic Disease Defense" that includes work on four diseases, one of which is AI.

LOW PATHOGENIC AVIAN INFLUENZA

Question. The Congress provided nearly \$23 million in fiscal year 2005 for pest and disease management activities relating to low pathogenic avian influenza. This represented a very substantial increase above the fiscal year 2004 level. The President proposes a slight increase for fiscal year 2006.

Please provide information on how these funds are being used in fiscal year 2005 and how those purposes will differ with the use of fiscal year 2006 funds.

Answer. This program has two components: the commercial poultry industry and the live bird marketing system (LBMS). The low pathogenic avian influenza pro-

gram (LPAI) will be fully operational when a regulation is passed for the commercial component of the program. The use of funds in fiscal year 2006 will not significantly differ from the use of funds in fiscal year 2005 because States who signed their cooperative agreements in the last quarter of fiscal year 2004 will continue to participate in fiscal year 2005 and fiscal year 2006. Other States have been provided information to indicate their interest and, to date, 11 other States have shown an interest in joining the program.

The breakout of the funding is as follows:

- \$12,000,000 for *Indemnities*.—These funds will cover the indemnity and euthanasia, disposal, cleaning and disinfection cost of flocks that test positive and need to be depopulated due to LPAI. Because this is a new program, we are in the process of developing a regulation that is specific to indemnities associated with LPAI outbreaks in both the LBMS and the commercial poultry industry. Fortunately, we have had no LPAI outbreaks this fiscal year and have not yet expended any of the indemnity funds.
- \$3,871,547 for *Surveillance Activities*.—Funds have been devoted to cooperative agreements with States in both the Eastern and Western regions that have significant LBMS activities, as well as State laboratories participating in the National Poultry Improvement Plan (NPIP) program. States are using these funds to provide personnel to inspect and collect samples within the live bird marketing system, do trace backs and trace forwards, and to support the additional laboratory activities associated with the NPIP program for the commercial poultry industry. For the LBMS program 10 States currently have cooperative agreements. There are 11 additional States that have shown interest in joining the program by the end of this fiscal year. The amount shown also includes travel costs and transportation of needed items.
- \$932,285 for *Reagents and Costs of Administering Tests*.—All of these funds have been provided to the National Veterinary Services Laboratory (NVSL) for the processing of samples. NVSL has developed and contracted out the production of these test reagents that have been distributed at no charge to State and industry laboratories approved to participate in the NPIP.
- \$4,326,693 for *Salaries, Benefits and Staff Support*.—These funds provided for increased Federal personnel in both the Eastern and Western Area and Regional offices and activities for implementation and compliance with program requirements to support the States in managing and preventing LPAI infections. Seventeen Federal personnel have been hired and the funds are being used for salaries, benefits, and staff support. We are in the process of hiring an additional 29 Federal personnel (i.e., veterinary medical officers, epidemiologists, animal health technicians, laboratory technicians, etc.) to further support implementation of the program.
- \$600,000 for the *Center for Veterinary Biologics (CVB)*.—Funds have been used for the expansion of an AI vaccine bank through a contract with a biologics company. While vaccines are not used routinely to prevent H5 and H7 infections, vaccines still have a potential role for assisting in the control of a large outbreak or in a situation where depopulation of infected flocks infested with avian influenza (AI) is not possible or feasible. APHIS anticipates completion of the Statement of Work (SOW) for this contract will be completed by the end of May 2005. The SOW will be submitted with a requisition and the solicitation for bids will be prepared and published. A contract will be signed this fiscal year.
- \$513,575 for *Education and Outreach Initiatives*.—Funds are being used for training all newly hired Federal personnel as well as all LBMS participants in the recognition of AI, and for the enhancement of biosecurity practices in live bird markets, auctions, wholesalers, distributors, dealers and producer facilities. APHIS continues to provide training courses, and to produce and distribute educational materials for the LBMS personnel and participants.
- \$555,900 for *Information and Technology Support*.—These funds are supporting the cost of certifying, accrediting, refining and securing an information technology system to collect AI data and acquiring the communications technology needed for carrying out the LPAI program. The system is currently under development and is expected to be ready to implement by the end of the calendar year.

