

NATIONAL ANIMAL IDENTIFICATION SYSTEMS

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE

AND THE

SUBCOMMITTEE ON LIVESTOCK AND HORTICULTURE

HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

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NATIONAL ANIMAL IDENTIFICATION SYSTEMS

THURSDAY, SEPTEMBER 15, 2005

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, DC.

The committee met, pursuant to call, at 10:00 a.m., in room 1300 of the Longworth House Office Building, Hon. Bob Goodlatte (chairman of the committee) presiding.

Members present: Representatives Lucas, Moran, Jenkins, Gutknecht, Hayes, Johnson, Osborne, Bonner, King, Neugebauer, Kuhl, Peterson, Etheridge, Case, Herseth, Cuellar, Salazar, Barrow, Pomeroy, Davis, and Chandler.

Staff present: Pete Thomson, John Goldberg, Kevin Kramp, Pamilyn Miller, Stephanie Myers, Elizabeth Parker, Ryan Weston, Callista Gingrich, clerk; Bryan Dierlam, Lindsey Correa, Rob Larew, John Riley, and Chandler Goule.

OPENING STATEMENT OF HON. BOB GOODLATTE, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF VIRGINIA

The CHAIRMAN. Good morning. This hearing of the House Committee on Agriculture to review Canada and Australia's experience with implementing national animal identification systems will come to order.

I would like to thank our witnesses for participating in today's hearing. It is unusual for the committee to receive testimony from foreign citizens. The experience of Canada and Australia in developing their own national animal identification systems is well worth our time and attention and I am grateful for their testimony.

Among the reasons I have been an advocate of a private sector-based approach to animal ID is the success of Canadian and Australian systems. In a relatively short period of time and with a minimum of regulatory burden on producers, these nations have moved forward with systems that are the envy of many in the international livestock community. I believe we have much to learn from today's witnesses about how to run a credible and inexpensive animal ID program.

The hearing today comes on the heels of some important developments in our effort to achieve a national animal identification system. On July 20, I joined in with several of my colleagues in signing a letter by Livestock Subcommittee Chairman Robin Hayes urging the Secretary of Agriculture to implement a private sector-based animal identification system. Prior to that, the Secretary had taken comments from our constituents on an animal ID thinking

paper the Department published in May. It is my understanding that comments ran greatly in favor of a private sector-based effort.

On August 30, the Secretary of Agriculture announced new guiding principles for the development of a public/private partnership as part of the National Animal Identification System. The Secretary intends to pursue this goal under four guiding principles which bear repeating.

The system must be able to allow tracking of animals from point of origin to processing within 48 hours without unnecessary burden to producers and other stakeholders.

The system's architecture must be developed without unduly increasing the size and role of government.

The system must be flexible enough to utilize existing technologies and incorporate new identification technologies as they are developed.

And animal movement data should be maintained in a private system that can be readily accessed when necessary by State and Federal animal health authorities.

I am encouraged that the Secretary has embraced the private sector-based approach and that our livestock community continues to move towards consensus on this important issue. As we listen to our witnesses today, I believe you will hear these same four principles echoed in their own systems. Each Nation's livestock production system is different, and each has its own market. Even so, we have much to learn from others' success.

Finally, I would like to note that Livestock Subcommittee Chairman Hayes will be conducting a hearing in the near future to review the livestock community's thinking on the administration's proposal.

Again, thank you to our witnesses for contributing to today's hearing. I look forward to their testimony and information about their particular animal ID programs that may help us develop our own successful system.

It is my pleasure yield to the ranking Democrat on the committee, the gentleman from Minnesota, Mr. Peterson.

OPENING STATEMENT OF HON. COLLIN PETERSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. PETERSON. Thank you, Mr. Chairman. And I also would like to start by thanking our distinguished panel for taking time from their schedules to come and talk to the House Agriculture Committee about how their national animal identification systems operate. I know there are many lessons that we can learn from Canada and Australia and I look forward to your testimony today.

As many of you know, animal ID has been one of my top priorities for the last several years. I am very interested to learn more about how the Canadian and Australian governments access information in their identification systems, their set up and their maintenance cost, and how the privacy of their producers is protected.

I have said all along that the USDA should have real-time access to the ID system in order to ensure that we can trace, track, and quarantine animals in 48 hours or preferably even less than that. This is a priority for our farmers, ranchers, and livestock owners

who want a system that will reassure American consumers and our international trading partners. In fact, almost all producer organizations support a private/public ID system that will provide USDA with more direct access than they allow themselves in their latest proposal. The predominantly private ID system that the USDA has proposed leaves the important question of producer privacy, in my opinion, completely unanswered. The current proposal does nothing to address how information will be protected from FOIA when the USDA accesses information from these private systems, and would expose the business records, in my opinion, of all livestock owners to anyone who wants to see them for any reason. We will be doing a disservice to our producers if we allow a scattered identification system to develop that the USDA will not be able to access in real-time. Our ability to provide fast, efficient and effective animal traceback within 48 hours is a must.

I am sure that the Canadian and Australian governments confronted many of these questions and concerns when they were developing their national ID systems. People say that hindsight is 20/20, and I think I appreciate the suggestions and advice that we are going to get today from these witnesses, because I think they can help us with that perspective.

So again, thank you, Mr. Chairman, and I thank the witnesses and look forward to the testimony.

The CHAIRMAN. I thank the gentleman. Without objection, additional opening statements will be made a part of the record.

[The prepared statements of Members follows:]

PREPARED STATEMENT OF HON. ROBIN HAYES, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF NORTH CAROLINA

I want to thank Chairman Goodlatte for holding this hearing today so that we may discuss the experience the Canadians and the Australians have had in implementing a national animal identification system in their respective countries. I truly appreciate our witnesses making the great effort to be with us, and I hope all of us are able to learn from your trials, errors and successes as the U.S. embarks upon the challenge of establishing a national animal ID system.

Animal identification has been given a considerable amount of attention over the last 2 years, and both the full committee and the Livestock and Horticulture Subcommittee, which I chair, have held several hearings on this subject. Like the chairman, I have long advocated for an industry-led, private-sector based approach. I firmly believe the best way for a national animal ID program to work is for the producers and industry to work with USDA to develop a system, rather than having bureaucrats in Washington mandate a burdensome, costly program.

On July 20, 2005, I, along with Chairman Goodlatte and other Members, sent a letter to Secretary Johanns requesting that USDA implement a private-based animal ID system. In that letter, we reference the systems the Canadians and Australians have in place as models that USDA should be considering, especially since USDA has seen these systems in operation: "Examples include Canada, which has a private entity directed by an industry-dominated board and using Federal authority and oversight. The Australian system, which is run by a producer-owned company in close cooperation with States and the Federal Government, is another interesting contrast to the USDA approach."

In what I believe was a response to the letter as well as comments they have received from producer groups, USDA recently announced guiding principles for development of a public/private partnership that enables the private sector to maintain animal movement data as part of the National Animal Identification System. I am pleased by the Secretary's decision to utilize the resources already in place rather than reinvent the wheel. I hope USDA will continue to reach out to the Canadians and Australians to learn from their experience as we move forward.

This process is not something that can be done overnight—your systems did not start off being mandatory, much collaboration was done with your livestock industry to gain producer "buy-in" and encourage participation, and your Federal Govern-

ments set technology standards and regulations. USDA will need to do the same, and I know this hearing today will give the committee members a better understanding of the road ahead.

I look forward to today's testimony and the insight that each of you will provide. Again, I appreciate all of you being here.

PREPARED STATEMENT OF HON. LINCOLN DAVIS, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF TENNESSEE

I'd like to thank Chairman Goodlatte and Ranking Member Peterson for holding today's hearing on Australia and Canada's respective experiences implementing a national animal identification system.

Given the economic importance of meat and poultry products to our Nation's food supply and agriculture economy, it is essential that consumers of these products have the utmost confidence in the safety of the food they purchase and eat. One way to ensure and stabilize consumer confidence in our meat and poultry products is through an animal identification system that allows the USDA to track the life span of an individual animal that is found to have BSE, or some other disease that could have negative effects on the food supply. I believe consumers of meat and poultry products would have a higher level of confidence in the safety of the products they consume if they knew the USDA had the ability to track the entire life span of an animal within two days. In essence, after learning an animal has a disease that threatens both human health and the health of other animals, the USDA would be able to identify, where the animal was born, raised, and slaughtered, and know which other animals came into contact with the diseased animal—all within 2 days. I feel this knowledge would calm any irrational thinking on the part of the consumer and the markets that could have a negative impact on our agricultural economy. Additionally, such a system would allow the USDA to quickly identify other animals that may need to be tested to determine they are healthy and safe for human consumption. That being said, I do have concerns as to the costs of implementing a national animal ID system, and the legal burdens such a system would place on both our farmers and our Government.

Again, I would like to thank the chairman and ranking member for holding today's hearing, and I would like to thank our witnesses for the testimony they give today.

PREPARED STATEMENT OF HON. JOHN T. SALAZAR, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF COLORADO

- Thank you Chairman Goodlatte and Ranking Member Peterson for holding this important hearing today.

- I am not here to speak out against an animal ID program, but agriculture industries are becoming more and more regulated.

- By implementing a national animal ID program livestock producers, like me, will be faced with yet another regulation and increased paperwork.

- Since the recent cases of BSE and possible future outbreaks of animal diseases, it would seem this program is a necessity.

- But I ask before the USDA implements a program, to take a long hard look at other countries and other programs so that can learn from their programs.

- That is why this hearing is so important today.

- I look forward to hearing the testimony of the speakers discussing their systems that will make the U.S. program function effectively.

- I hope we can resolve any issues that exist and help assist in keeping production agriculture alive within the United States.

I thank the panel participant, Chairman Goodlatte and Ranking Member Peterson for bringing this issue to the committee.

The CHAIRMAN. We welcome our panel: Ms. Julie Stitt, executive director and national administrator of the Canadian Cattle Identification Agency of Calgary, Alberta. On a personal note, seated behind her is Dr. Davis, who is the chairman of the Alberta Beef Producers and who was the host of the committee members who traveled to Alberta a couple of months ago to see Canadian livestock operations. Also on this panel, Mr. David Palmer, regional manager of the Meat and Livestock Australia Limited of Washington, DC, who is accompanied by Dr. Andrew Cupit, who is agriculture-vet-

erinary counselor with the Embassy of Australia here in Washington.

I would remind all the members of the panel that their full statement will be made a part of the record, and if they could limit their statements to 5 minutes, we would greatly appreciate that. We will start with Ms. Stitt. Welcome.

STATEMENT OF JULIE STITT, EXECUTIVE DIRECTOR AND NATIONAL ADMINISTRATOR, CANADIAN CATTLE IDENTIFICATION AGENCY

Ms. STITT. Mr. Chairman and members of the committee, thank you for the opportunity to testify today on behalf of the Canadian Cattle Identification Program.

