



# National Grain and Feed Association

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## *Submitted Electronically*

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Office of Budget and Program Analysis  
U.S. Department of Agriculture  
Jamie L. Whitten Building  
Room 101-A  
1400 Independence Ave., S.W.  
Washington, DC 20250

**RE: Docket No. USDA-2017-0003**

Dear Reviewing Officials:

In response to the request for information published in the September 12, 2017 edition of the *Federal Register*, the National Grain and Feed Association (NGFA) submits this statement supporting Secretary of Agriculture Sonny Perdue's decisive and timely leadership to reorganize and realign certain agencies and functions within the U.S. Department of Agriculture (USDA) to improve customer service, effectiveness and efficiency.

NGFA's comments specifically support, address and provide recommendations concerning the following portions of Secretary Perdue's reorganization and realignment plan important and relevant to the grain, feed, grain and oilseed processing, and export sectors:

- Extricating the Federal Grain Inspection Service (FGIS) from the Grain Inspection, Packers and Stockyards Administration (GIPSA) and realigning it within USDA's Agricultural Marketing Service (AMS);
- Realigning the Farm Service Agency's (FSA) grain warehouse functions within AMS; and
- Realigning the U.S. Codex Alimentarius Office from the Food Safety Inspection Service (FSIS) to the Office of the Undersecretary for Trade and Foreign Agricultural Affairs.

NGFA, established in 1896, consists of more than 1,000 grain, feed, processing, milling, exporting and other grain-related companies that operate more than 7,000 facilities nationwide. NGFA-member companies handle more than 70 percent of the U.S. grain and oilseed crop, and include grain elevators, feed and feed ingredient manufacturers, biofuels companies, grain and oilseed processors, millers, exporters, livestock and poultry integrators, and associated firms that provide goods and services to the nation's grain, feed, processing and export industry. NGFA also consists of 34 affiliated State and Regional Grain and Feed Associations, and is co-located and has a strategic alliance with the North American Export Grain Association and a strategic alliance with the Pet Food Institute.

NGFA-member companies and the farmer-customers they serve actively utilize the USDA programs and services addressed in these comments.

## **Extricating FGIS from the Packers and Stockyards Administration and GIPSA, and Realigning it within AMS**

**NGFA Recommendations:** *In accordance with Executive Order 13781 – “[Comprehensive Plan for Reorganizing the Executive Branch](#)” and the subsequent recommendations in the “[Report on the Proposed 2017 Reorganization of the Department of Agriculture to Establish an Under Secretary for Trade and Foreign Agricultural Affairs](#),” NGFA strongly supports Secretary Perdue’s decision to break FGIS apart from GIPSA and realign the agency within AMS. As part of the realignment, NGFA recommends that USDA also consider:*

- *Making FGIS a stand-alone entity within AMS with a direct reporting relationship to the AMS Administrator.*
- *Explore several efficiencies that potentially may be gained. NGFA respectfully offers several suggestions in this regard on pages four and five of this statement.*
- *Directing FGIS to review the current geographical boundaries for designated agencies that provide Official inspection, weighing and other services in the domestic market.*
- *Directing FGIS to develop a new, standardized “Delegation of Authority Agreement” applicable to all delegated agencies that have met the statutory requirement under the U.S. Grain Standards Act to perform Official inspection and weighing services on FGIS’s behalf at export port facilities.*

NGFA strongly supports Secretary Perdue’s decision to separate FGIS from what we believe was an ill-conceived 1994 co-location with the Packers and Stockyards Administration into a new agency – GIPSA. We believe the realignment of FGIS within AMS will provide the organizational and structural foundation that, if coupled with badly needed new leadership at FGIS, will improve the delivery of customer service provided by the agency, which is financed largely through industry-paid user fees.

FGIS desperately needs dramatic change to fulfill its statutory obligation to provide reliable, accurate, timely, impartial and cost-effective services under the U.S. Grain Standards Act and other authorities. This includes the official grain inspection and weighing system that underpins the U.S. price-discovery system, and provides for needed transparency and information that serve the national interest in facilitating a safe and affordable supply of grains, oilseeds and grain products, thereby enhancing the globally competitive position of U.S. agriculture.