In addition to appropriated funding, on May 12, 2004, \$13,700,000 was transferred from the Commodity Credit Corporation (CCC) for use by the LPAI program. APHIS distributed \$2.7 million to pay for Federal and State (Texas) personnel and supplies necessary to conduct the depopulation, surveillance and laboratory activities associated with this outbreak. Indemnity was also paid to the producer to cover bird losses and disposal, and, cleaning and disinfection. Of the remaining \$11 million allocated to begin the LPAI program, \$6 million was held in reserve to cover

future indemnities and emergency costs is the case of future outbreaks. There was another outbreak in Texas in June 2004 and payment amounts are currently being finalized. APHIS distributed \$2.2 million in the form of cooperative agreements with States, particularly in the northeast, to support surveillance activities in the live bird marketing system. The Agency provided \$1 million to NVSL to support the production and distribution of AI reagents to State and industry labs approved within the NPIP program. APHIS also provided: \$600,000 to hire and support additional Federal field personnel, primarily in the Eastern Region; \$500,000 to support the development of an AI vaccine antigen bank through a competitive contract with a biologics producer; and \$300,000 to support laboratory activities in Delaware and Maryland where an outbreak of LPAI occurred in February 2004.

CHRONIC WASTING DISEASE

Question. Chronic wasting disease has been present in the United States for a number of years and has been present in the State of Wisconsin. Now, it has been reported that this disease has been located in New York State. Obviously, the disease is continuing to spread. Please provide information on how funds for chronic wasting disease have been used in fiscal year 2005 and how the Department plans to use funds proposed for fiscal year 2006.

Answer. Aside from congressionally directed funds, the total appropriated Chronic Wasting Disease (CWD) line item is divided equally between the farmed/captive cervid and the free-ranging deer and elk programs. Activities conducted as part of the farmed cervid program include laboratory testing; and the appraisal, indemnity, depopulation and disposal of voluntarily depopulated animals. Activities conducted as part of the wildlife program include establishing cooperative agreements with State wildlife agencies and Tribes, evaluating new testing technologies, and supporting methods development at APHIS' National Wildlife Research Center.

The fiscal year 2006 President's budget proposes a 10 percent reduction in the CWD line item funding. This will result in various reductions, particularly in the areas of indemnities and cooperative agreements. With the recent detection of CWD in wild deer in New York, APHIS will continue to work with the International Association of Fish and Wildlife Agencies to revise the formula used for determining the amount provided for cooperative agreements with State wildlife agencies.

Question. Please provide information on the problem of the continuing spread of this disease. Do you think current efforts by USDA and the States is effective in the control of this disease or is a different approach warranted?

Answer. It is not entirely clear whether the disease is spreading, or whether our enhanced surveillance efforts are detecting disease that has been present in the cervid population for some time. Furthermore, much is still unknown about the modes of transmission for CWD, and the control measures currently in place may need to be adjusted as our knowledge improves. There is evidence of direct horizontal transmission from animal to animal and some degree of transmission through means of environmental contamination.

APHIS is proposing a rule that will limit interstate movement of participating farmed cervids and identify contaminated properties where CWD is found, thus reducing the potential for disease spread. This rule should allow the industry to move well-monitored and low risk animals while detecting, and hopefully eliminating, CWD-positive herds through increased surveillance testing, indemnity and depopulation. If it becomes clear that transmission is occurring through the movement of cervid carcasses, products, or other materials, regulations could be promulgated to address that concern.

Control of CWD in wild deer and elk is a much greater problem. Due to the complexity of authorities and jurisdictional responsibilities for wildlife management that are divided between States, Tribes and other Federal agencies, APHIS has worked diligently to develop a variety of management approaches that are currently being utilized in the monitoring and surveillance of CWD in wild populations. Because of this cooperative effort, the information gathered through wildlife surveillance continues to increase our understanding of this disease.

SUDDEN OAK DEATH

Question. The President's budget includes a significant decrease in APHIS funding for sudden oak death. However, there have been concerns that this disease might be spreading to other States and regions of the country. Please provide an update on surveillance and other activities to detect, monitor, and control sudden oak death, including a description of areas where it has been located and the rate at which the disease has spread.

Answer. APHIS is working with the U.S. Forest Service (USFS) and State co-operators to prevent the introduction of the pathogen *Phytophthora ramorum* (PR), which causes SOD, and prevent SOD development in new areas. To accomplish these goals, we are destroying plants with PR in nurseries, enforcing quarantines to contain PR, executing a 50-State national survey of high-risk nurseries, and tracking the origin and destination of infected plant material. These activities help determine the extent of PR migration, while minimizing its impact on commerce and the environment. Through these activities, we are protecting the Nation's landscape, the complex ecosystems that native oaks support, and the economic livelihood of several industries—such as forest products—from potentially huge losses.

