

## ■ Grain Inspection, Packers, and Stockyards Administration

The Grain Inspection, Packers and Stockyards Administration (GIPSA) facilitates the marketing of livestock, poultry, meat, cereals, oilseeds, and related agricultural products and promotes fair and competitive trading practices for the overall benefit of consumers and American agriculture.

GIPSA, like its sister agencies in USDA's Marketing and Regulatory Programs, is working to ensure a productive and competitive global marketplace for U.S. agricultural products. GIPSA's Packers and Stockyards Programs ensure open and competitive markets for livestock, meat, and poultry. The Federal Grain Inspection Program provides the U.S. grain market with Federal quality standards and a uniform system for applying them.

## Federal Grain Inspection Program

Through its Federal Grain Inspection Program, GIPSA facilitates the marketing of grain, oilseeds, pulses, rice, and related commodities. This program serves American agriculture by providing descriptions (grades) and testing methodologies for measuring the quality and quantity of grain, rice, edible beans, and related commodities. GIPSA also provides a wide range of inspection and weighing services, on a fee basis, through the official grain inspection and weighing system, a unique partnership of Federal, State, and private laboratories. In FY 1996, the official system performed over 2.3 million inspections on 250 million metric tons of grain and related commodities.

Specifically, under the U.S. Grain Standards Act, and those provisions of the Agricultural Marketing Act (AMA) of 1946 that relate to inspection of rice, pulses, lentils, and processed grain products, GIPSA:

- Establishes official U.S. grading standards and testing procedures for eight grains (barley, corn, oats, rye, sorghum, triticale, wheat, and mixed grain), four oilseeds (canola, flaxseed, soybeans, and sunflower seed), rice, lentils, dry peas, and a variety of edible beans.
- Provides American agriculture and customers of U.S. grain around the world with a national inspection and weighing system that applies the official grading and testing standards and procedures in a uniform, accurate, and impartial manner.
- Inspects and weighs exported grain and oilseeds. Domestic and imported grain and oilseed shipments, and crops with standards under the AMA, are inspected and weighed upon request.
- Monitors grain handling practices to prevent the deceptive use of the grading standards and official inspection and weighing results, and the degradation of grain quality through the introduction of foreign material, dockage, or other nongrain material to grain.

By serving as an impartial third party, GIPSA and the official grain inspection and weighing system ensure that the Official U.S. Standards for Grain are applied and that weights are recorded fairly and accurately. In this way, GIPSA advances the orderly and efficient marketing and effective distribution of U.S. grain and other assigned commodities from the Nation's farms to destinations around the world.

## Packers and Stockyards Programs

GIPSA's Packers and Stockyards Programs administers the Packers and Stockyards (P&S) Act of 1921. The purpose of the P&S Act, which has been amended to keep pace with changes in the industry, is to assure fair competition and fair trade practices, safeguard farmers and ranchers, and protect consumers and members of the livestock, meat, and poultry industries from unfair business practices that can unduly affect meat and poultry distribution and prices.

## **Payment Protection**

The P&S Act requires prompt payment for livestock purchased by dealers, market agencies, and packers whose operations are subject to the Act. Pursuant to this requirement, subject firms must pay for livestock before the close of the next business day following the purchase and transfer of possession. In addition, the Act establishes specific payment delivery requirements for livestock purchased for slaughter. Also, packers, market agencies, and dealers operating in commerce are required to file a surety bond or its equivalent. At the beginning of FY 1997, bonds totaling \$625 million were in place to cover the livestock purchases of packers, market agencies, and dealers.

GIPSA also emphasizes custodial account investigations as a means of payment protection for consignors of livestock. All market agencies selling on a commission basis are required to establish and maintain a separate bank account designated as "Custodial Account for Shippers' Proceeds," to be used for deposits from livestock purchasers and disbursements to consignors of livestock. The custodial audit program has been very successful in protecting funds due livestock sellers.

## **Packer and Poultry Trust Activities**

If a meat packer fails to pay for livestock or a live poultry dealer for live poultry, then receivables, inventories, and proceeds derived from such purchases in cash sales or by poultry growing arrangement become trust assets by operation of law. These assets are held by the meat packer or live poultry dealer for the benefit of all unpaid cash sellers and/or poultry growers. Cash sellers of livestock and poultry growers are legally in a priority payment position in bankruptcy or in claims against trust assets in the event of business failure.

## **Open Competition**

Competition for livestock, either in direct trading or at public markets, should be open and free of restrictions. Any practice, agreement, or understanding that excludes potential buyers from bidding in open competition would be considered a restraint on competition. Practices resulting in the lessening of competition for producers' livestock include apportioning of territories, price agreements or arrangements not to compete, and payoffs or kickbacks to buyers. GIPSA staff members immediately investigate any practice that indicates a possible restriction of competition.

## **Scales & Weighing Activities**

GIPSA's Scales and Weighing program is concerned with two different elements that affect the integrity of transactions: (1) the accuracy of scales used for weighing livestock, meat, and poultry, and (2) the proper and honest operation of scales to assure that the weight on which a transaction is based is accurate.

The major emphasis in the Scales and Weighing program is on detection of improper and fraudulent use of scales. An investigative program uses several different procedures to determine whether weighing activity is proper and honest. Agency investigators routinely visit livestock auction markets, buying stations, and packing plants for the purpose of checkweighing livestock, carcasses, and live poultry, along with examining weight records and equipment.

## **Fair Treatment for Poultry Growers**

GIPSA carries out enforcement of the trade practice provisions of the P&S Act relating to live poultry dealers. Its investigative program extensively examines the records of poultry integrators to determine the existence of any unfair, unjustly discriminatory, or deceptive practices in its dealings with poultry growers and sellers. Complaints alleging unfair termination of growing contracts are investigated on a priority basis.

## **Carcass Merit Purchasing**

GIPSA monitors the use of electronic evaluation devices by hog slaughterers who purchase hogs on a carcass merit basis, in order to ensure that the electronic measuring is accurate and properly applied and that the producer receives an accurate accounting of the sale.

## **Analysis of Structural Change**

GIPSA examines structural changes in the livestock, meat packing, and poultry industries, and analyzes the competitive implications of these structural changes. The analyses assist in enforcing the P&S Act and in addressing public policy issues relating to the livestock and meat industries.

## **Clear Title**

The Clear Title provisions of the Food Security Act of 1985 permit States to establish central filing systems to inform parties about liens on farm products. The purpose of this program is to remove an obstruction to interstate commerce in farm products. GIPSA certifies when a State's central filing system complies with the Act.