NGFA believes the realignment of FGIS within AMS is appropriate given that both are service-focused agencies with a similar mission and function. Indeed, FGIS when first established in 1976 originally was housed as a division within AMS, which currently operates existing programs that support dairy; specialty crops; livestock, poultry and seed; and cotton and tobacco. We believe once repositioned as a specific program area within AMS – and if provided with badly needed new leadership – FGIS’s professionalism, efficiency and effectiveness can be restored. Properly executed, such a consolidation also should reduce FGIS’s overall administrative costs by providing access to shared back-office administrative support services and operations, as well as exposure to other talented professionals serving within AMS.

In concert with the appointment of accountable, responsible, capable and knowledgeable new leadership at FGIS, such a realignment should greatly improve FGIS’s program delivery. A combination of effective organizational realignment and new leadership will drive much-needed FGIS change and support further improvements in USDA programs that promote and support domestic and export markets, thereby enhancing USDA’s agricultural trade mission area.

### **Background**

In October 1994, President Clinton signed into law the Department of Agriculture Reorganization Act of 1994 that included a directive to co-locate FGIS with the Packers and Stockyards Administration to form GIPSA. This action combined many administrative functions, but FGIS has continued to deliver its services as a separate program function within GIPSA.

Prior to the 1994 USDA reorganization, the FGIS Administrator reported directly to the USDA Undersecretary for Marketing and Regulatory Programs (formerly known as the Assistant Secretary for Marketing and Inspection Programs). Under this post-1994 structure, the FGIS Administrator is a deputy administrator within GIPSA, who reports to the GIPSA Administrator – a political appointee.

Following the creation of GIPSA, and FGIS’s subjugation thereunder, there has been a gradual decline in the quality and reliability of official grain inspection and weighing services provided by FGIS to the U.S. grain handling industry, a decline that became more precipitous during the Obama administration when the agency unfortunately was politicized by GIPSA management. The result has been felt directly by U.S. exporters, which now confront a comparative disadvantage in the cost of obtaining official grain inspection and weighing services compared to similar services offered by foreign competitors. The overall expense and performance of official inspection services from FGIS have been increasingly problematic over the past decade.

Finally, since the Packers and Stockyards Administration primarily is an enforcement-, rather than service-, focused, agency, there has been little synergy between the two agencies. There also was little effort from previous GIPSA administrators to address the significant cost, service quality and reliability issues that have plagued FGIS.

### **Overall Potential Benefits of FGIS Realignment into AMS**

As noted previously, FGIS and AMS share a similar mission and focus, namely providing services to their customers with the goal of facilitating the efficient marketing of U.S. agricultural products. Such synergies include:

- **Compatible Missions:**
  - **FGIS** is charged with facilitating the marketing of grains, oilseeds and related agricultural products through establishment of quality standards for grains, oilseeds, pulses and legumes, and by providing impartial user-fee funded inspection and weighing services through a network of federal, state and private entities. FGIS carries out these activities under authority of the U.S. Grain Standards Act and Agricultural Marketing Act.
  - **AMS**, meanwhile, administers programs that facilitate the competitive, efficient and fair marketing of U.S. agricultural products (all agricultural products not addressed by FGIS, plus some specific services covering FGIS-regulated products). AMS carries out these activities under authority of the Agricultural Marketing Act and more than 50 other statutes. AMS' mission is to support American agriculture, helping the United States remain competitive in a global marketplace. The agency supports agriculture through a variety of programs including the: Dairy Program; Fruit and Vegetable Program; Livestock, Poultry and Seed Program; Cotton and Tobacco Program; National Organic Program; Science and Technology Program; and the Transportation and Marketing Program.
- **Reporting Relationship:** Both FGIS and AMS currently report to the USDA Undersecretary for Marketing and Regulatory Programs.
- **Development of Standards and Procedures:** Both FGIS and AMS are responsible for developing standards and procedures to establish specific requirements for complying with the U.S. Grain Standards Act and Agricultural Marketing Act, respectively.
- **Authority for Third-Party Inspections:** Both agencies certify and designate or delegate states and/or privately owned entities to provide official inspection and/or weighing services under the authority of the U.S. Grain Standards Act and Agricultural Marketing Act, respectively.

