

Written Testimony
on Reauthorization of the U.S. Grain Standards Act
Before the
Committee on Agriculture, Nutrition & Forestry
U.S. Senate
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Regulatory
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on Behalf of
National Grain and Feed Association
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Chairman Boozman, Ranking Member Klobuchar, and members of the Committee, I am Nick Friant, Director, Raw Material Quality and Regulatory at Cargill and Chairman of NGFA's Grain Grades and Weights Committee. I am pleased to testify today on the very important topic of reauthorizing the U.S. Grain Standards Act (USGSA) on behalf of the National Grain and Feed Association (NGFA), where I serve as Chairman of the Grain Grades and Weights Committee. I have also served several terms as an appointed member of the Federal Grain Inspection Service's (FGIS) Grain Inspection Advisory Committee.

I have been with Cargill for more than 20 years and I provide technical and regulatory compliance assistance on a wide range of issues related to grain quality, handling and inventory for Cargill's operations and merchandizing.

For 160 years, Cargill has been proudly headquartered in the United States, where today we connect 54,000 American farmers and ranchers to domestic and global markets and employ 39,000 people across 39 states. We have operations in 90% of the states represented (18 out of 20) on the full committee and are privileged to play an important role in your communities and local economies.

Globally, Cargill employs 160,000 people in 70 countries, providing food, ingredients, agricultural solutions, and industrial products that help nourish the world in a safe, responsible, and sustainable way. We are proud to connect farmers with markets so they can prosper. And by providing customers with products that are vital for living, we help businesses grow, communities prosper, and consumers live well in their daily lives.

NGFA, established in 1896, consists of grain, feed, processing, exporting and other grain handling companies that operate more than 8,000 facilities that handle grains and oilseeds. NGFA's membership encompasses all sectors of the industry, including country, terminal and export grain elevators; commercial feed and feed ingredient manufacturers; biofuels producers; cash grain and feed merchants; end-users of grain and grain products, including processors, flour millers, and livestock and poultry integrators; commodity futures brokers and commission merchants; and allied industries. The NGFA also has a strategic alliance with the North

American Export Grain Association. In addition, affiliated with the NGFA are twenty-seven state and regional grain and feed trade associations.

NGFA strongly supports reauthorization of the USGSA to maintain and continually improve the U.S. Official grain inspection system. Our association has a long history of advocating for a federal Official grain inspection and weighing system. We have worked continuously for over 50 years to encourage continued improvements to this system – and have several recommendations to further enhance it in our testimony today. NGFA also works to improve the broader regulatory and commercial environment to enhance the value, safety, competitiveness and sustainability of U.S. agriculture, and the positive contribution it makes to America's balance of trade and job-creation.

FGIS performs an essential role by establishing, maintaining and updating the Official U.S. grain standards, which are critical to establishing value and price-discovery in the U.S. and global grain and oilseed marketplace. The inspection and other services provided by FGIS, which are funded principally through industry-paid fees, contribute significantly to the marketing and trading of U.S. grains and oilseeds by farmers and other commercial parties. The U.S. grain handling and export system is recognized around the world for its ability to market and provide a competitively priced, fungible, abundant, safe and sustainable commodity supply that is responsive to customer needs.

U.S. competitiveness in global markets, as well as stakeholders ranging from farmers to end-users, benefit when FGIS and its delegated and designated state and private agencies provide state-of-the-art, market-responsive Official inspection and weighing of bulk grains and oilseeds, and do so in a reliable, uninterrupted, consistent and cost-effective manner.

At the outset, I want to state that NGFA aligns itself with, and supports, the testimony being provided here today by the American Association of Grain Inspection and Weighing Agencies whose member companies provide Official inspection and weighing services on behalf of FGIS.