In January 2005, we implemented an Emergency Federal Order that requires all nurseries in California, Oregon, and Washington to have their nurseries found free of PR before they are shipped interstate. These actions are critical because some nurseries in these States have been responsible for widespread movement of PR, and because PR's host range is not yet fully defined. The Order has helped prevent further PR spread through nursery shipments, while still allowing the interstate movement of healthy plants. If PR is detected in the environment outside the West Coast, APHIS would implement an Incident Command System and initiate a rapid eradication or management response.

When APHIS initiated SOD regulations in fiscal year 2002, PR was established in 10 California counties and one county in Oregon. Currently, PR is established in 14 California counties and one county in Oregon. It has not become established in any other State, or in any forested area outside the 15 counties. However, it has been detected in nursery stock in 21 States: Alabama, Arkansas, Arizona, California, Colorado, Connecticut, Florida, Georgia, Louisiana, Maryland, North Carolina, New Jersey, New Mexico, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, and Washington.

JOHNE'S DISEASE

Question. The President's budget includes a very substantial decrease in funding for Johne's disease. Please provide information on activities of the Department, including those in conjunction with the States, during fiscal year 2005 for control of this disease.

Answer. The Johne's program is voluntary in nature and managed using a Federal, State and industry cooperative approach. It has been developed in cooperation with the National Johne's Working Group and the Johne's Committee of the U.S. Animal Health Association, State Veterinarians, and industry representatives. Each State has a Johne's Disease Group (comprised of producer, university, laboratory, regulatory and veterinary practitioner representatives) to assist the State with program development. In October 2004, APHIS, in conjunction with States, affected industries, and producers, developed a national Johne's disease strategic plan to help reduce the prevalence of the disease in the United States. The strategic plan includes the Voluntary Bovine Johne's Disease Control Program, which provides testing guidelines for States to use to identify cattle herds at low risk for Johne's disease infection and best management practices associated with controlling Johne's disease on infected farms. APHIS has established a National Demonstration Herd Project with the primary objective to validate the long term use of these best management practices on the control of Johne's disease. Secondary objectives include the creation of additional training materials for producers and veterinarians and evaluate testing and monitoring strategies to control Johne's disease. Currently, APHIS is completing the second year with 60 dairy herds and 16 beef herds enrolled in the project. The project will provide more economic data for the costs of managing the disease and the costs versus benefits of control measures in the future. This demonstration herd project is a 5 year project, and interpretation of project results will start to become available in 2006.

APHIS is continuing to look for greater sensitivity and specificity of diagnostic tests and testing strategies (such as validating pooled fecal culturing or environmental sampling as a way to screen herds to determine infection status). More sensitive tests could lead to earlier identification of infected animals, allowing for quicker disease containment actions.

Question. Please provide information regarding the rate and extent of spread of this disease and the economic consequences it poses to the United States dairy industry.

Answer. APHIS estimates that Johne's disease is present in approximately 22 percent of all dairy herds and 8 percent of all beef herds in the United States. Economic losses, associated with the disease resulting in reduced milk production and

premature culling, are estimated to cost the U.S. dairy industry between \$200 and \$250 million per year.

NATIONAL ANIMAL IDENTIFICATION SYSTEM

Question. The fiscal year 2005 Agriculture Appropriations bill included a number of provisions related to animal livestock identification programs, including the Wisconsin Livestock Identification Consortium. Please provide an update on how these programs have been coordinating their activities and explain to what extent these programs are contributing to a National Animal Identification program.

Answer. The Wisconsin Livestock Identification Consortium (WLIC), through a cooperative agreement administered by APHIS, has developed a premises registration system that served as the prototype for a national Standardized Premises Registration System (SPRS) that APHIS now offers to any State wishing to use the system. Through the cooperation of many, the WLIC is working with Federal, State, and industry leaders to generate the public support necessary so that premises registration will become mandatory. The WLIC has also been able to build consensus on a variety of other issues including what pilot projects to support in the State, and how to implement the next phases of NAIS. From this experience, USDA has proposed in the draft program standard for NAIS that each State forms a similar animal identification coordinating committee composed of State, Federal, and industry stakeholders as part of the Stage I requirements.