### **Potential Efficiencies to be Gained from Realigning FGIS within AMS**

AMS currently employs nearly 4,000 professionals, while FGIS has nearly 400. Several current senior FGIS employees previously were employed by AMS and have knowledge of how the agency operates. Realigning FGIS within AMS should help reduce programmatic redundancies and should prove beneficial by enabling more efficient and coordinated utilization of the staffs of

both agencies. In addition, such a realignment offers the potential to rectify individual shortfalls in skill-sets by utilizing the best talents and training expertise from both FGIS and AMS.

In addition, NGFA believes consideration should be given to evaluating potential efficiencies that could be gained by consolidating the following operations and functions of FGIS within AMS:

- Administrative Support Services (*e.g., Marketing and Regulatory Business Services; budget staff; information technology; public affairs staff; legislative and regulatory support staffs; civil rights staff*).
- Developing quality standards jointly to facilitate marketing of related agricultural products.
- Cross- training and utilization of inspectors to reduce operating costs and improve service delivery.
- Improve accuracy and precision of testing for biotech-enhanced traits by harmonizing the separate testing technologies currently used.
- Consolidate separate laboratory services used to perform analyses of a wide range of grain and oilseed, as well as food and fiber, quality characteristics.

Further, NGFA believes once the realignment is complete, FGIS strongly should evaluate and consider utilizing independent third parties under FGIS oversight to perform mandated and optional inspection services at grain export ports to improve efficiency and reduce inspection costs to the industry and its farmer-customers.

### **Reviewing and Updating Current Geographical Boundaries for Designated Official Agencies Serving the Domestic Market**

FGIS has utilized geographic boundaries to identify territories within which individual agencies it designates and oversees generally have sole authority to provide Official grain inspection and weighing services in the domestic market, where the use of Official services is voluntary. However, the geographic boundaries being utilized by FGIS pre-date the establishment of the agency in 1976, and do not reflect the considerable changes in the domestic grain-handling industry and production agriculture that have occurred over the past 40-plus years.

Once the realignment of FGIS within AMS is completed and operational, NGFA encourages FGIS to conduct a thorough review, including providing the opportunity for public-notice-and-comment, to assess the current geographic boundaries to determine where updates and modifications may be warranted, and to consider where it may be feasible to instill additional competition by designating more than one Official agency to operate within a single geographic boundary because of the volume of existing and potential business available. In conducting such

a review, NGFA respectfully recommends that FGIS consider *within each geographic boundary*: 1) the number of grain-handling facilities that currently utilize designated Official grain inspection agencies to perform inspection, weighing and other services; 2) the volume of grains and oilseeds for which designated Official agencies currently provide service at grain-handling facilities; 3) an estimate of the number and volume of grains and oilseeds handled by commercial grain-handling facilities not currently utilizing the services of designated Official agencies; 4) the number of rail cars, trucks, barges and/or containers that either are Officially inspected and/or used to transport grains, oilseeds, and other agricultural products under the U.S. Grain Standards Act; 5) other related services performed by designated Official agencies at grain-handling facilities that provide revenue to the respective designated agency; 6) the official fees charged by the respective designated Official agency for services performed, including, but not limited to grading, weighing, sampling, stowage examination and certification conducted under the U.S. Grain Standards Act; and 7) the implications of modifying the geographic boundaries to enhance competition within the Official inspection and weighing system in the domestic market, while still evaluating the economic impact on the viability of the respective designated Official agency currently providing such services.

**Developing a New, Standardized “Delegation of Authority Agreement” applicable to all Delegated Agencies Authorized to Perform Official Grain Inspection and Weighing Services at Export Port Facilities**

During the most recent reauthorization of the U.S. Grain Standards Act in 2015, it became apparent that FGIS either did not have, or was operating under woefully outdated and inconsistent “Delegation of Authority Agreements” with Official agencies that FGIS authorizes and oversees to perform mandated Official grain inspection and weighing services at export port facilities.