NGFA wishes to begin by expressing its appreciation to Congress – and particularly this Committee – for its leadership in enacting fundamental reforms as part of the 2015 reauthorization of this statute, which set in motion dramatic improvements within FGIS that place our industry and our farmer-customers in a much better position today than we were then, when the reputation of the Official system for providing reliable and cost-effective Official inspection and weighing service was under serious challenge during a service disruption in 2013-2014.

The second major contribution was former Secretary of Agriculture Sonny Perdue's decision as part of his 2017 USDA reorganization plan to extricate FGIS from the Grain Inspection, Packers and Stockyards Administration (GIPSA) and return it to the Agricultural Marketing Service, where it had resided prior to 1994, as well as to install fresh new leadership at the agency.

NGFA strongly supported this aspect of Secretary Perdue's reorganization plan. The merger of FGIS and the Packers and Stockyards Administration into GIPSA during the Clinton administration had always been an odd fit, since the two agencies have distinctly different missions and functions. FGIS is an agency focused on maintaining grain standards and providing Official inspection and weighing service to facilitate the marketing of U.S. agricultural products under authority provided by both the U.S. Grain Standards Act and the Agricultural Marketing Act, under the latter of which AMS operates. By contrast, the Packers and Stockyards Administration is primarily an enforcement agency operating under a completely different statute (the Packers and Stockyards Act).

In addition, the synergy provided by AMS's administrative support services, development of quality standards, training expertise and experience in operating user-fee-funded services have enhanced FGIS's performance. So, too, has the capable new leadership installed at the agency. Further, the reorganization helped FGIS address problems that occurred over the last decade involving the overall expense and effectiveness of federally mandated FGIS Official grain inspection services by eliminating programmatic redundancies, reducing administrative costs, and providing opportunities for interaction with AMS personnel with a similar mission and

focus. We especially want to recognize and commend the dedication of many career public servants within AMS and FGIS for their hard work and commitment in addressing important stakeholder issues during this transition.

While continual improvement is necessary and important for all enterprises, NGFA believes that the service-oriented culture of AMS has had a demonstrable and transformatively positive impact that is serving American farmers and our industry well.

While changes to the USGSA in 2015 and the reorganization of FGIS in 2017 have improved Official inspection and weighing services, NGFA believes there are several additional improvements that can be made to create an even more reliable, competitive and cost-effective system to facilitate the marketing of U.S. grains and oilseeds in export and domestic markets.

NGFA's recommendations consist of the following:

- First, we urge that the USGSA be strengthened by prioritizing the importance of modernizing grain grading technologies to assist FGIS in the research process to improve the accuracy, speed, and consistency of the Official inspection and weighing process.

The U.S. grain inspection system has long set a global benchmark for quality and reliability. However, as the international grain market becomes increasingly competitive, our inspection and grading systems must evolve accordingly.

Today, the FGIS still relies on legacy technologies—some of which date back decades—for determining grade factors that ultimately influence a commodity's value and fungibility. While the basic framework of grain standards has remained stable over time, the tools used to assess quality must keep pace with the demands of modern agriculture and the expectations of international buyers.

FGIS must prioritize research, development, and validation of modern grain grading technologies that improve accuracy, speed, and consistency. The agency should actively collaborate with industry and academia to identify innovative tools—such as enhanced visual imaging systems, rapid chemical analysis, and machine learning-based detection platforms—that can reduce human error and improve grading objectivity. Furthermore, we believe that new technologies can help the Agency drive efficiencies, reduce costs, and address the staffing challenges it faces—all of which ultimately benefit U.S. farmers, agribusinesses, and rural economies.

We believe the USDA should allocate dedicated resources—both staff and funding—to expedite this process. Updating the methods and technologies behind our Official inspections will enhance customer satisfaction, support U.S. export competitiveness, and reduce the long-term costs of service delivery.

NGFA and its members are ready and willing to partner with USDA and FGIS to pilot and implement new technologies, provided there is a clear pathway for scientific validation, standardization, and eventual deployment.