The Canadian Cattle Identification Agency is a nonprofit industry-initiated organization incorporated to establish a national individual animal traceback system for animal health and food safety in Canada. Initially, international events such as the outbreaks of foot and mouth disease and BSE, the decrease in the numbers of identified cattle due to the eradication of bovine brucellosis and tuberculosis, and our dependency on export markets increased the need to re-identify our cattle here in Canada. As a result of the foresight and proactive approach of our industry leaders and producers, Canada was prepared to react effectively and efficiently to the most unfortunate BSE animal health issue in 2003.

The system was designed to increase consumer confidence through the assurance of efficient traceback and containment of animal health and food safety concerns; increase market access and remain competitive with, not only other species, but other countries now focusing on developing ID and traceback programs.

The agency is led by a board of directors made up of representatives from all sectors of the livestock industry. The Canadian Food Inspection Agency is one of our ex-officio representatives on our board and has been an integral partner in the development and implementation of the program since its inception.

CCIA, on behalf of the Canadian livestock industry, manages, administers and develops policy for the National ID, Tracking and Traceback Program. This includes the allocation of a unique individual tag number from the national database which is required at the herd or origin and is maintained to the point of export or carcass inspection. The CFIA provides full regulatory enforcement as defined under the ID regulatory authority within the Health of Animals Act, and ensures that the national program meets the ever-evolving domestic and international animal health and food safety traceback requirements. Agriculture and Agri-Food Canada also works closely with the CCIA to ensure the funding requirements for important development initiatives are met.

Implemented in 2001 for less than \$4 million, with full enforcement phased in by July 1, 2002, the CCIA has been successfully established as a world leader in animal ID and traceback.

With a proven successful industry/government partnership and a nationwide compliance rate of 97 to 100 percent, the CCIA has allocated over 40 million unique numbers and stores over 150 million transactions in its database. We house the national ID and traceback systems for multi-species, including dairy, beef, bison,

and sheep, and we are developing a western slaughter database for swine and coordinating efforts with the Wisconsin Livestock ID Consortium.

By creating national standards on individual ID technology, tag distribution, data reporting and auditing, and working directly with industry partners, the CCIA has implemented a cost-effective system that is user-friendly, practical and fully supported by our industry.

We continue to assist the Canadian Food Inspection Agency in any animal health or food safety-related investigations in Canada, and we were integral in the BSE investigations. We provided invaluable and timely tag inventory, tag history, tag retirement from the packing plants and all activity on all herds involved. The international review committee was very complimentary of the CCIA traceback system.

All ID, traceback and tracking information associated with each tag number is securely maintained within the industry-owned database and is only accessed by authorized CFIA personnel in the event of an animal health issue. Additional information such as stray animal searches and value-added purposes is available only with prior producer consent. CCIA is committed to continuing to enhance the program to raise value-added and post-BSE initiatives. With the ever-increasing demand from international trading partners for accurate age determination in Canadian cattle, the CCIA implemented technological advancements to the national database that provides an effective and internationally recognized validation and age verification process.

The transition from bar code to standardized radio frequency identification technology officially began on January 1, 2005. And by September 1, 2006, all cattle leaving the farm of origin will require a CCIA tested and approved RFID tag. We continue to implement a highly integrated modular software application, including age verification, transition to RFID, premise ID, group lot, animal sighting and movement, animal health zoning, value-added and disaster recovery.

The program was initially mandated as a joint venture between industry and the Federal Government to meet the basic animal health and food safety traceback requirements, and is now evolving as an efficient template for other value-added stakeholders. Canada will continue to work with industry and government partners domestically and internationally to expand and enhance the program, ensure long-term sustainability and encourage harmonization.

On behalf of the Canadian livestock industry, I would like to thank you for this opportunity to testify before your Committee on Agriculture.

[The prepared statement of Ms. Stitt appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Ms. Stitt. Mr. Palmer, we are pleased to have you with us as well.

**STATEMENT OF DAVID W. PALMER, REGIONAL MANAGER-
NORTH AMERICA, MEAT AND LIVESTOCK AUSTRALIA LIMITED**

Mr. PALMER. Thank you, Mr. Chairman and members of the committee for the opportunity to testify today on the Australian Cattle

Identification Program. I am David Palmer, Meat and Livestock Australia's regional manager for North America. Today I am speaking on behalf of the Australian beef and cattle industry along with the Australian Federal Government on a subject we consider to be of the utmost importance.

Meat and Livestock Australia is the industry-funded company responsible for global beef promotion, industry research and development, and works in partnership with the government to maintain and improve market access worldwide. The Australian Federal Government is responsible for maintaining optimal trade access and food safety for our meat products to a range of international markets. Australia has operated a mandatory cattle identification program since the mid-1960's.

In response to the United States, a major trading partner, Australia successfully undertook a 600 million U.S. dollar disease eradication program that required an individual premise number for each cattle holding, allowing for herd identification. Each premise number is known as a property identification code, or PIC. This mandatory visual-read-only herd identifier has served the industry well for nearly 40 years.

In 1998, and again, in response to a trading partner, Australia constructed an electronic identification system to individual identify cattle eligible for the European market. The existing property identification code formed the basis for the conversion to an electronic radio frequency identification device. Australia's mandatory cattle identification program, now progressing to electronic whole-of-life individual tags, has been dependent throughout on a high level of industry and government joint commitment. Australia's Federal and State governments along with industry have remained united in their joint resolve to safeguard international markets and provide the consumer confidence that livestock identification achieves.

The Federal Government remains responsible for maintaining trade access throughout international markets. State governments have the legislative jurisdiction over the movement of livestock. And the industry must continue to deliver the leadership and significant resources to ensure the program operates effectively and is cost efficient. The legislative and technical resources required have been determined through a national consultative process. The State governments in consultation with the other parties have established the business rules and national performance standards. Correspondingly, the industry provides and manages the information database and ensures technical and communication support. Access to the database is password protected, with authorized government agencies able to access only livestock movement records, and producers able to access carcass feedback records.

Financial commitments from all parties have been necessary to achieve implementation. To date, Federal and State governments have committed approximately 30 million U.S. dollars over the last decade. Individual radio frequency identification devices cost between, these are U.S. currency, \$1.35 and \$2.65 per device and are purchased by the producer. To tag the national herd will cost approximately 56 million U.S. dollars, and the annual tagging cost thereafter will be approximately 20 million U.S. dollars. However,

to put these costs into perspective, it is worth noting that Australian beef exports return approximately 70 million U.S. dollars per week. Prolonged export market closure would be devastating to Australia.

Mr. Chairman, in conclusion, the Australian beef cattle industry acknowledges this opportunity to address the committee and share our experiences. We do see a number of distinctive advantages where major beef producing nations adopt similar technology. Any improvement in the overall integrity of beef in a highly competitive international protein market must benefit the beef industry as a whole. And the greater the sales volume of RFID tags must surely drive down the cost to producers.

Additionally, we wish to stress the value and importance of government and industry progressing in partnership on this important project that is designed to maintain and enhance customer and consumer confidence in beef. Once again, Mr. Chairman, thank you for the opportunity to testify before this committee.

[The prepared statement of Mr. Palmer appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Palmer. And we will now go to the questions. I will remind the members of the committee that they can also direct questions to Dr. Cupit, who is accompanying Mr. Palmer. I will direct this first question to both Ms. Stitt and Mr. Palmer.

One of the greatest concerns that I hear from producers about animal identification is maintaining confidentiality of the data associated with their livestock. I wonder if you would please characterize the public disclosure situation in your countries with respect to the data owned by the government, and describe how the data collected in your program is protected? Ms. Stitt?

Ms. STITT. Thank you. That was a very important criteria in terms of the development of our program, was confidentiality of information that producers submitted. It is an industry-owned, industry-controlled program. The confidentiality is, all the data in the database is within an industry-owned database, therefore we have an agreement with the Canadian Food Inspection Agency, the Federal Government, that they will have access to certain parts of the program, certain bits of information within the database that they require for an important animal health and food safety traceback issue. So we have a memorandum of understanding signed with them and they have access to only specified information, and there are a few authorized individuals within the Canadian Food Inspection Agency that can access that information. We track any access to the database and we know what it has been accessed for.

The CHAIRMAN. Thank you. Mr. Palmer?

Mr. PALMER. Mr. Chairman, I am also going to ask Dr. Cupit to complete some of this question, if it is OK. From our perspective, the confidentiality of information is protected within the database, within the design and construction of the database, and the permission of use for authorized agencies to get access to certain fields of information, without going into too much detail, it is all contained in our terms of use for the database, and copies of which have been handed to the majority and minority staff members of the committee. So it is all contained within that. The governments are entitled

to certain access to certain parts of it. Producers get access through a password, again, to certain parts of it in terms of carcass, quality tracing carcass outcomes and carcass feedback. But I will ask Dr. Cupit, if I may, to touch on the government aspect.

Mr. CUPIT. Thank you, Chairman. The Australian government really has access to only a limited number of fields. They are password protected for our offices. These fields are only related to the information we need to track movement of livestock in either a disease situation or a residue situation. These fields are the date of sale and slaughter, the property number, the individual number of the animal, and the national vendor declaration serial number. And so it is just a series of numbers. The authorized access is basically on the basis of a legally binding document or contract between MLA and the relevant State and Federal Government agencies.

The CHAIRMAN. Thank you. I wonder if you could, I don't know if you are familiar enough with our Freedom of Information Act to characterize what comparable provisions you have and what the situation is with regard to how frequently you experience litigation under your act that would allow for discovery of information held by government agencies. Ms. Stitt?

Ms. STITT. OK, thank you. And our database has been, and the whole system has been formally up and running under the Health of Animals Act since January 1, 2001. We have not experienced any litigation in terms of our program or access to information. In terms of access to information, a court order would be required to get access to any type of information from the Federal Government because it is industry-owned, so we are not subject to the freedom of information. We are not a public database, we are an industry-owned private database.

The CHAIRMAN. Thank you. Dr. Cupit or Mr. Palmer?

Mr. CUPIT. Thank you, Chairman. The data is held in Australia by Meat and Livestock Australia, which is a private company, therefore the government, again, has access to only certain fields. To date, there has been no freedom of information requests for this data to the government, and also no attempts at litigation. We have also had this system, as far as property identification codes, for 30, 40 years, and again, in part of our disease eradication program for TB and brucellosis. And again, we have had no FOI requests for that information, either.

The CHAIRMAN. Thank you. Have any of your trading partners expressed any concerns about the prominent role of the private sector in the operation of your animal ID systems?

Ms. STITT. Our trading partners have been extremely complimentary in terms of our system, in terms of the integrity, the information we provide. The fact that it is mandatory and we have 97 to 100 percent compliance, there has been no types of discontent or questions in regard to the fact that it is an industry database. We entertain a number of international groups from Japan, China, U.S.A., a number of groups all from around the world, and it has been internationally recognized, and all groups to date have been extremely complimentary of what we are able to do with our most effective and efficient system.

The CHAIRMAN. Thank you. Mr. Palmer?