Another project, also funded as a cooperative agreement administered by APHIS, is the Farm Animal Identification and Records (F.A.I.R.) project. This project continues to demonstrate the value of automatic data collection at key locations in the United States. The Radio Frequency Identification (RFID) automatic readers in livestock markets and slaughter establishments in the original pilot States of New York, Pennsylvania, Wisconsin and California have demonstrated the ability of capturing animal identification associated with key movements and/or events. The project was also used to help manage the movement of cattle in Michigan to support the Bovine Tuberculosis eradication program in that State. Over 125,000 animal movements have been recorded using this system. Several other States are looking at the F.A.I.R. system to track animal movement. As this data collection infrastructure is utilized, it will provide a highly beneficial contribution to the implementation of the animal tracking phase of NAIS.

Question. Please provide information regarding the types of technologies the Department is considering for use in implementing a National Animal Identification program.

Answer. APHIS understands that there is no "one-size-fits-all" identification technology. Many methods are currently on the market, such as branding, radio frequency identification devices and retinal scans. It is likely that some technologies will work better for certain animal species than others. The integration of animal identification technology standards (electronic identification, retinal scan, DNA, etc.) will be determined by industry to ensure the most practical options are implemented and that new ones can easily be incorporated into the National Animal Identification System. As specific technologies are determined, the standards for those technologies will be established to ensure compatibility across all sectors of the industry. For example, the cattle industry is recommending radio frequency identification eartags, using the international standards for Radio Frequency Identification of animals. When the industry widely adopts a technology, USDA will take the necessary steps to recognize the methods through regulatory changes.

WILDLIFE SERVICES

Question. Please provide an update on activities relating to wolf predation measures in the Upper Midwest.

Answer. Wolves continue to colonize much of the northern and central forest regions of Wisconsin. The gray wolf population continues to increase each year by an average of 12 percent. The number of wolf complaints that APHIS investigates each year has increased proportionally to the increase in the gray wolf population. Since 2000, the number of wolf complaints has increased by 231 percent. During 2004, APHIS investigated 126 wolf damage complaints. Wolf depredation on livestock has steadily increased from 2001 to 2004. The increase in wolf complaints and damage is likely to continue until the gray wolf population levels off. APHIS responds to all wolf damage complaints in Wisconsin and utilizes a variety of techniques to resolve damage issues which include the use of non-lethal techniques such as electronic guards and visual deterrents.

In Minnesota, depredation by wolves on livestock and poultry is a problem for some producers. While only a small percentage of the farms in the wolf range are

affected annually, some of these farms will suffer substantial monetary loss in a given year. From 1976 through 2004, the number of farms suffering verified wolf depredations ranged from 9 to 99 per year out of about 8,000. APHIS captured an average of 135 wolves through Wildlife Services depredation control programs during the past 5 years. Minnesota's wolf population currently has stabilized at about 3,000 wolves. Sarcoptoid mange, also known as scabies, had a noticeable impact on Minnesota wolves during 2000–2004. It is expected that wolves will continue to colonize more agricultural areas of the State and will cause increasing conflicts with livestock. Consequently, it will become necessary for APHIS personnel to resolve wolf damage problems at a growing number of farms scattered across an expanding wolf range. As depredation control actions increase, the number of wolves taken each year is also likely to increase.

Question. Please provide information relating to beaver management in State of Wisconsin.

Answer. Beavers continue to cause major damage to valued resources in Wisconsin. Since the population explosion in the mid 1980s, beavers have caused millions of dollars worth of damage to many resources including trout stream habitats, roads, timber, wild rice, and other sensitive habitats. In 1988, APHIS implemented a beaver damage management program in northern Wisconsin to assist cooperators in resolving beaver conflicts/damage. Currently, APHIS cooperates with the Wisconsin Department of Agriculture, Trout Unlimited, and the U.S. Forest Service in northern Wisconsin to protect over 1,200 miles of high quality trout streams. However, this represents only 10 percent of the trout stream miles in the State. APHIS also cooperates with nine county highway and forestry departments and over 50 local townships to protect roads and timber resources from beaver damage. APHIS resolves over 400 of these resource conflicts annually. The APHIS beaver damage management program is a cost-share program with cooperative funding coming from State and county governments and private entities. This cooperative program saves cooperators a potential loss of over \$1 million annually.