Therefore, once the realignment of FGIS within AMS is completed and operational, NGFA urges the agency to develop, through public notice-and-comment rulemaking, a standardized “Delegation of Authority Agreement” with delegated Official agencies that, among other things, addresses: 1) the purpose and intent of the delegation authority, and the specific responsibilities and obligations of FGIS and the delegated Official agency; 2) the terms and conditions of the agreement that each party is required to fulfill; 3) the statutory obligations of the delegated Official agency to perform Official grain inspection and weighing services on a consistent, predictable and uninterrupted basis, and the recourse and FGIS’s responsibilities if the delegated Official agency fails to fulfill its required obligations to provide service; 4) the process and procedures that will be triggered to replace either delegated Official agency or FGIS inspectors who are unwilling to perform their statutorily mandated responsibilities under the agreement; and 5) the obligation of FGIS pursuant to 7 U.S.C. §79(e)(3) to consult with, and review the available files of, the U.S. Department of Justice, USDA Office of Investigation (or such other entity or agency within USDA to which such authority has been delegated), and the Government Accountability Office to determine if the delegated Official agency is qualified to perform Official services. NGFA also recommends that such Delegation of Authority Agreements with individual designated Official agencies be limited to five years to provide for review and potential revision and updating if circumstances warrant.

## **Realigning FSA's Grain Warehouse Functions into AMS**

**NGFA's Recommendations:** *NGFA supports the realignment of USDA's grain warehouse functions within AMS. But in doing so, we strongly recommend that:*

- *USDA continue its current policy of examining U.S. Warehouse Act (USWA)-licensed warehouses annually, while encouraging the adoption of modern technologies as they become available that allow for a more efficient examination process.* NGFA commends efforts to identify efficiencies in administering the USWA while maintaining a high level of service that preserves the integrity and reputation of the federal grain warehouse receipt. Given the almost annual increase in grain production and corresponding annual fee collections resulting from greater licensed storage capacities at federally licensed grain warehouses, NGFA believes the current USWA licensing and examination fee level for grain warehouses is more than sufficient.
- *USDA implement further cost-cutting efficiencies in Commodity Credit Corp. (CCC) program administration, in particular ending duplicative warehouse examinations of Uniform Grain and Rice Storage Agreement (UGRSA) warehouses with a federal or state warehouse license unless the warehouse is storing significant quantities of CCC-owned commodities.* Under the federal grain warehouse program, warehouses with a U.S. Warehouse Act license already are examined at least annually by USDA. Further, states with their own warehouse licensing programs conduct similar examinations. It also is NGFA's understanding that CCC is self-insured for any monetary losses in the rare event of a warehouse insolvency or commodity loss. For these reasons, NGFA believes it is prudent for USDA to adopt a risk-based policy of not conducting UGRSA warehouse examinations if a warehouse is federally or state-licensed unless USDA believes the state has a substandard warehouse examination program or the warehouse is storing significant quantities of CCC-owned commodities or agricultural products.
- *USDA should continue to allocate appropriations to pay for UGRSA services:* Since the administration of the UGRSA contract is for the benefit of CCC and agricultural producers who pledge eligible commodities as security to CCC for marketing assistance loans, NGFA urges that USDA under the realignment continue its current practice of using appropriations to pay for UGRSA-related services. CCC examination programs have little to no value to federal- or state-licensed grain warehouses, as they already are subject to warehouse examinations.

Finally, the NGFA seeks information and respectfully would welcome the opportunity to provide input on the organizational structure concerning how the grain and other warehousing services will be incorporated within AMS, as well as whether and how the current procurement functions performed by FSA will be administered following the realignment.

## **Background and Analysis of USDA's Warehouse Services**

USDA's warehouse services have two main functions. The first is to administer the USWA and its licensing agreements for grain, rice, cotton, dry edible beans and peanuts. The second is to administer CCC programs involving warehoused-stored grain, rice, cotton, processed commodities, sugar and peanuts.

### **Background on USWA**

The USWA enables warehouse operators to receive warehouse licenses in exchange for paying associated user fees and complying with the terms of the USWA warehouse licensing agreement. Such terms include allowing USDA to inspect the warehouse to ensure it is suitable for the proper storage of agricultural products and that the physical inventory corresponds with the warehouse's storage obligations.

NGFA has a long history in supporting USDA's warehouse services, beginning with its active involvement in championing enactment of the U.S. Warehouse Act in 1916. Today, the USWA has the even greater importance, as the federal warehouse licensing system represents the gold standard in providing independent, third-party warehouse regulation and examinations under a regulatory approach that is prudent, risk-based, efficient and cost-effective. USDA's federally licensed grain warehouse program facilitates the secure storage and efficient marketing of grain and grain products, thereby protecting depositors (most importantly, agricultural producers) and the integrity of the commercial warehouse industry. In so doing, it also provides integrity to the federal warehouse receipt, which commonly is utilized as collateral by producers for marketing assistance loans from CCC, as well as by grain companies to secure needed capital from commercial banking and lending institutions to operate grain handling and merchandising activities.