Mr. PALMER. Mr. Chairman, I really can't add to the response that Julie Stitt just provided, because you would have to assign a case in Australia. We have hosted a number of delegations and a number of people in this room have seen the program. We also enjoy strong support from our Federal Government, who in turn safeguard our access when there a government-to-government negotiations. So we have strong State government, Federal Government, and industry support internally, and we have our program bettered continually by our trading partners and to date, it all seems to be going pretty well.

The CHAIRMAN. Thank you very much. The gentleman from Minnesota, Mr. Peterson.

Mr. PETERSON. Thank you, Mr. Chairman. And I think both of you have said that you have certain people that have access and as I understand it, they have immediate access, in other words, they have got a password and they can go in there any time they want, but it is limited to this certain specific information that is really needed by the government for food safety, is that correct?

Ms. STITT. Yes, that is correct. We have given a few people within the Canadian Food Inspection Agency direct authorized access.

Mr. PETERSON. They don't have to ask anybody, they just have access?

Ms. STITT. We control it. We know when they have accessed the system. We are alerted through the system that they have accessed it.

Mr. PETERSON. Right.

Ms. STITT. We know why they have accessed it. And it is developed for the reportable diseases. That is how our system was developed, for any very important animal health and food safety traceback issues. So that is what our memorandum of understanding with the Canadian Food Inspection Agency is. On that basis, if there is any major issues, they needed immediate access, couldn't contact us, they immediately contact us anyway for supporting information or additional information, but they do have direct access to authorized individuals in the event of an emergency. Also, we have an excellent partnership, working relationship, with the Canadian Food Inspection Agency.

Mr. PALMER. Yes, Congressman. In Australia, the certain specified government agencies will enter into a license agreement with Meat and Livestock Australia, and they are binding agreements, prosecutable under law, that allows them unfettered access on a 24-hour, 7-day-a-week basis to certain fields of information that they require to efficiently conduct the stock acts within those States, in respect to stock movements and traceback in time of a disease or a problem.

Mr. PETERSON. Thank you. I think that the proposal that we are considering, I think, the way it is going to work is, you are going to have to ask for the information if you think there is a problem, and I think that is one of the flaws. I think it would be much more preferable if we had a system, like, in place and maybe we will eventually, but I think that is what we need to do.

You now have a mandatory system. Did you guys start off with voluntary and then end up with mandatory, and how did you get there?

Ms. STITT. In the Canadian cattle industry in Canada, it was the industry leaders that were proactive in this whole initiative. So initially they talked about voluntary, getting total buy-in and support across Canada. Once the agency was incorporated in 1998 and working directly with the CFIA in looking at the international requirements for animal health and food safety, our industry and the Food Inspection Agency very quickly realized, to have a credible program with extreme high integrity, that we could verify all animals, could be identified leaving the herd of origin and tracked up to the point of carcass inspection, we determined that we needed a mandatory system. But in saying that, we made sure that industry controlled it, industry led it, and when it was implemented, it actually would work in a practical sense. So it wasn't a huge imposition on producers.

So by the time our regulations came into effect in January 2001, we already had 70 to 80 percent support from our producers in buy-in from the program, because it was implemented in a way, and we had major communications strategy. We had all industry groups involved in promoting and educating producers on this program. So we had major support. We didn't even focus on the mandatory part of it. We talked more about compliance and the need to meet international and domestic requirements of the program.

Mr. PALMER. In Australia in the late 1960's, when we introduced our herd identification in response to the need to eradicate brucellosis and tuberculosis, we had to bleed and record and monitor the entire herd. So the suggestion of it being voluntary never came up. So we have been manager ever since, and as we transfer from the old herd identifier and moving to the RFID program, then the continuation of mandatory has never been—

Mr. PETERSON. How much did it cost you guys to set up the system initially? And I think we spent over \$100 million so far and we still don't have anything. So how much have you spent or how much did you spend to set your system up? I know you don't have as many livestock, but to get some sense.

Ms. STITT. Our initial system was implemented, when it was implemented, was for less than \$4 million and that included the whole communications, all the trials we did to verify technology, and developing the database. Since then, certainly, we have put more into the program. We got some government funding for some of the post-BSE enhancements to the system. But the entire initial system, up and running and working and tracking animals from the herd of origin to the point of carcass inspect, was less than \$4 million.

Mr. PETERSON. Mr. Palmer, do you have that number?

Mr. PALMER. Yes, Mr. Chairman, I was going to ask Dr. Cupit to respond on behalf of the government contribution and commitments, and then I am going to touch on the industry investment.

Mr. CUPIT. Thank you, Congressman. The government commitment over the last 10 years has been, U.S. dollars, \$30 million. That money has been divided between the Federal and State governments. And the Federal and State government commitments has been in a range of areas, from helping industry with R&D work, research and development work. It has also been with helping to establish the database, and also it has been, especially at the

State level, has been a lot of work spent on and with industry in a partnership on extension and education for the rollout of the program, when we have moved from herd to individual.

Mr. PALMER. From the industry expenses, the producers are responsible for the purchase of tags. They are cheaper in some States than they are in others, but they range from a \$1.35 to \$2.65 each. A producer can buy a reader, if they choose to. We have tried to the program up that the original producer does not require to read the animals, because the tag numbers are uploaded into the database by the manufacturer, and the final purchaser of the animals reads them and transfers the numbers. So the original grower does not actually need a reader, but it can buy one and they average \$600. Again, there has been some help through industry funding, but readers in plants can be upwards of \$20,000, and then the software component is considerably more. So there has been investments by farms in feedlots and in packing plants.

The CHAIRMAN. I thank the gentleman. The chair is now pleased to recognize the chairman of the Livestock and Horticulture Subcommittee, the gentleman from North Carolina, Mr. Hayes.

Mr. HAYES. Thank you, Mr. Chairman. And let me, too, add my sincere thanks to you, Ms. Stitt and Mr. Palmer. Dr. Cupit, I assume you didn't come quite as far for the meeting, but we really appreciate you being here. And I would also like to comment that I appreciate the fantastic hospitality that Congressman King and Pam Miller and Elizabeth Parker got when they journeyed to Australia and saw firsthand what you all are doing. So thank you for that and we appreciate it.

I do have a couple questions. We are looking at doing what you all appear to be very successfully doing in terms of getting a voluntary system up and running very, very quickly. As you began the process of doing this, do you want to describe for me how the process went forward and what the thinking was both from the producers and from the government, how you established the relationship, and were there any pitfalls along the way that you might bring to our attention to watch for as we get our system up and running? Ms. Stitt, if you would go first?

Ms. STITT. Thank you. I think the key is to not try and do everything on day one. I think the reason for our major success is because we walked before we ran. We phased in the program over time. We made sure we had producer support all across the nation before we actually went forward and pursued the mandatory requirement or enforce the program. The whole enforcement of our program, which is the responsibility of the Food Inspection Agency, as well as phased in with just information and warnings and ultimately fines at the end, and minimal fines now, because we had the support when we got to that point.

In terms, also, we did not impose huge hardships on producers when we implemented this. We started with bar coded tag technology and now we are evolving to RFID, radio frequency tag technology, as it makes sense. And as producers can now get more value for using that tag, they can get additional information from that RFID tag. We charge a 20 cents per tag administration fee. That is how we fund the program. But the producer really didn't see that increase in his tag cost because, again, we kept the whole

program competitive. Through trials, we improved tag technology and ID technology. So certainly, once they are improved, it is the most effective, it is standardized technology, and we got producer buy-in. Because of the competitive nature, the price of the tags to the producer really didn't increase. Now that they are seeing additional value, now we are moving to the RFID tag and they are again seeing additional value. So we have had producer support. They have certainly, since we actually have had an animal health issue. Again, it is ramped up that much more in terms of our producers supporting the program.

Now we primarily just get questions on how we can add to it, what else we can provide, additional value that we can provide, and I think it works very well with the relationship with have with the Federal Government, with the Canadian Food Inspection Agency. They totally support this industry initiative and industry taking the proactive lead, because you can make any program mandatory, but if you don't have the buy-in for it, it won't work in terms of what we have experienced.

Mr. HAYES. Well said. Mr. Palmer?

Mr. PALMER. Congressman, I think Australia has, I think, two distinct advantages which has helped us over the years to create the identification program that we have currently got. And first of all, we are 70-percent export dependent. Seventy percent of everything we produce is exported to upwards of 110 markets around the world, and we know that each and every one of those markets demand certain disciplines from us, and we have to respond to those and in fact try to ahead of where we think they might demand. So being so export dependent has helped create some reforms and changes in our industry.

Second, I guess, we first started this back in the mid-1960's and there was no, at that time, there really wasn't any other systems around, whether it be State, local, breed societies, or anything much. So it was a bit of a clean sheet to start with in the 1960's. And this high export dependency has given us a good groundwork to move from.

But having said that, it would be wrong to convey to this committee that it has been a very simple exercise, all this; it hasn't been at all. And it is not easy to create change in the absence of a process. And right now, Australia is trading reasonably well around the world, so it is moving people forward. However, one of the attributes of going to the RFID on an individual basis, we can now, for the first time, correlate the carcass information to a live animal number, to a live animal. So we have now, for the first time, got some really good data that links up carcass yields and performance to the genetics and nutrition of the animal prior to slaughter. So there is a sector of our industry, and you can see some great advantage in this over and above the disease control and traceback requirements that governments seek. Today, now we can in place some on-farm productions systems, which greatly enhance their operations, through this individual animal identifier. So I guess there is some of the background as to what has given us a help, but having said that, we must remember that we have had moments where it hasn't been too easy.

And what we would do differently, I think was a part of your question, you cannot over-communicate this initiative to producers. In our country there is a percentage of people who are very attuned to what is happening, but then there is also a big percentage which would just happily get on with the business of raising livestock and doing what they do well on a day-by-day basis. And getting them plugged into the national and international agenda is not easy. So communications, I can stress the importance of communications, and one of the aspects there is having demonstration sites. We set up a few; that is not enough; but demonstration sites on properties around Australia, where we can hold field days and seminars and have producers attend and see the cattle being tagged and see them being read, because we can print this stuff as long as you like. But until people can actually see it and squeeze it and kick it and stuff, they don't really get to understand it; so demonstration sites, a massive communication program, and getting an understanding of some of the values, the consequential values that this program can deliver.

Mr. HAYES. Excellent information and input, and again, thank you very much for being here. Mr. Chairman, thank you.

The CHAIRMAN. I thank the gentleman. It is also my pleasure to recognize the ranking minority member of the Livestock and Horticulture Subcommittee, the gentleman from Hawaii, Mr. Case.

Mr. CASE. Thank you very much, Mr. Chairman. Thank you very much to our witnesses. Mr. Palmer, in a long-ago another life, I was an apprentice jackaroo in the Riverina on a station that had 2,000 head of cattle, a very small station, 20,000 sheep. I am not sure I would admit that most of what I know about livestock I learned on an Australian sheep station, but forgive me, I learned a lot and I thank you for the education.