Question. Please provide information relating to crane operations in the State of Wisconsin.

Answer. The sandhill crane has experienced dramatic population increases over the last 20 years to the point that they are often implicated in agricultural crop damage situations throughout Wisconsin. In 2004, one potato grower alone reported over \$37,000 in damages to his crop from feeding sandhill cranes. APHIS conducts site visits to assess damage and recommends abatement options to alleviate the problem. APHIS provides harassment devices, such as propane cannons and pyrotechnics, to make the birds uncomfortable in crop fields. Many crop owners get frustrated and often request a Federal depredation permit to lethally remove sandhill cranes that become accustomed to the harassment techniques. In 2004, APHIS received 55 reports of agricultural damage from crop owners who wanted to attempt to lethally remove cranes in Wisconsin. In the past, many crop owners were able to successfully deter sandhill cranes by using a corn seed treatment that was removed from the market in 2004 with no replacement pesticide. This will increase the pressure on APHIS to provide services.

In addition, sandhill cranes can pose safety hazards at airports throughout the State. Several airports in Wisconsin have contacted APHIS to request recommendations and permits to remove or reduce the hazards caused by sandhill cranes using airport property. Sandhill cranes weigh on average 8–10 pounds, creating an extremely hazardous situation when encountered by aircraft while in flight. In 2004, APHIS was contacted by five airports who requested Federal depredation permits to lethally remove sandhill cranes that posed a risk to human health and safety and aircraft. In 2005, eight airports have requested these services.

QUESTIONS SUBMITTED BY SENATOR MARY L. LANDRIEU

WILDLIFE SERVICES

Question. What Wildlife Service methods development efforts are underway to reduce blackbird damage to the rice industry?

Answer. In fiscal year 2005, APHIS' Wildlife Services Methods Development efforts to reduce blackbird damage to the rice industry include investigating non-lethal solutions. These include development of chemical bird repellents and baits to deter blackbirds from seeded and ripening rice, and improving methodology for reducing depredating blackbird populations on rice farms in Louisiana, Arkansas, Texas and Missouri.

Question. What resources are allocated to this effort, and what additional resources would be required to accelerate methods development to reduce blackbird depredations on rice?

Answer. In fiscal year 2005, APHIS allocated \$313,998 (\$289,998 for personnel and \$24,000 operating expenses) to work on this problem, including two research biologists and two technicians. APHIS projects that an additional \$400,000 is required to accelerate laboratory and field research efforts to develop and register a repellent for protecting seeded and ripening rice; to develop an improved lethal bait for reducing depredating blackbird populations; and to evaluate alternative management strategies on rice farms to reduce blackbird damage to rice in Louisiana, Arkansas, Texas and Missouri.

QUESTIONS SUBMITTED BY SENATOR TOM HARKIN

SOYBEAN RUST

Question. Over the last few months, since the finding of soybean rust in Louisiana, a lot of work has been undertaken to establish an extensive surveillance and monitoring program to track the progress of soybean rust. Officials from USDA hosted a workshop in Indianapolis in early February to lay out their plans to establish a network of sentinel plots in cooperation with State governments and private groups. Soybeans were planted more than a month ago in the southern-most growing regions in the United States, and soon will be planted across our Nation. It is critical to have an early warning system in place to alert producers to treat their fields. I wrote to you on January 27, 2005 to urge you to allocate funds from the Commodity Credit Corporation to launch this early warning system against soybean rust, and I understand that this recommendation was endorsed by career USDA staff. What action has the Department taken to create this system?

Answer. USDA's coordinated framework for the soybean rust (SBR) response includes five components: (1) monitoring and surveillance; (2) predictive modeling; (3) web-based dissemination of information; (4) decision criteria for fungicide application; and (5) outreach. The activities under these components build on our efforts to prepare for the arrival of the disease, which include cooperating with the soybean industry on a range of educational and awareness efforts and sponsoring the development of a predictive modeling system for SBR. The predictive modeling system is already functioning, and APHIS and cooperating officials are entering survey data into the system as it becomes available. Survey data is available on USDA's comprehensive SBR website, which also provides detection and identification tips, information on fungicide use, and local extension agents' contact information, among other things.