For the grain industry, the federal grain warehouse licensing system has multiple, tangible benefits that facilitate storage and commerce. First, the USWA enables companies that operate in multiple states with the efficiency of complying with a single, uniform set of practical and effective rules and regulations, rather than a hodge-podge of differing state laws or requirements. Second, while the federal warehouse system is voluntary, its licensing requirements provide a benchmark of prudent standards and practices that can be replicated, exceeded or modified by states as they devise their own appropriate state grain warehouse licensing approaches. Third, the existence of the federal grain warehouse system allows warehouse operators to provide assurances of regulatory oversight in important agricultural states that have chosen not to enact a warehouse law. And fourth, the increased interaction and cooperation between federal and state grain warehouse regulators to identify and respond in a timely, coordinated and effective manner when warranted to protect the integrity of both state and federal warehouse programs have benefited depositors and the industry as a whole. The ultimate beneficiaries of the stable storage and market environment made possible by the USWA and its implementation have been agricultural producers, lenders, the grain storage, handling and merchandising industry, and domestic and foreign consumers of U.S. agricultural products.



For these and other reasons, it is essential that the federal grain warehouse program remain cost-competitive with state licensing systems.

### **Background on CCC-Programs**

The second function of USDA's warehouse services involves the administration of CCC programs, which in the case of grain is for the benefit of agricultural producers that pledge eligible commodities as security to CCC for marketing assistance loans. By entering into storage agreements with CCC – which for grain is the Uniform Grain and Rice Storage Agreement (UGRSA) contract – warehouse operators agree to comply with the terms and conditions of the agreement.

The following CCC-programs receive warehouse services:

- CCC-storage agreement contracts for the marketing assistance loan program;
  - UGRSA
  - Cotton Storage Agreement
  - Processed Commodities Storage Agreement
  - Peanut Storage Agreement
  - Sugar Storage Agreement
- Cotton Economic Adjustment Assistance Program;
- Extra Long Staple Competitiveness Program;
- Bales Made Available for Shipment;
- Cotton Flow provisions; and
- Sugar Feedstock Flexibility Program.

### **Expenses and Revenues for USWA and CCC Programs**

NGFA's principal interest related to the realignment of the USWA and other grain warehouse functions within AMS is that it be done in a way to provide adequate revenues and implement prudent cost-controls to maintain the effectiveness, efficiency and cost-competitiveness of these vital programs to producers and the warehouse sector.

In this regard, fiscal year (FY) 2016 costs were \$7.28 million (\$6 million for salaries and \$1.28 million for travel) to cover USDA's warehouse services for USWA and CCC programs.

- USWA fees collected in FY 2016 were \$3,798,304 and supported USWA administration of its licensing agreements, USWA examinations, USWA financial reviews, and USWA information technology maintenance.

- USWA fees are based largely on the quantity of the commodity inspected and the licensed capacities of facilities. For grain, federally licensed warehouse capacity has increased from almost 4 billion bushels in 2006 to more than 5.5 billion bushels in 2016.
- In FY 2016 nearly \$3.5 million in FSA salary and expense appropriations were used to support CCC programs receiving warehouse services. In the past, CCC funds were used to pay for CCC-programs receiving warehouse services, but that practice ended when the White House Office of Management and Budget changed its policy, citing the lack of CCC-owned grain requiring warehouse examinations.

The following table illustrates USWA fees and an estimate of the direct examination expenses for USWA services.

**Estimate of USWA User Fees and Expense in FY 2016 1/**

Commodity	USWA User Fees	Expense
Grain and Rice	\$3,154,964	\$2,920,000
Cotton	\$193,050	\$232,000
Peanuts	\$205,671	\$133,000
Dry Edible Beans	\$59,626	NA
Cottonseed	\$4,675	NA
Combination	\$84,098	NA
Export Food Aid	\$25,634	NA
Provider	\$70,586	NA
Miscellaneous	\$0	\$33,000
<b>Total</b>	<b>\$3,798,304</b>	<b>\$3,318,000</b>

1/ Includes direct examination expense.