Let me focus on mandatory versus voluntary, or maybe the bigger picture, uniformity, uniformity in participation, uniformity in standards. And I think that is where we are all trying to get. We have a little bit of an internal debate going on right now that you may have sensed or picked up, on mandatory versus voluntary. And both of your systems you say are mandatory, but is that as a result of Federal laws, or is that result of the creation of standards that prevent any effective marketing unless you comply an animal ID? First of all, what does mandatory mean? Are people required to participate as a precondition to entering the market, or just across the board, you have got to do it if you are in this business?

Ms. STITT. In the Canadian program, people are required to do it. It is mandatory. It is under the Health of Animals Act. But again, it was industry that worked with the Federal Government, with the Food Inspection Agency, with amending the ID regulations under the Health of Animals Act to make sure that they would work with the actual practical protocol and management procedures that producers are using. So it is mandatory, but again, it is not a huge imposition. And again, like I said, we don't focus on the mandatory aspect.

A key component, though, to making it work under this mandatory legislation is uniformity. We focus greatly on standards. Every aspect of our program has national standards, and we feel that is

extremely key to keeping it user-friendly and getting buy-in in terms of cattle being able to move. You don't need eight different readers at every point where an animal moves, things like that; that it has to be user-friendly and we have to meet basic minimum national standards, which we hope, ultimately, will become international standards.

So even though it is a mandatory program, it is really not viewed as such in Canada. People are not disgruntled at the fact that it is mandatory. They have accepted it. They realize that we do need that. And the practical approach we have taken to implementing that has made it totally acceptable within our industry. It wasn't easy initially, just like David said, in terms of implementing it, in terms of using that word "mandatory." That certainly was not accepted by producers across Canada. And we started this program when there wasn't a health issue in Canada. It was a proactive move by our cattlemen. So again, you can imagine that it wasn't mentioning that word "mandatory." It didn't go over real well at lots of these meetings, but again, over time, they saw the need for it, and the fact that we implemented it in a phased-in, user-friendly approach, they accepted it. It is totally accepted across Canada.

Mr. CASE. But in the beginning, was it a voluntary program, or was it a mandatory program from the beginning?

Ms. STITT. The initial discussions started out voluntary, but once the program was put in place, it was mandatory.

Mr. CASE. When was it put in place?

Ms. STITT. January 1, 2001, the regulations came into place. The enforcement that accompanied the regulations, after January 1, started with information and warnings. Then by July 1, 2002, the full enforcement of the program was in place in conjunction with the mandatory requirement.

Mr. CASE. And were the standards uniform from the beginning?

Ms. STITT. Absolutely. The standards have changed and we have adjusted them somewhat, based on the technology we are using, audit protocol, all those types of things, but we have always had national standards on every aspect of our program.

Mr. CASE. OK. Mr. Palmer?

Mr. PALMER. Yes, Congressman. We still don't know which one came first. So I am going to ask Andrew Cupit, in a moment, just to explain some of the legislative framework that does bind the mandatory nature of this. But from an industry perspective, going back to the 1960's again, for what we had to do in order to clean up this particular disease, there was no option for voluntary. It had to be mandatory from the outset and we have been mandatory ever since. As we have phased in RFID more recently, yes, it was voluntary insofar as we move slowly into RFID, but beneath still lay the mandatory application of the read-only visual tags. So there was a transitional phasing of the RFID, which is still currently underway. We don't expect to complete this transition until July 2007, but it is now mandatory and progressive in various jurisdictions.

So the industry has never really contemplated a voluntary application. And I, dare I say, from an Australian perspective, we are not certain that our trading partners would equally accept, that is our judgment. Our judgment is that voluntary is, perhaps, not going to give you the depth and level of integrity that we are seek-

ing in satisfying some of our customers worldwide. But again, and we have never really contemplated a voluntary program. But I will just ask Dr. Cupit to mention some of the legislation.

Mr. CASE. Just a brief follow-up. Are your standards uniform in the same sense as Canada? Across the country, everybody has to comply with the same?

Mr. PALMER. Correct. Yes, we have. Property identification codes are unique to each State, but they are all 8-digit identifiers and you can look at any tag and you can tell exactly where it came from. But yes, they are uniform and they are uniformly shrouded in the legislation.

Mr. CUPIT. Thank you, Congressman. The legal requirement for animal ID, or animal identification, is contained in our Livestock Disease Control Acts in each State. And since 1967, it has been mandatory to have a visual read-only tail tag with the property number. That is a uniform system across Australia, as what Mr. Palmer has said. So again, you can identify approximately where that animal has come from, just by looking at the 8-digit code, but the first couple initials would indicate State and then there is a number behind that. So it has been mandatory and it has been a legal requirement since 1967 within our legislation.

Now, moving from the mandatory property system to the mandatory individual identification system, basically, we have set performance standards, which have been set through industry and government, national committees, and also at the State level. And those committees set what our identification devices have to meet. For example, we set them that, A, it must be read within 48 hours for traceback/traceforward. The second thing is, we say that the technology must have a 99 percent read rate, and also it has to have a read distance of 1.2 meters. So we set those performance standards, and what technology can meet that, then is the technology chosen.

Now, fortunately, when we set those performance standards, we found only one technology, at that stage, could meet those performance standards, and that is why we chose that specific technology and that is why we have a uniform technology across Australia. And that committee, at a national level, approves whatever technology is going to be then adopted.

Mr. CASE. Thank you.

The CHAIRMAN. I thank the gentleman. The gentleman from Iowa, Mr. King.

Mr. KING. Thank you, Mr. Chairman. And I want to also express my profound gratitude to the hospitality provided by both countries represented here today, and I want to say a few extra words about Australia, in that it is a little further down there, in fact, a lot further down there, and we saw a lot of the country and we saw a lot of the system, and we were able to follow your cattle from essentially the pasture of birth, RFID tag there, through your pastures and feedlots and to the arbitrage center, our sale barns, as we call them, and on to slaughter and watch the cattle being slaughtered there, and we saw you beeping the computer all the way along.

And it is really valuable to see a system working in its entirety, functioning from beginning through the process to the point where

they were killing culled cows that day, so that cow no longer has a head, and their hoof is identified that she hangs from rather than her ear that she lost. So I really appreciate that and that gives us a perspective. We went down there with the framework for a bill that we intended to draft, came back with a solid understanding, I think, of your system and I appreciate the hospitality and the willingness to work with us.

And also a lot of us enjoyed the hospitality of the Canadians and have had a good meeting this morning with a group of people that I met while up there, and I am looking forward to more of an integrated beef market.

But I need to get to the point of this hearing, and that is a number of things that I would like to pull together on this. We had extensive discussions on mandatory versus voluntary, and one of the things that I think came out in this testimony is that, you were each, not so much the question, you didn't have a choice in Australia, so I direct it then to you, Ms. Stitt, is that, you started out voluntary, and each of you, though, have testified that your trading partners are complimentary with the systems that you have. If you had been able to put together a voluntary system without going mandatory in Canada, do you think they would have had that complimentary approach? Would it be the credibility that you have with the system that is mandatory?

Ms. STITT. Thank you. I personally don't think so. I think, especially, for example, the Japanese, when they look at our system, they look at every aspect of our system and they certainly would not be looking favorable on a system where half the animals, for example, were tagged and couldn't be followed through the system. So I think they want assurances, if they can be assured, that every animal is tagged, that its herd of origin is followed up to the point of carcass inspection in the packing plant, that our system is doing what it is saying it is doing, and that somebody is monitoring that, that we have audits on the system. They are very concerned that the system is doing what it says it will do. So again, it needs to be audited in terms of their requirements. It needs to be a system that is meeting all of their requirements, with every animal potentially that would be coming into their market. So in terms of maybe some markets would be OK with that, but I think, in terms of generally opening up new market access and some of the things Canada wants to do, I think we are going in the right direction with a mandatory system.

Mr. KING. And then your producers, though, set this up in the beginning and you have got a producer-run organization. But it is my understanding that that producer-run organization went to the Canadian Parliament to ask for some changes, or you had rules change request, that in order to have a privately held database, you had to have government set things up so you get a privately held database, is that correct?

Ms. STITT. No. Industry, our whole board of directors is represented by every sector of the industry, so it is totally an industry-controlled board of directors. The government, the Canadian Food Inspection Agency and Agriculture and Agri-Food Canada sit on it ex-officio, so they certainly participate directly with us, but they do not have a vote. So in terms of implementing the regulations, it

was the industry that went through and determined what would be required in our discussions with the government in terms of what would be required, but it was industry that came forward to government and said, these are the ID amendments that we want to put in place. Do they meet your requirements? We worked directly with them, but it was industry that controlled that and guided it to ensure that it would work when it was put in place.

Mr. KING. And industry made those recommendations to the parliament and the parliament made those changes, even with regard to a 20 cent fee on each tag to help fund your system.

Ms. STITT. Right.

Mr. KING. So you had legislation that had to be done in order to make your private system work.

Ms. STITT. We already had, we didn't have to come up with new, under the Health of Animals Act, we already had the infrastructure to create for a national animal identification system. That was there prior to our implementing any ID program in Canada. So we already had the infrastructure there. All that we did was, through industry, worked on the specific requirements and the ID amendments that we would require under that Health of Animals Act and under the infrastructure for a national ID system.

Mr. KING. Thank you. And, Mr. Palmer, as you listen to this testimony here, I am back to this. We have watched what you have done down there, and I see where the industry has been a very effective voice in the structure of the Canadian system. And can you tell me how much voice the industry has in comparison that you see in Australia?

Mr. PALMER. Thank you, Congressman. And I appreciate your remarks and Congressman Hayes' remarks about your trips to Australia. We always enjoy hosting people who are interested in our affairs and interested in our programs. And if the industry can share from each other, then that is the industry's, to the benefit for all of us.

In Australia we have a three-type national and State consultative process. At the national level we have a committee called SAFEMEAT, and it comprises the captains of industry and the captains of government, both State and Federal, and it is through that forum decisions are made and implemented on how this program operates and implemented and rolled out. There are a number of advisory groups, more technical and more practical groups that lie beneath SAFEMEAT, but it is through that consultative process through SAFEMEAT that we get agreement at State and Federal Government levels for any changes to legislation, and we get agreement there also for industry to move through it and deliver the leadership on issues within their States.

Mr. KING. Can government access cattle numbers?

Mr. PALMER. They have access to the movement, all the movement issues within the database. I would say that in Australia we got a lot of agencies and entities that have got a very good grip on cattle numbers. So it is not as if the MLA database is the sole provider of information. We have our Australian Bureau of Statistics; we have Australian ABARE, which is a scientific research body, agriculture advice body; our own company. I mean, there is a lot of

people and entities that have got a very good handle on stock numbers and where they are.

Mr. KING. Thank you, Mr. Palmer. Ms. Stitt, can the cattle access cattle numbers, or can the Canadian government access cattle numbers?