We have worked with our partners at AAGIWA on language for the USGSA that will provide FGIS with the necessary tools to focus their resources on this important issue. We encourage the committee to approve the proposal.

- Our second recommendation pertains to the need for enhanced flexibility in issuing emergency waivers of Official inspection and weighing requirements during service disruptions.

The 2015 USGSA Reauthorization wisely included provisions requiring FGIS to act transparently when Official services are disrupted at export ports due to the withdrawal of service by delegated state agencies. However, in practice, the implementation of these provisions under 7 *CFR* 800 has been overly restrictive and has not kept pace with operational realities.

The U.S. industry strongly supports the requirement for mandatory Official inspection and weighing of export grain. It is fundamental to preserving market integrity and the credibility of our supply chain. But during natural disasters or other *force majeure* events, or in rare instances where buyers and sellers mutually agree to waive inspection due to service disruptions, the Act must allow for pragmatic flexibility.

We recommend that Congress revise the Act to clarify the definition of “Emergency” and authorize FGIS to issue conditional waivers. Specifically, after the existence of a general emergency is declared, the agency would publicly identify the port(s), terminal(s), or region(s) so affected; and waive the requirements for official inspection and weighing for seven days or until the general emergency has concluded, whichever occurs first.

Further, the waiver would be applied provided that:

- The buyer and seller voluntarily agree;
- The absence of an official inspection does not impair the transaction;
- And such a waiver would not undermine the objectives of the Act.

Establishing a transparent and predictable contingency plan for future disruptions would provide exporters, importers, and customers with confidence that the flow of U.S. grain can continue during unexpected challenges without compromising the overall integrity of the system.

- Third, we recommend that the FGIS Grain Inspection Advisory Committee (GIAC) be reauthorized and modifications made to the process for accepting applications and officially announcing new members.

The advisory committee provides counsel to the FGIS administrator on the implementation of the USGSA. It is comprised of members who represent the interests of grain producers, exporters and handlers. NGFA believes the advisory committee serves a worthwhile function by providing expert advice and assistance to

FGIS – and helps hold the agency accountable – for fulfilling its core mission of ensuring that Official inspections are performed in a reliable, consistent, cost-effective and uninterrupted manner to facilitate the export of U.S. grains and oilseeds to global customers.

However, delays in approving nominees and failure to have a quorum for official business, limit the effectiveness of the committee and the knowledge and expertise of those that are limited in the time they can participate. Therefore, we propose that a specific time frame for the Secretary to name new committee members – e.g. 90 days – be included in the USGSA. Additionally, we recommend the USGSA allow the option for current GIAC Members to serve until new Members are announced by the Secretary. This provides flexibility for achieving a quorum and conducting business if the nominations process is delayed.

- Fourth, we support FGIS’s final rule that decoupled all other Schedule A fees from the rolling average-based tonnage fee. We will continue to monitor the user fee formula that was implemented by the FGIS on January 27, 2025. The formula is the same one used with other AMS agencies but is the first time that it has been used for Official grain inspection services.

Overall, NGFA supported the fee increase but urged the FGIS to take the necessary steps to mitigate the issues that could lead to significant fee increases moving forward. FGIS acknowledged that they supported the comments and are addressing the concerns raised.

FGIS published an interim rule in the *Federal Register* on June 6, 2024 establishing revised fees for official services performed by FGIS and requesting comments. The revised fees announced in the interim rule became effective on July 8, 2024. On December 27, FGIS published a [final rule](#) that adopts the fees established by the interim rule without change and responds to the comments submitted by NGFA.

The hourly contract rate increased from \$41.20 to \$65, and the non-contract rate increased from \$73 to \$93.30. The contract rate for weekends and overtime increased from \$49.10 to \$81.30. The non-contract rate increased from \$73 to \$116.60. With the increased revenue, as well as the continued implementation of cost-saving measures, FGIS “projected” positive revenue and a positive operating reserve balance by the end of FY24. Based on the interim final rule and the increase Officially inspected grain, FGIS completed FY24 with a one-month operating surplus of \$3.5 million. Further, FY24 Officially inspected grain reached 108mmt, a 12 percent increase from the previous year. The current revenue for FY25 is projected at \$38M. Prior years revenue was around \$30M.