The following table contains an estimate of the appropriation and direct examination costs allocated for CCC-related programs.

**Estimate of the Appropriation and Expense for CCC-Programs in FY 2016 1/**

Commodity	Appropriation	Expense
Grain and Rice		\$970,000
Cotton		\$746,000
Sugar		\$131,000
Miscellaneous		\$19,000
<b>Total</b>	<b>\$3,481,696</b>	<b>\$1,866,000</b>

1/ Includes direct examination expense.

The following table is a summary of the total estimated revenues and expenses for USDA's warehouse services.

**Estimate of USWA and CCC-Programs' Revenue and Expense in FY 2016**

<b>Category</b>	<b>Revenue</b>	<b>Expense</b>
USWA	\$3,798,304	\$3,318,000
CCC-Programs	\$3,481,696	\$1,866,000
Non-direct Examination Expense 1/		\$2,096,000
<b>Total</b>	<b>\$7,280,000</b>	<b>\$7,280,000</b>

1/ Estimated expense for support functions.

**Workforce for USDA's Warehouse Services**

USDA's warehouse services currently are supported by approximately 77 persons. Approximately 58 persons are assigned to the Warehouse License and Examination Division. Other personnel that support the Warehouse License and Examination Division currently are housed in the Contract Reconciliation Division and Business Operations Support Division. The Office of the Deputy Administrator for Commodity Operations currently oversees USDA's warehouse services.

The Warehouse License and Examination Division almost exclusively works on USDA warehouse programs and services. The Contract Reconciliation Division and the Business Operations Support Division have other functions, in addition to supporting USDA warehouse services. The Office of the Deputy Administrator for Commodity Operations oversees other functions in addition to supporting USDA warehouse programs and services.

The following is a full listing of the functions performed by the each of these offices/divisions (which prior to the realignment are housed within FSA) that need to be considered and addressed as part of the realignment into AMS:

Office of the Deputy Administrator for Commodity Operations: The Office of the Deputy Administrator for Commodity Operations currently oversees the following functions: 1) purchase and delivery of commodities to foreign countries under Titles II and III of Public Law 480, the Food for Progress Program, and Section 416(b) of the Agricultural Act of 1949, through private voluntary agencies, World Food program and government-to-government transfers; 2) acquisition and disposal of commodities pledged as collateral for marketing assistance loans; 3) establishment of posted county prices (PCPs) for locations throughout the United States, which are utilized to develop marketing assistance loan rates, loan deficiency payments and marketing assistance loan repayments; 4) marketing and management of CCC commodity inventories; 5) adjudication of debts by and against CCC resulting from export and domestic transportation and warehouse losses; 6) administration of contracting for storage under the UGRSA, Cotton Storage Agreement, Peanut Storage Agreement and Processed Commodity Storage Agreement; and 7) administration of the USWA and regulations thereunder.

Warehouse License and Examination Division: The Warehouse License and Examination Division (WLED) performs warehouse examinations in support of CCC Uniform Storage Agreements and the USWA. Such examinations ensure the integrity of agricultural commodities

stored in approved/licensed facilities and verify that the facilities meet established approval standards. This division also administers the licensing of warehouses under and in compliance with the USWA, and the contracting and compliance for storage with warehouses under the terms of various storage agreements, such as the UGRSA, Cotton Storage Agreement, Peanut Storage Agreement, Sugar Storage Agreement, and Processed Commodities Storage Agreement.

Contract Reconciliation Division: The Contract Reconciliation Division administers the Extra Long Staple Cotton agreements. It also authorizes payment for domestic transportation, Export Enhancement and Dairy Export Incentive Programs, Sunflower-seed and Cottonseed Oil Assistance Programs, and surveys of cargo discharged in foreign countries. Further, the division assures compliance with any remaining End-Use Certificate Program that may exist, and financial compliance for various storage agreements, as well as the USWA. It also monitors the transportation of commodities shipped under CCC-sponsored humanitarian programs and provides oversight of private voluntary organizations (PVOs) regarding the handling of export commodities while in the PVO's care and custody. In addition, it pursues and adjudicates debt by and against CCC resulting from export and domestic transportation losses, and invoices for stevedore, warehouse and vendor losses.