APHIS is releasing \$1.19 million from the Agency's contingency fund to support the monitoring and surveillance network with State cooperators and continued maintenance of USDA's comprehensive SBR website. APHIS is providing \$800,000 of these funds to State cooperators through the Cooperative Agricultural Pest Survey (CAPS) network to establish sentinel plots for surveillance. APHIS officials have completed many of the CAPS agreements and are working diligently to complete the remaining agreements. State cooperators have already established sentinel plots in many areas, especially in southern States, and the results of surveys are already displayed on USDA's SBR website. APHIS is using \$180,000 of the contingency funds to establish five mobile monitoring teams to provide timely support for the detection network. The remaining funds will support continued development and maintenance of USDA's SBR website and modeling system.

ORGANIC COST-SHARE FUNDING

Question. Section 10606 of the 2002 farm bill created a national organic cost-share program to offset the cost of certification under the National Organic Program for organic producers and handlers. Five million dollars was provided for this program, to be available until expended. At this time, it appears there is roughly \$1.5 million left for cost-share funding. It is unclear how long these funds will remain available for producers and handlers before running out.

How long does USDA/AMS perceive the remaining roughly \$1.5 million in cost-share funding will last before running out?

Answer. AMS has obligated essentially all of the initial \$5,000,000 provided for cost-share funding. Of the total, \$30,000 has been retained to cover unexpected spikes in utilization by the States.

Question. Will sufficient funds last throughout fiscal year 2006? How much in additional funding would AMS need to keep this program active until the next farm bill?

Answer. Based on current utilization patterns, we anticipate that the initial funding will be fully exhausted by the States by the third quarter of fiscal year 2006. It should be noted, however, that the use of funds by the States, in terms of amounts and timing, can be highly variable. We estimate that the States would require \$1,200,000 in additional funding to keep the program active between the third quarter of fiscal year 2006 and passage of the next farm bill.

NATIONAL ANIMAL IDENTIFICATION SYSTEM

Question. As USDA moves forward with implementation of a national animal identification system, it still remains unclear exactly where data will be kept as it is submitted by producers from across the United States. Does USDA plan to maintain and control a central database for all species of animals? Or, does USDA plan to maintain and control regional databases as a repository for all or certain selected species?

Answer. The primary information system components of the National Animal Identification System (NAIS) would include the National Premises System and National Animal Identification and Tracking System. The two main NAIS information repositories would be maintained and centrally managed by APHIS. The overall system would allow for the identification of each premises and the recording and reporting of animal identification and animal movement data. Additionally, the system would associate or link the animal identification data to each premises where the animal or group was located and the specific dates on which the animal(s) was at the premises. Only information essential to the enhancement of animal disease surveillance and monitoring would be stored in a Federally-managed database under the NAIS.

Premises registration systems for all species are currently maintained and operated by the States or regional alliances or third parties, and essential data is forwarded to the National Premises Information Repository. USDA is in the process of building a National Animal Identification and Tracking System and a National Animal Records Repository. Once participating State/regional and third-party systems have been evaluated for data compliance, APHIS would support the establishment of interfaces between these systems and the national repositories. The State/regional systems or third-party systems would be able to collect and maintain more information than is required for NAIS, but only the federally required data would need to be sent to the national repositories. NAIS data would be kept confidential to the extent allowed by law, and routine access would be restricted to State and Federal animal health officials when information is required to perform their responsibilities for maintaining the health of the U.S. herd.

Question. Exactly who will house the data?

Answer. The premises information and animal records repository will be maintained by APHIS at the Centers for Epidemiology and Animal Health facility in Fort Collins, Colorado. In the future, the system will be housed at the National Technology Information Center in Kansas City, Missouri. This move will give NAIS a more robust hardware infrastructure will full system security and 24/7 surveillance for system operation.

Question. If private firms maintain the data how will USDA have control of and have access to that information?

Answer. To ensure that animal health officials would have immediate, reliable, and uninterrupted access to essential National Animal Identification System information in the event of a disease concern, certain basic data would be maintained at the Federal level. Accordingly, the two main NAIS information repositories, the National Premises Information Repository and the National Animal Records Repository, would be maintained and managed by APHIS. If data that is required by animal health officials to perform their duties is held privately, the same degree of access must be assured.

CONCLUSIONS OF HEARINGS

Senator BENNETT. Thank you very much, Senator Kohl.

I have no further questions. Gentlemen, thank you for your service to the country and to the department.

The hearing is recessed.

[Whereupon, at 2:56 p.m., Thursday, April 14, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]