Ms. STITT. They can in terms of an animal health or food safety emergency. They have access to the tag history. So if they are out in the field and they have an animal that is sick and it has a reportable disease, they can go to one of their authorized individuals and put that into the database and access the tag number from the point where they found it back to the herd of origin for that specific purpose, and again, it is tracked in the system. We know they accessed it and for what reason.

Mr. KING. But they could not provide an overall report, and I yield back. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. The gentlewoman from South Dakota is recognized.

Ms. HERSETH. Thank you, Mr. Chairman. And I want to thank you and Ranking Member Peterson for holding this hearing, and certainly for Chairman Hayes and Ranking Member Case's leadership on the subcommittee. And I want to thank our guests here for their testimony today.

There has been concerns expressed from producers in the State of South Dakota that I represent, about an animal ID system, voluntary, mandatory, privacy, confidentiality concerns, that some of my colleagues have raised with you and how your systems have evolved and dealt with those situations. But I think the other thing that is so important in getting the producer buy-in, Ms. Stitt, that you mentioned was so important in Canada, is the cost, the cost to producers. And Mr. Peterson probed a little bit here on the overall cost of the system, but let us talk a little bit about cost to producers in particular. And, Mr. Palmer, I think you had mentioned that the price of the tags can vary among States. But as the systems in your country have evolved, can you describe for the competitiveness of the companies that have supplied the input through your system to keep the cost low for producers, whether it was initially in the bar code and then the move to the radio frequency tag? If you could just describe that in a bit more detail for me, I would appreciate it.

Ms. STITT. Thank you. Cost certainly was a huge factor, you are absolutely right, with getting buy-in. We couldn't have, especially when we started the program in Canada without a major health issue, we had to introduce this program so it wasn't a huge additional cost or imposition. So basically what we did was to fund and operate the agency on a yearly basis. We determined we would, based on how many calves born a year, we determined we would need about 20 cents per tag, and again, to ensure that that cost wouldn't affect producers, we set the standards for technology for all the different components of our program, and then basically, we invited all manufacturers that were out there, for example, with the tags, to participate.

So any tag manufacturer that meets our requirements, and again, there is the importance of standards. Any tag manufacturer that meets our requirements and has gone through our field trials,

lab trials, to be approved can offer technology. So we definitely have more than one company that we deal with. They are offering technology and therefore the cost is very competitive in terms of what the producers have to pay, the cost of the tag.

And we started out with the bar code tags, because the cost of the bar code tags that we were offering on this program, with the official number on each tag, the Canadian logo, was basically the same cost, or even in some cases, less than the price they were paying for tags currently, again, because now we were tagging all the animals. The volume was increased and it was competitive out there. That is the reason we didn't start with radio frequency technology. When we started this program, those tags were still pending \$10 to \$12 Canadian per tag. Now they are down to in the \$2 to \$3 Canadian range, plus now producers are seeing benefit for using those tags, in terms of getting additional information in terms of age verification, carcass information. All those additional things they can get now from reading that tag individually.

So again, cost in terms of what the producers are actually paying for the tag is being accepted in the program. In terms of database, it is cents per record, in terms of what we are charging, in terms of maintaining and operating the database. We can sustained it based on that 20 cents per tag, in terms of maintenance and operations on a yearly basis, in terms of all aspects of our program, based on that 20 cents per tag, because our database as well, we focus on automation. We don't accept manual records in our database. One reason, for integrity of data, the other one for cost, to keep the program as cost-effective as possible. So that basically has, as well, kept the cost down. We have ensured that our whole database development ongoing operations is as cost-effective as possible, and those are the 2 major expenses in these programs.

The trails, all the other things we are doing, those are all, we charge manufacturers. If they want to participate, they pay to participate, to submit their technology, those types of things. So again, that is how we have kept it to cents per record.

Ms. HERSETH. Thank you very much. That is very helpful. Mr. Palmer?

Mr. PALMER. Congresswoman, thank you for the question. In Australia we have, within the whole NLIS framework, we have a national standards body, and again, made up three partners, Federal and State government and industry. And to that national standards body, tag manufacturers are permitted, obviously, to submit their tag design for registration and approval into the program. They have to, obviously, satisfy all of the criteria. Dr. Cupit mentioned earlier about retention rates, read rates, obviously compatibility with the readers that are in existence. We want to have certainty of portability of tag devices across jurisdictions, between readers, into any meat packing plant or into any sale barn in Australia. They must be read by the equipment that is in that operation so the uniformity and portability right across the nation is preserved through this national standards committee.

Right now I am afraid I can't tell you. I take this on notice, and I can't tell you the number of manufacturers that have gained approval, but I have made a list here of four or five and I sense there is more, but I am happy to take that on and I will get back to you

with a full answer. But the competition is alive and well, I can assure you, and we are always looking for manufacturers to come on. Right now we have 23 million tags loaded in the database, so the critical mass is out there for manufacturers, and we look forward to more coming down and competing. But we have at least four or five and a little bit more.

[Mr. Palmer responded for the record:]

In Australia, there are five accredited RFID tag manufacturers. Two manufacturers produce ear tags whilst three produce rumen boluses. The boluses are popular amongst producers but their use is limited, as one or two major meat packers claim they are yet unable to separate boluses from the stomach material post slaughter.

In addition, there are currently six new tag devices being evaluated prior to possible accreditation. Recently, three of those devices have been approved to proceed to stage 2 (field trials) in the accreditation process. Two of those field trials have commenced. The NLIS Program is hopeful that one or more of these new devices will be accredited and competing in the market place in the not too distant future.

I will be happy to respond to any further queries on the matter.

Ms. HERSETH. Mr. Chairman, follow-up quickly for Mr. Palmer. What about the cost that Ms. Stitt also, in terms of not just the tags, but the administrative cost to the producers to sustain the database?

Mr. PALMER. Just currently they met through our equivalent of our check-off. The budget this year is going to be somewhere around about \$1.8 million that the industry will provide, and it is through that that we provide the administration for the database. But I would say, in terms of the database, that we load the database through the manufacturer. That is their responsibility. It is the initial upload. That is a part of the manufacturer's responsibility. Our transfers within the database now are running at about 95 to 96 percent, all electronic. And we found that a very valuable resource in this effort has been the stock agents, the large stock agents, and the sale barns around Australia who undertake that service as a part of their service to their vendor or to their producer. And in fact, a couple of our major livestock companies now have just made big investments in buying readers, and it is just another provision of the service that they want to provide to their producers.

But yes, there is an administrative cost. It is currently met within the check-off, but you know, the private sector and others are continually and increasingly playing a role as a service provider to the producers to help in the transfer electronically of the information.

The CHAIRMAN. I thank the gentleman. Just as a point of clarification to put these dollar figures in perspective, Australia has about 28 million head, is that accurate?

Mr. PALMER. It is 28 million as our national herd.

The CHAIRMAN. And Canada has about 16 million?

Ms. STITT. Yes.

The CHAIRMAN. Thank you. The gentleman from Oklahoma, Mr. Lucas, is recognized.

Mr. LUCAS. Thank you, Mr. Chairman. Ms. Stitt, you commented about the 97 percent participation. So I guess my question to you and also to Mr. Palmer, tell me about, in a mandatory system, what becomes of that other 1 or 2 or 3 percent? How do you handle

that and what kind of an effect does it have on livestock that are not participating in the program, value-wise?

Ms. STITT. OK. Every producer is participating in the program. They have to participate. As the animals leave the herd of origin and arrive at their next point, they have to be identified and we have inspectors, the Food Inspection Agency has inspectors at every point, making sure the animals are identified as they arrived. So if somewhere along the line they cannot, as well, they cannot arrive at a packing plant untagged. There are certain requirements in terms of the regulations they have to meet. But what we are referring to in the 97 to 100 percent is that the odd tag does fall out, we know that, in terms of tag retention and things like that.

So in terms of that, that is why unless they actually post at the auction mart that they accept no cattle that are not tagged, in terms of 100 percent requirement, there will be the odd animal that comes in untagged. And in that case, they would deal with it. The auction marts, we have a number of auction marts or feedlots in Canada that are approved as tagging sites. The majority of them are. So if an animal comes in untagged, they would tag it. So at some point it would meet the requirements, it just may not be at the herd of origin in terms of those 3 percent. They would also record the information of where it came from. So still, it would be 100 percent system ultimately, but those few animals that have lost a tag or they have to deal with certain situations, there are procedures in place, but it may not be 100 percent as it leaves the herd of origin, that is what we are referring to there.

Mr. LUCAS. Mr. Palmer?

Mr. PALMER. Ms. Stitt, in Australia cattle cannot be transacted unless they are identified. Similarly, we can have cattle going to market and lose a tag in the back of the truck. Again, our sale barns are authorized to provide emergency tags in the event that the tag is missing. And that is all reciprocally recorded. Additionally, all cattle sold in Australia are accompanied by a national vendor declaration. And again, there are commercial pressures and there are legislative pressures. They just simply can't be sold without being identified, and in our case, meatpackers won't buy, won't bid, unless the cattle are covered by a national vendor declaration.

Mr. LUCAS. Mr. Palmer, you mentioned that Australia launched into this effort in the 1960's because of animal disease issues. How successful were the results of your efforts?

Mr. PALMER. Thank you, Congressman. Very successful. We have turned an endemic disease into an exotic disease. Brucellosis and tuberculosis have now been eradicated, and it is an enormous tribute to the Australian industry and government agencies that helped to do this, but it has now been eradicated.

Mr. LUCAS. Thank you. Ms. Stitt, you talked about switching from the bar code tags system over to the RFID system. Now, one of the things that this committee struggles with on a regular basis is the efforts to move government along fast enough to meet the needs of the producers. Give me a reference, a timeline, on the decision making process from, at what point would the bar codes did your agency decide to make a change? How long did it take to

make the change to implement it? How prompt was the process or not prompt?

Ms. STITT. OK. It certainly was phased in over time, but initially, in terms of the approved tags for our program, electronic RFID was approved from day one, with a number of bar coded tags. The uptake was basically almost zero because of, we had some producers using it, but because of the cost of it, like I said, they were \$10 to \$12 when we started the program. Then the industry, it was in the last few years now that the industry had determined now it is time.

As we are moving the system forward, we are enhancing it, we are meeting additional post-BSE requirements, other animal health requirements. We are using the program for more value-added purpose. The cost of the RFID has come way down. So our board started discussing whether it is time we actually eliminate the bar code tag, which is very difficult to read. If it is dirty and things like that, the packers need additional people on the line to make sure they are reading every tag; to actually move the industry to RFID and totally eliminate bar codes. But again, we had to give some time for those tags to be used up to get out of the system so we don't lose the support we had gained, so we did that.

Therefore, as of January 1, 2005, that is when we made the decision to go to totally RFID tags. No more bar code tags were manufactured after that point. And the program initially, as I said, started in 2001. So those were the tags until that point. As of January 1, 2005, no more bar code tags would be manufactured. And as of this, July 1, no more bar code tags would be sold at the dealer/distributor level. And then, as of September 1, 2006, no more animals can be sold from the herd of origin carrying bar codes. They all have to have radio frequency. And then, as of December 31, 2007, the bar code tags will be totally out of the system. So again, a phased-in, industry-accepted approach to get to totally RFID technology.