Business Operations Support Division: The Business Operation Support Division is responsible for providing user assistance for Web-Based Supply Chain Management, and provides analysis and evaluation for the Grain Inventory Management System, Peanut Inventory Management System, Cotton On-Line Processing System Miscellaneous Commodities System, Cotton User Market Certs and the Warehouse Examinations System. It also coordinates software and hardware needs for the Kansas City Commodity Office (KCCO), provides user assistance for personal computer applications, coordinates with the Information Technology Services Division on software development, and assists in the development of strategic plans for KCCO.

### **USWA Administration**

It is the NGFA's understanding that USDA's current policy is to examine every USWA-licensed warehouse at least annually.

Grain warehouses located in states that have warehouse laws and perform warehouse examinations have the choice between a USWA license and a state warehouse license. This choice between a federal or state license has been very beneficial to the grain industry. For example, as noted previously, the federal option has enabled companies that operate in multiple states to gain the efficiency of complying with a single, uniform set of practical and effective rules, rather than several potentially differing state laws and requirements.

### **CCC-Program Administration**

NGFA understands that USDA's current policy is to conduct examinations at federally licensed warehouses for its CCC UGRSA contract obligations while onsite for a USWA exam. Further, it is NGFA's understanding that the examination of a warehouse for UGRSA compliance

represents an estimated 25 percent of the examiner's time, while the remaining 75 percent is spent checking for compliance with USWA requirements.

UGRSA contracts also are held by state-licensed and unlicensed warehouses. In these situations, NGFA has been told that USDA – properly in our view – prioritizes examinations for non-USWA warehouses in the following states that do not have state warehouse laws, licensing or examination programs: California, Utah, New Mexico, North Carolina, Virginia, New York and Pennsylvania. In FY 2016, FSA conducted 150 UGRSA examinations at non-USWA warehouses. FSA has contract authority to conduct examinations in state-licensed UGRSA warehouses, but customarily only conducts such examinations in states that do not complete a full range of examination functions, such as inventory measurements. FSA's stated goal is to conduct one examination per 12-month cycle, and priority is given to warehouses storing CCC-owned grain.

### **Realigning the U.S. Codex Office within the Office of the Undersecretary for Trade and Foreign Agricultural Affairs**

***NGFA's Recommendations:*** *NGFA supports Secretary Perdue's decision to realign the U.S. Codex Office within the mission area of the Undersecretary for Trade and Foreign Agricultural Affairs. However, when doing so, NGFA respectfully recommends that the U.S. Codex Office be maintained as a stand-alone office reporting directly to the Undersecretary, and not be incorporated within the Foreign Agricultural Service. We believe these optics are important to demonstrate that the U.S. Codex Office continues to be an advocate for science-based Codex policies.*

*As part of the realignment, NGFA also recommends that USDA consider:*

- *Designating the Undersecretary for Trade and Foreign Agricultural Affairs to chair the Interagency Codex Policy Committee to incentivize the involvement and commitment of senior-level officials within other agencies to Codex.*
- *Encouraging the Undersecretary for Trade and Foreign Agricultural Affairs to initiate a badly needed new U.S. Codex Office strategic plan – in collaboration with other relevant agencies and with stakeholder input – to formulate a more strategic, forward-looking and deliberative U.S. approach to managing current and future Codex challenges.*
- *Authorizing the U.S. Codex Office to make decisions regarding the strategic use of its budget, including international outreach, after appropriate consultation with other federal agencies engaged in Codex work.*
- *Maintaining the day-to-day functioning of the U.S. Codex Office, staff and leadership, and the composition of technical delegations to Codex committees (including adequate*

*involvement in and support during the realignment and consistent technical operations throughout and following the transition).*

- *Undertaking appropriate outreach to leadership at the Food and Drug Administration, U.S. State Department, Environmental Protection Agency, U.S. Commerce Department and U.S. Trade Representative's Office – each of which has officials engaged on the Codex Policy Committee – to underscore the continued commitment to interagency collaboration, scientific rigor and facilitating an effective, strategic and inclusive interagency process that optimizes the unique expertise of all U.S. government agencies involved with Codex. Similar outreach should be made to all relevant domestic and international stakeholders, as well, during the realignment period to reaffirm the continued U.S. commitment to food safety and science-based standards as the foundational cornerstone of a rules-based trading system.*
- *Undertaking increased outreach to like-minded Codex countries to expand coalitions and enhance U.S. leadership across Codex.*
- *Consulting the U.S. Codex Office during international trade negotiations in food and agricultural products to ensure U.S. trade negotiating objectives and outcomes are consistent with U.S. Codex positions, and vice versa.*
- *Directing the U.S. Codex Office to develop a clear plan and process to elevate Codex technical committee issues for consideration at senior policy levels when warranted.*