All official USGSA services are financed by user fees, with the federal portion of fee revenue maintained in an operating reserve (OR) fund. Activities such as developing grain standards and procedures for measuring quality are financed through congressional appropriations (management level salaries are also covered by appropriated funds). Currently, 70 percent of FGIS’s budget is based on user fees while the other 30 percent is covered through appropriated funds. In addition, there is a \$55 million cap on these user fees that is maintained annually through Congressional appropriations. This means that FGIS cannot exceed \$55 million in expenses unless the Secretary of Agriculture makes a formal request to Congress. Therefore, any increase in expenses to perform official services counts against the user fee cap. In addition, the user fee cap includes work that FGIS does in inspecting rice and lentils which is regulated by the Agricultural Marketing Act, not the USGSA.

The USGSA provides FGIS with the authority to charge and collect reasonable fees to cover the cost of performing official services. In 2015, the USGSA was amended by the Agriculture Reauthorizations Act of 2015, to require FGIS to adjust annually the export grain inspection and weighing fees when the operating reserve (OR) is less than or more than 4 ½ months of operating expenses. The amendments also instructed the Program to adjust tonnage fees on an annual basis using a rolling five-year average of export tons.

NGFA led the efforts to amend the USGSA in 2015. NGFA believed that the rolling five-year average in tonnage fee calculations would result in predictable tonnage rates that will accurately reflect and gradually adjust to changing national and local tonnage volumes. Since the change to the fee structure, the national tonnage fees have decreased significantly while exports have increased which was the original intent. In addition, since the tonnage fee rates are directly impacted by FGIS's national and field office administrative costs, FGIS administrative cost reductions have also helped to lower the fees.

The significant increases in hourly contract rates and other Schedule A fees, not tonnage fees, paid by industry are unsustainable. User fees should be predictable and market-based to provide enough funding and properly reflect the work performed. We encourage the FGIS to continually monitor the fee formula, maintain transparency with industry and be flexible in streamlining the process to make changes when applicable.

- Fifth, and finally, we recommend that the USGSA-related expenses should only apply to the user fee cap. Each year, congressional Appropriations Committees set a cap on how much of the industry-funded user fees can be spent on FGIS's inspection and weighing services – currently set at \$55 million. The user cap covers commodities that fall under the scope of both the USGSA (e.g., corn, wheat and soybeans) as well as the Agricultural Marketing Act, or AMA, (e.g., rice and pulses).

The additional expenses for AMA commodities has limited the amount of resources that can be spent on administrative costs to improve grading and inspection services, e.g. technology related to the USGSA. This cap should exclude AMA crops since most fees are used to cover expenses for services on USGSA commodities.

Conclusion

The grain storage, handling and export industry specializes in the logistics of purchasing the commodities a farmer grows and finding a market for it here at home or in global markets. In serving this role, our industry relies on FGIS and its delegated and designated state and private agencies to provide competent, state-of-the-art and reliable Official inspection, weighing and related services for which the industry pays to facilitate the efficient and cost-effective marketing of U.S. grains and oilseeds.

NGFA believes our legislative recommendations to amend the USGSA will strengthen the Official inspection and weighing system, foster the competitive position of U.S. grains and oilseeds in world markets, and maintain the integrity of Official inspection results. In addition, reauthorizing the USGSA on schedule – or even a bit early – would provide continued certainty to grain handlers, farmers and our global customers. NGFA is committed to working constructively with Congress to enact policies that achieve these positive outcomes.

Thank you for the opportunity to testify. I am pleased to respond to questions you may have.