Mr. LUCAS. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman. The gentleman from North Carolina is recognized, Mr. Etheridge.

Mr. ETHERIDGE. Thank you, Mr. Chairman. And let me thank each of you for being here, and I know that you have a lot of other things you could do, but it is very helpful to us. And it is quite obvious, a couple of questions that I was going to ask you about, a voluntary system is not necessary to be asked. It is obvious that you have answered all those questions. And a voluntary system you don't have. You have either mandatory or compulsory.

Let me ask it in a different way, a little different question here. What part of your system that each you have implemented has caused some unintended consequences that you would share with us as we prepare to develop our system?

Ms. STITT. OK. In terms of implementing the system and imposing requirements on producers?

Mr. ETHERIDGE. Yes.

Ms. STITT. We did have about, there was probably about half the herd in Canada that didn't take animals for management purposes, or close to that, prior to even talking about this program in 1997. So again, for those, for the 50 percent that were already tagging

animals, or 60 percent, and from what I am hearing, that number is fairly similar in the United States, it wasn't a huge imposition at all. It was no real additional requirement in terms of how we implemented the program. But for those 50 percent that weren't tagging their animals and keeping records, it was an imposition. So again, we had to overcome that. We had to make it user-friendly so that they would buy into the system as well. So again, we will need to keep it user-friendly.

Again, the phased in approach, that helped us in terms of getting over the initial implementation problems with the program. Any time you have technology, in terms of even the bar coded tags, they had to be read at certain points at the packing plants to retire. Every number is retired back to our database. So again, that caused some interference in their systems. Our commitment to the initial program was that we would not disrupt markets. So we worked with each of these sectors to make sure that we wouldn't disrupt commerce or markets along the way. So again, the whole need for user-friendliness.

But certainly in terms of when you impose things through regulations, that all animals have to be tagged leaving the herd of origin, the fact that there were CFIA inspectors out there now monitoring at different locations to making sure the animals were tagged, there was certainly the comments that ours is a government program. You know, that was not viewed fondly. We had to keep reminding them, this is an industry-initiated, industry-led program. We will work with you to make sure it is successful, and that took some effort, certainly, to keep what the Food Inspection Agency was doing in terms of their roles and responsibilities clear from what industry was doing, and that we had a very close partnership in making this successful.

But those, in terms of implementing the requirements through the regulations, implementing some of this technology in terms of breeders, making sure that they keep some records, reading bar coded tags, now electronic tags, that certainly causes some interference with normal industry and the way they operate.

Mr. ETHERIDGE. Thank you.

Ms. STITT. And they have to accept that.

Mr. ETHERIDGE. Mr. Palmer?

Mr. PALMER. Thank you, Congressman. I think, you know, the question on unintended consequences or unintended benefits, more recently, the introduction of RFID has allowed for an on-farm management tool that we previously didn't have, where we can now line up genetics and nutrition programs with kill data so we can line up the carcass data with the live animal, and that helps us with breeding history and background. We can record birth rates, all sorts of things now, and with an on-farm databases linked to their RFID number.

A little bit more in the history, though. One of the greatest things was clearly back in the 1960's and 1970's with the introduction of our cleanup of brucellosis and TB. The whole of the top half of Australia, what we call on the top end, basically, in the 1960's, went from a hunter-gatherer type of industry to one today which is an enormously efficient powerhouse of the beef production operation, and that is in large part through the disease eradication pro-

gram, the development of on-farm programs to manage these cattle, the introduction of vitamins into some of those areas. I mean, it has just made that industry on fire now, and that is not by virtue in a number of things, but clearly the introduction of an animal identification program had an enormous part to play.

Mr. ETHERIDGE. Thank you. Let me ask real quick before my time runs out. I know this hearing is primarily about beef, beef cattle, but do you have a program to look at other animals? Do you intend to have one, and if you do, is it a separate one or are you talking about putting together one large ID into one large database?

Ms. STITT. Thank you. In the Canadian system, we started out with beef. That is where the initiative came. Dairy has been involved in our system since day one, so it is beef/dairy. Bison came on almost immediately. We house all of the bison records as well. We are now housing sheep in the system as well, the sheep ID traceback systems in the Canadian system. We are talking to goats. We are doing pilot projects in the western slaughter database for swine as well. So we have certainly evolved to a multi-species system. And certainly what we have found out and experienced is, it is the cost of the system, the hardware, software that is the system. The additional records are not a huge additional cost.

So it makes sense that all these livestock species work together; that if we can, we even incorporate them under the same ID regulations for the most cost-effective, efficient system. Also that the Canadian Food Inspection Agency has one national database that they can access in the event of an animal health issue, because we encourage all species to get on board with this, because another species could be putting the cattle industry at risk.

Mr. CUPIT. Thank you, Congressman. The Australian point of view is we again approached cattle first, and the reasons, again, were because of disease eradication, TB and brucellosis. Eradicating those diseases was a big driver for us for cattle. For the other species, especially for sheep, which you know we have got 100 million sheep, which is quite a considerable number, there wasn't the same driver from a disease point of view for sheep to move that quickly, because Australia doesn't have scrapie, those sorts of diseases that have pushed in other countries to move towards a more individual type of system.

But the sheep, we do now have a program which is being implemented. It is based on a flock or herd basis. And that process is just being developed now, and it is called the National Flock Identification System. For pigs we do have, we have based it more on a lot system, which is mainly tattoos or ear tags, and again, it is lot system because, again, of the less movements of pigs or swine through marketplaces in Australia. They are more vertically integrated, meaning they go more from farm straight to slaughterhouse.

Mr. ETHERIDGE. Voluntary or mandatory?

Mr. CUPIT. Again, for stock in swine or, sorry, for pigs or swine, there is a requirement, again, for identification. So again, they have to have some form of tattoo or ear tag.

The CHAIRMAN. I thank the gentleman. The gentleman from Texas, Mr. Neugebauer, is recognized.

Mr. NEUGEBAUER. Thank you, Mr. Chairman. A couple of things. In the Canadian and the Australian system, where does the ID terminate? In other words, how far into the packer does that ID system, in other words, if I bought a package of meat in a store in Canada, would that ID number be to that point, or where does it terminate?

Ms. STITT. Thank you. In our regulations, under the ID regulations, the ID, individual ID number on every animal has to be maintained up until the point of carcass inspection, where that animal is either condemned or deemed fit for human consumption. But beyond that, we are working with a number of packing plants in Canada. We are working on the linkages to ensure that ID number, the CCIA number, up to the point of carcass inspection is linked with their own systems. A number of these plants already have internal systems within their packing plants that they follow right through to the consumer product, through branded programs, those types of things. So we are ensuring that linkage is there. So CCIA is facilitating a number of those initiatives as well. We may not necessarily be doing it because they already have systems in place where they can link that CCIA number to their internal systems, but we are certainly working with them. So ultimately, that CCIA number will be linked as far as to the end point that they do require.

Mr. PALMER. In Australia, the NLIS number stays with the animal right through the slaughter. It is then converted to a body number, so the carcass, then, is then correlated back to the NLIS number. Then the body number moves into the fabrication room, or what we call the burning room. And from here on, then, we are now moving through what we call the EAN-UCC numbering. It is the European article number and the UCC is an American consistent numbering program.

So we then convert the NLIS body number in the fab room to the UCC-EAN. We have all our Cryovac primals going out. There is the date of production, the time of production. The bar code will tell you the plant, time, et cetera. So there is correlation there for primals being packed in vacuum packaging on our carton, cartons of trim or in other primals. Then all of that information is put on the end label of the carton. Most of our larger plants will change the bar code every 20 odd minutes, and if the burning room is running for proper operation, you can pretty much time it to the minute from the time a carcass moves. It comes in one end and goes out in boxes at the other. So the correlation through the burning room, in our view, there is still more work to be done. But right now we have, as I said, the NLIS is linked to the body number, the body number is linked at the Cryovac, and the Cryovac is linked to the end labels, and we are using an international consistent numbering process beyond that point.

Mr. NEUGEBAUER. I want to move now to RFID. When you started your animal ID program a lot of the technology was not in place today that is in place today, the software. So now we are coming in behind you. It is kind of one of those, if you knew what you knew now, would you do it the same way? Would you recommend that the American system start off with the RFID instead of progressing to that? Is the technology far enough along where you, if

you were starting today, would you go directly to an RFID program?

Ms. STITT. I believe we would today go directly to an RFID. We certainly, we tried to do it way back then. It just was not feasible to implement it. It certainly is a technology that you can read with the animals just going by. The one thing I would emphasize, though, is that it is standardized, whatever you choose, and ultimately we are hoping North American and internationally standardized, so animals can move, meat products can move, all these different things can move and we can exchange data, and it is standardized. That will be the key, ultimately. But I think, if we implemented our program starting today, we would move to radio frequency technology. We would not be starting with bar code, because the technology has advanced to that state.

Mr. PALMER. Congressman, in Australia, through the mid-1990's, we trialed all sorts of technology, bar codes, dot matrix, snowflake technology, and we just didn't find it satisfactory, and all sorts of problems in the field, and getting accurate reading at slaughter. So a decision, really, was taken back in the late 1990's that RFID was the way to go. And I believe that we would make, given the history, we wouldn't go any differently. RFID, I think, in our assessment, is where it is at. The idea for us is, we may as well start where it is going to finish rather than build up.

So we have done the visual, the herd identifier over the years. We trialed through the 1990's all sort of bar coding, et cetera, but we think the RFID, the challenge for us now is, whilst we have developed a platform and the need for uniformity in national application is sacrosanct in this, we need to be efficiently flexible to allow new and improved technology to upgrade on that base, if you like. So we don't want to thwart new technology, but at the same time we want to continue to preserve this uniformity of application with the current systems and current programs and the software that is out there.

Mr. NEUGEBAUER. Just one quick follow-up. Is the technology now where the RFID is cost-effective and is the cost related to the tag system? Can you give me just an idea what the difference was, or is the same or less?

Ms. STITT. In terms of comparing to bar coded technology, those tags were right around \$1, \$1.50, in terms of what producers were paying for in Canadian. Now we are dealing with a \$2.20 to \$3 range for the radio frequency tags. And again, like David was saying, we certainly are making sure the Canadian system, we know technology ultimately will evolve from what we are currently accepted, is based on the ISO standards, today, we know it will evolve again. So the platforms have to be built to accommodate that. As technology and as advancements are made, we have to be prepared to move, but it would certainly be great if we can all move together.

Mr. PALMER. And I think, in our case, Congressman, yes, there is an additional cost of RFID, but the payoff is the speed of access to the database and the ability, now with 23 million pieces of information on the database, we can identify and trace any particular animal in seconds. So it is the tradeoff, but this superior technology can deliver you when you most need it.

Mr. NEUGEBAUER. Thank you very much.