The NGFA commends USDA for its commitment to the Codex Alimentarius Commission – and to the U.S. Codex Office as a knowledgeable, indispensable and influential advocate for science-based food safety standards and prudent risk-management strategies internationally.

NGFA believes the plan to realign the U.S. Codex Office under the authority of the new USDA Under Secretary for Trade and Foreign Agricultural Affairs (TFAA) has great merit. It will elevate the profile of the U.S. Codex Office and create the opportunity to provide additional prioritization, focus, support and resources to the integral role it performs. We believe this realignment also will facilitate consideration of Codex strategic objectives in overall U.S. trade policymaking, and strengthen U.S. leadership in Codex to reaffirm the advancement of science-based global standards that protect public health and guard against unscientific barriers that unnecessarily impede U.S. food and agriculture trade and undermine global food security.

The NGFA and other sectors of the U.S. agricultural and food industry long have supported creation of the Under Secretary for Trade position within USDA as a multiagency coordinator for addressing sanitary and phytosanitary (SPS) measures and other nontariff trade barriers (NTBs) affecting U.S. food and agricultural exports. The Under Secretary's mission clearly is linked to the U.S. Codex Office's coordination role and Codex's dual mandate of promoting science-based food safety standards and facilitating trade to enhance global food security. NGFA believes the realignment of the U.S. Codex in the manner effectuated by Secretary Perdue is vital to marshal full funding and political support for U.S. Codex Office engagement, as well as to optimize international outreach and capacity-building that strengthens relationships with other Codex-member-country delegations. Such direct engagement by the

Under Secretary should build momentum for U.S. Codex strategic priorities while clearly communicating the ongoing U.S. support for science-based food safety standards that are consistent with a rules-based international trading system.

The need for the United States and other like-minded countries to elevate and prioritize their involvement in Codex is becoming increasingly important given persistent actions by the European Union and several of its member states to inject non-science-based policies under the guise of the “precautionary principle” into Codex decision-making. The need for the U.S. Codex Office to heighten its engagement, international outreach and capacity-building efforts to strengthen relationships with other Codex-member delegations has never been greater. NGFA believes these outcomes will be another benefit of the realignment of the U.S. Codex Office within the portfolio of the Under Secretary for Trade and Foreign Agricultural Affairs.

NGFA also wishes to recognize and commend the knowledge, expertise and dedication of the current U.S. Codex Office staff and U.S. delegates to Codex committees. Their input and continued engagement will provide critical institutional continuity as the United States reaps the benefits and efficiencies of the new organizational alignment. It also is vital that USDA continue to actively engage all relevant domestic and international stakeholders during the realignment, including other U.S. agencies and technical delegates to various Codex committees. Such engagement will help all Codex stakeholders arrive at shared goals and outcome-based solutions made possible by the realignment, reaffirm the U.S. commitment to science and food safety, and position the United States to enhance its leadership across Codex and its committees and task forces.

We greatly appreciate Secretary Perdue’s decisive leadership on this issue. U.S. Codex strategy must remain grounded in a clear, unimpeachable commitment to advancing science-based standards that enhance global food safety capacity, facilitate trade and promote food security. USDA has been a consistent champion of Codex, and we are confident the realignment of the U.S. Codex Office under the new Under Secretary for Trade and Foreign Agricultural Affairs will enhance the strategic approach that allows the United States to meet current global challenges while continuing to work to achieve science-based Codex standards that protect public health, facilitate trade and enhance global food security.

## **Conclusion**

NGFA appreciates USDA’s consideration of its comments and recommendations, and would be pleased to respond to any questions you may have.

Sincerely,

A handwritten signature in black ink that reads "Randall C. Gordon". The signature is written in a cursive, flowing style.

Randall C. Gordon  
President and Chief Executive Officer