Mr. LUCAS [presiding]. The chair now turns to the gentleman from Nebraska, Mr. Osborne, for his questions.

Mr. OSBORNE. Thank you, Mr. Chairman, and thank you all for being here today.

I just want just talk a little bit about ear tags. I know that generally you lose some, 3 percent. I know, in the United States, I have heard estimates as high as 10 percent. And the question I have is, I realize that you won't probably process any animal that doesn't have some ID, and so I heard some reference to a temporary ID or whatever, but that would seem to me to be a little bit difficult to make sure that it was really very reliable, and so have you looked at all at retinal scan, DNA, computer chips, or as it has all been ear tags, is that what your experience has been?

Ms. STITT. We certainly continue to look at new technology, monitor new technology, the biometrics, DNA, all of the different frequencies of RFID technology. We certainly are monitoring it. And as it is applicable for the livestock industry, hopefully we will be able to ramp up our program to the advanced technology. But again, in terms of the tag loss, we do experience it. I mean, we certainly focus lots of education on correct placement of tags and those types of things. And based on our field trials and lab trials, tags have to meet a certain retention quality, all those types of things. But if they do the tag and they get to the next point, under our requirements under the ID regulations, they have to be tagged prior to leaving that next point. So the animal is all the way through the system. We don't lose the individual ID.

Mr. OSBORNE. OK.

Ms. STITT. They keep records of where they came from as well. So in terms of the new technology, we have certainly built the system that we can work with it, interface with it, for certain applications, maybe pure bred animals. Other species may require other technology. But our basic platform that we have built will interface with additional technology. It might be an add-on, it might be another technology that is used for some other application, but our system will accommodate the other types of technology.

Mr. OSBORNE. OK. So an answer to the question, both of countries experience is primarily with ear tags to this day, is that right?

Ms. STITT. Right.

Mr. OSBORNE. OK. A couple of other questions, and I don't mean to cut you off. There are some other things I want to ask. We have been told that the United States, it is going to take about 4 years to fully implement a mandatory ID program, 2009. I wondered if you could just give me a quick answer as to how long you all went from starting your ID program to when it was mandatory? What you found in your experience, was it a reasonable length of time?

Ms. STITT. We went from basically 1998, when we incorporated and our agency started doing trials, communication efforts, all those types of things, until the full implementation with enforcement and regulations in July 2002. And again, in Canada, we dealt primarily with the Federal Government in terms of implementing our program. I know, in the U.S., every State, as well, you are involved with, with implementation. So again, it is, you are dealing with the Federal Government, the States, the different levels of

government, more so than we did in Canada, so you do have other issues beyond what we do in Canada. We certainly work with all of our provincial provinces and those types of things, but not to the extent that you do in the United States So 4 years, basically, until it was fully implemented.

Mr. OSBORNE. And Australia?

Mr. PALMER. Yes. Well, in 1996, 1997, we commenced the development of the RFID. By 1999, we had a secure population of about 2½ thousand producers and 2 million cattle eligible for EU market. By 2001, the State of Victoria had made the full transition to RFID. Other states are progressively coming on, South Australia, West Australia, New South Wales, and Queensland have gone this year. The territory will go next year, and by 2007, the whole transition will be complete. But I can't discount the fact that we had this 40 years previously of the read-only type, and the fact that we are so export dependent. They are two enormously important drivers from an Australian perspective.

Mr. OSBORNE. OK. I have two other thoughts. The main concern of our producers is cost and confidentiality of records. And I am assuming that your producers are bearing the cost of the tags, and the government is getting most of the cost of the database and implementation. And then, I guess, in addition to that question, it is simply any comment you would have on confidentiality of records. I am assuming records are kept, the database is a Federal Government database, is that correct?

Ms. STITT. The database is an industry-owned database, and again, extremely confidential. We had to meet certain confidentiality requirements. Security of our database, that we assured producers all across Canada, would be at the same level as the national banks have. So no one access our database without the correct protocol. It is industry-owned, industry-accessed. Only the Food Inspection Agency, in the event of an animal health or food safety emergency, has access to it. So it is very much protected and we had to assure our producers of that. Certainly very available. Again, real-time to the Food Inspection Agency. In the event of a problem very accessible, but under strict protocol and criteria.

In terms of cost of the tags, our producers do pay the cost of the tags, but again, the initial tags, bar coded tags, were about the same cost they paying for other tags. Now that we are adding value, there is additional reasons to do it. Now they are paying a bit more for the tag, the \$2.20 to \$3 Canadian type of cost of the tag, and producers are covering that cost of tag. Our agency, the database is not funded by the government. Our ongoing maintenance and operations is funded through the industry through the 20 cents per tag administration fee. Government is assisting us with some of the development of the database, the new enhancements, the new requirements post-BSE. So the only government involvement is in developmental type of advancements.

Mr. PALMER. Almost identical in Australia, an industry-owned database, some government help, about 2 million U.S. dollars recently in database construction. And again, information, confidentially held. Government, authorized government agencies have access to certain fields, as Dr. Cupit mentioned earlier, that relate solely to stock movement. This is the legislative jurisdiction avail-

able to the States, who are responsible for that stock movement jurisdiction. So therefore they get access to the database to see where the numbers have moved from, et cetera, on the way. The rest of the information is all protected, all password protected to the individual growers. And it is privately owned and it is in our database run by our company.

Mr. OSBORNE. Thank you, Mr. Chairman.

Mr. LUCAS. Thank you, Mr. Osborne. The gentleman's time has expired. The committee wishes to thank the panel for the very insightful information provided. I can't think of an issue more important to our producers as we proceed through this.

Without objection, the record of today's hearing will remain open for 10 days to receive additional material and supplemental written responses from witnesses to any question posed by a member of the panel. This hearing of the House Committee on Agriculture is adjourned.

[Whereupon, at 11:34 a.m., the committee was adjourned.]

[Material submitted for inclusion in the record follows:]

PREPARED STATEMENT OF HON. MIKE ROSS, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF ARKANSAS

I would like to first thank Chairman Goodlatte and Ranking Member Collin Peterson for holding this hearing in an effort to further study the possibility of establishing a national livestock identification system in the United States.

As I have traveled the Fourth Congressional District of Arkansas, which has a rich cattle producing history, I have heard first hand the thoughts and concerns from farmers and ranchers on creating a national identification system. Arkansas's beef cattle industry contributes more than \$2 billion annually to the State's economy. Its producers raise over 900,000 beef cattle and calves annually, which puts Arkansas in the top 20 States in cattle production. About 97 percent of over 300,000 beef cattle farms are family owned and operated, with an average herd size of 29.

As we continue to investigate the possibility of establishing a national identification system, I hope we will take into consideration States like Arkansas who have both large and small cattle operations. We need to ensure farmers and ranchers that their information will be kept safe and secure and that privacy will be guaranteed. We must do whatever necessary to minimize the cost placed on producers and ensure production is not hindered.

Most producers I have visited with understand the importance and need of a national identification system. It will ensure the safety of consumers and will promote additional export beef markets. However, we do not need to rush into its creation. We must make sure we provide producers the time and resources necessary to implement an effective and efficient identification system.

I would encourage my colleagues to be patient and methodical in creating an identification system here in the United States and I look forward to continuing to study this very important issue.

STATEMENT OF JULIE STITT

Mr. Chairman and members of the committee. Thank you for the opportunity to testify today on behalf of the Canadian Cattle Identification Program.

The Canadian Cattle Identification Agency (CCIA) is a non-profit industry initiated and led organization incorporated to establish a National Individual Animal Traceback system for animal health and food safety in Canada. Initially, international events such as the outbreaks of Foot and Mouth Disease and BSE, the decrease in the numbers of identified cattle due to the eradication of Bovine Brucellosis and Tuberculosis, and our dependency on export markets increased the need to re-identify our cattle herd in Canada. As a result of the foresight and pro-active approach of our industry leaders and producers, Canada was prepared to react effectively and efficiently to the most unfortunate BSE animal health issue in 2003.

The system was designed to:

- increase consumer confidence through the assurance of efficient trace back and containment of animal health and food safety concerns
- increase market access by avoiding trade barriers and opening up new markets
- remain competitive with not only other species but other countries now focusing on developing ID and traceback programs.

The agency is led by a Board of Directors made up of representatives from all sectors of the livestock industry. The Canadian Food Inspection Agency is one of our ex-officio representatives on our Board of Directors and has been an integral partner in the development and implementation of the program since its inception.

ROLES AND RESPONSIBILITIES

CCIA, on behalf of the Canadian livestock industry, manages, administers and develops policy for the National ID, Tracking and Traceback program. This includes the allocation of a unique individual tag number from the national database which is required at the herd of origin and is maintained to the point of export or carcass inspection. The Canadian Food Inspection Agency (CFIA) provides full regulatory enforcement as defined under the ID regulatory authority within the Health of Animals Act. The CFIA also ensures that the National program meets the ever-evolving animal health and food safety traceback requirements from a domestic and international perspective. Agriculture and Agri-Food Canada (AAFC) also works closely with the CCIA to ensure the funding requirements for important development and enhancement initiatives are met.

ACHIEVEMENTS

Implemented in 2001 for less than \$4 million, with full enforcement phased in by July 1, 2002, the CCIA has been successfully established as a world leader in animal identification and traceback

With a proven successful industry/government partnership and a nation wide compliance rate of 97–100 percent, the Canadian Cattle Identification Agency implemented an industry sustainable program while still maintaining and surpassing National Standards. Within the system over 40 million unique numbers have been allocated and over 150 million transactions reported.

The CCIA houses the national ID and traceback systems for multi-species, including dairy, beef, bison, and sheep. In addition, the CCIA is developing the western slaughter database for swine and coordinating efforts with the Wisconsin Livestock ID Consortium.

By creating National Standards on individual identification, technology, tag distribution, data reporting and auditing and working directly with industry partners, the CCIA has implemented a system that is user-friendly, practical and fully supported by the Canadian cattle industry.

The CCIA continues to assist the Canadian Food Inspection Agency in any animal health or food safety related investigations in Canada, and was integral in the BSE investigations. We provided invaluable and timely tag inventory, tag history, retirement from the packing plants and activity of all herds involved. The international review committee was very complimentary of the Canadian traceback system.

DATA SECURITY

All ID, traceback and tracking information associated with each tag number is securely maintained within the national database and is only accessed by authorized CFIA personnel in the event of an animal health issue. Additional information such as stray animal searches and value-added purposes is available only with prior producer consent. At the outset of the program, the CCIA provided commitment to the cattle producers across Canada that their information within the database would be protected with the level of security, at a minimum, that our financial institutions have in place today.

TECHNOLOGY AND ENHANCEMENTS

The CCIA is committed to continuing to enhance the program through various value added and Post BSE initiatives such as Age Verification and the transition to Radio Frequency Identification (RFID) technology. Age Verification is the association of animal birth date data with a unique Animal Identification Number. With the ever increasing demand from our international trading partners for accurate age determination in Canadian cattle, the CCIA implemented technological advancements to the national database that provides an effective and internationally recognized Validation and Age Verification Process. This program enables producers to

submit information to a recognized national database and have it readily available should it be required by domestic or export markets.

The transition to Radio Frequency Identification (RFID) technology officially began on January 1, 2005. The previously used bar coded tags were no longer eligible for sale in Canada as of July 1, 2005 and the transition continues with all cattle leaving their farm of origin requiring a CCIA approved RFID tag as of September 1, 2006. RFID technology has many benefits including; allowing for optimal tag retention, providing accurate and efficient trace back information, allowing for the electronic reading of numbers without the previously required line of sight, ensuring Canada has an accurate and comprehensive Age Verification system, and proving the necessary basis for full animal movement tracking.

In conjunction with National Standards, the CCIA Standards for RFID tags ensures visual, mechanical, physical, electrical and environmental quality. The CCIA also verifies associated technology such as readers to ensure that they meet all standards for readability.

The CCIA continues to implement a highly integrated modular software application, designed to enhance the current system and provide the increasingly efficient platform to collect essential Animal Identification related data. This application includes the implementation of Age Verification and the transition to RFID as well as Premise Identification, Group Lot, Animal Sighting and Movement, Animal Health Zoning, Value-Added and Disaster Recovery.

COMMUNICATIONS

The CCIA National Communications Strategy is critical to the success of the program. Due to the limited resources of the National Agency the participation of all industry sectors, organizations and government is required to ensure our producers and industry partners are informed and support the basic program and future enhancements. Through various communications initiatives such as detailed brochures, advertisements, educational presentations, website updates, posters and media kits, the CCIA effectively communicates key messages about the program.

THE FUTURE

The CCIA is committed to continuing to meet and exceed domestic and international requirements for animal identification, tracking and traceability as well as improving our overall animal health emergency response capabilities. This includes moving toward full system compliance, continuing with all technological and database enhancements, while still ensuring a cost-effective, efficient and long term industry sustainable program. We will continue to work with our trading partners in an effort to achieve international standardization and increase the efficiency and cost-effectiveness of all livestock ID programs.

The program was initially mandated as a joint venture between industry and the Federal Government to meet the basic animal health and food safety traceback requirements and is now evolving as an efficient template for other value-added stakeholders. Canada will continue to work with industry and government partners domestically and internationally to expand and enhance the program, ensure long term sustainability and encourage harmonization.

On behalf of the Canadian livestock industry I would like to thank you for this opportunity to testify before your Committee on Agriculture.

SUBMISSION BY THE AUSTRALIAN GOVERNMENT TO THE U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON AGRICULTURE

The Australian Government would like to thank the committee for the opportunity to share information on our experiences with implementing and improving Australia's National Livestock Identification System (NLIS). It is an honor to be able to provide information to the Committee on our system which might be helpful for your deliberations. The system represents a joint commitment and working partnership between the Australian Government at Federal, State and Territory levels and Australian industry.

A number of important factors have influenced the development of Australia's cattle identification system:

- Australia's reliance on export markets (two thirds of all agricultural products are exported, including 70 per cent of beef);

- The emergence of a realization within industry and shared by government that an animal ID system would be useful in sustaining customer satisfaction with the integrity of our product;
- A strong industry and government partnership, particularly evident in the cattle and beef sectors;
- A mandatory property identification system for cattle since 1967; and
- Agreement among all parties that the system be as simple, cost efficient and practical as possible.

WHY AUSTRALIA INVESTED IN AN ANIMAL IDENTIFICATION SYSTEM

The system originated from the early 1960's when Australia undertook an ambitious U.S. \$600 million program to eradicate Bovine Tuberculosis and Brucellosis. In response to US interest, a mandatory cattle identification system based on using tail tags was developed in 1967 that provided the ability to trace all cattle back to their last property of residence. An 8 digit premise ID numbering system was used to identify herds in relation to a parcel of land—these were referred to as Property Identification Codes (PIC) and provided the ability to trace all cattle back to their last property of residence.

In the mid-1990's, after the successful eradication of brucellosis and tuberculosis, livestock industries, State and Federal Governments agreed that there was a need to convert the established visual-read-only PIC system to an electronic whole-of-life individual cattle identification system on the grounds that it was only a matter of time before such a system would be needed to ensure biosecurity, food safety and market access. This system was to become known as the National Livestock Identification System (NLIS). In 1998, once again in response to a trading partner, individual identification was made compulsory for producers supplying the European Union (EU) market to provide meat from Hormone Growth Promotant-free cattle. The NLIS has been vital in Australia maintaining access to the high value EU market and has contributed to maintaining a high level of consumer confidence for Australian beef in its other major markets such as Japan and Korea.

Developing and implementing the NLIS has been an important initiative for Australian Federal and State Governments and Australian Industry. NLIS provides a critical tool for managing and preventing the spread of animal disease should an outbreak occur. We have not so far had to rely on the NLIS in this way, but it gives the Australian Government, industry and consumers of our beef a significant level of assurance that we would be able to respond rapidly, efficiently and effectively. Our experience has shown that NLIS very directly enhances customer and consumer confidence in Australia's beef products.

As of 1 July this year, the system became mandatory in all States and Territories. Governments at all levels have fully supported this program in partnership with industry.

GOVERNMENT RESPONSIBILITIES

Like the United States, Australia has a Federal system of government and this has required us to build a consensus on the division of responsibility and oversight of NEIS. The State and Territory governments have the legal jurisdiction over the movement and health of livestock. The State governments' role has been to develop and implement legislation that underpins the program and to establish a government/industry management committee. This committee coordinates extension and producer education programs such as demonstration sites, an assistance hotline and industry seminars that assist producers with on-farm use of technology. The State governments have established a registry of Property Identification Codes (PICs), are responsible for ordering of identification devices and have assisted with establishing the reading infrastructure and more recently auditing device performance and monitoring compliance with legislative requirements.

State governments can issue fines for dispatching cattle without NLIS identification. However, to date, they have only issued Infringement Notices to producers who breach NLIS legislation.

The Federal Government is responsible for market access, ensuring compliance with international standards and the adoption of a nationally consistent approach. Audits of the system are undertaken through SAFEMEAT, an industry and government partnership. SAFEMEAT also monitors the system to ensure the national performance standards for trace back are met (including the approval of devices).

NLIS MEETS THE NEEDS OF GOVERNMENT AND INDUSTRY

In Australia, there are two principal drivers behind the implementation and adoption of individual animal identification. The first is the mandatory information required by government and needed to establish a rapid trace forward and trace back mechanism for disease surveillance, control, eradication and management purposes. The second driver is the provision of an on-farm management tool that allows producers, for the first time, to correlate live animal data and carcass performance. This is an invaluable tool to help improve genetics and nutrition on farm. In the NLIS, this information is proprietary to producers.

Good traceability systems may not be able to prevent a disease incident but, like any good insurance policy, will contain the spread of an outbreak, and improve the response time for recovery with the objective of accelerating the timeframe for the return to normal markets. In recent years we have used NLIS to help manage a number of residue incidents that have required rapid trace forward. As a consequence of the NLIS we have managed to limit product recall and losses. Australia's favorable animal health and public health status has not been damaged by such incidents.

KEY ELEMENTS OF THE SYSTEM

The system was implemented by the relevant government and industry representatives first agreeing to a set of National Performance Standards and Business Rules. The development of national performance standards were critical to a uniform and national roll out of the NLIS. Standards included a requirement to be

Developing and implementing the NLIS has been an important initiative for Australian Federal and State Governments and Australian Industry. NLIS provides a critical tool for managing and preventing the spread

Australia is now in the process of expanding this system to other livestock industries. We are moving to property identification for sheep and already have a lot or batch system for pigs that utilizes ear tattoos or ear tags.

The Australian Government thanks the Committee for this opportunity to share with you the results of our experience to date implementing a national animal identification system. We remain ready to continue to provide you with information and assistance where useful to US authorities as they implement their animal ID system.

STATEMENT OF MEAT & LIVESTOCK AUSTRALIA

Meat & Livestock Australia would like to thank the committee for the opportunity to share information on our experiences with implementing and improving Australia's National Livestock Identification System (NLIS). It is a privilege to be able to provide information to the Committee on our system which might be helpful for your deliberations. The system represents a joint commitment and working partnership between the Australian Government at Federal, State and Territory levels and the Australian meat and livestock industry.

Meat & Livestock Australia is the industry funded company responsible for global beef promotion, industry research and development, and works with the Australian government to maintain and improve market access worldwide.

In outlining the cattle identification system operating in Australia, it is first important to understand the history of the program. In the early 1960's and in response to Australia's largest meat export market, the United States, we undertook an ambitious U.S. \$600 million program to eradicate Bovine Tuberculosis and Brucellosis. In order to identify cattle for testing, monitoring and culling purposes, a compulsory cattle identification system based on using tail tags was developed. An 8-digit premise ID numbering system was used that identified herds in relation to a parcel of land. These were referred to as Property Identification Codes (PIC) and provided the ability to trace all cattle back to their last property of residence.

In the mid-1990's, after the successful eradication of brucellosis and tuberculosis, it was agreed by the cattle industry, working in close consultation with the Australian Federal, State and Territory Governments, to convert the established visual-read-only PIC system to an electronic whole-of-life individual cattle identification system. This new system was to become known as the National Livestock Identification System (NLIS).

CONVERTING TO RADIO FREQUENCY IDENTIFICATION DEVICES (RFID)

In 1998, once again in response to a trading partner, individual identification was made compulsory for producers supplying the European Union (EU) market to provide meat from Hormone Growth Promotant-free cattle. Using the NLIS, Australia developed a cattle location database, which included approximately 2,500 producers whose cattle were eligible for the EU market. To confirm eligibility and as a means to track these animals from birth to slaughter, an individual animal identifier was introduced. The NLIS has been vital in Australia maintaining access to the high value EU market and has contributed to maintaining a high level of consumer confidence for Australian beef in its other major markets such as Japan and Korea.

In Australia, the driver behind the mandatory implementation and adoption of individual animal identification was the information needed by governments to establish a rapid trace forward and trace back mechanism for disease surveillance and management purposes. However, once the technology is in place, it provides opportunities for enhanced management systems to be used right along the production chain. For instance, as an on-farm management tool it allows producers, for the first time, to correlate individual live animal data and carcase performance. This presents an invaluable tool as a means to improve genetics and nutrition on farm. This information is proprietary to producers.

The evolution of this national program has been dependent upon a number of features. First and foremost is the need for the industry leadership and state and Federal Governments to be in absolute agreement as to the objectives and goals. Industry endorsement to implement this level of change can only be achieved through strong and decisive industry leadership. Equally, state and Federal Governments must be committed to provide the enabling legislation that underpins the industry mandate. In short, both government and industry must "own" the program for it to be successful.

Second, and particularly relevant to Australia, is the need to be able to respond to the demands of our trading partners. Australia exports 70 percent of its beef production to approximately 110 markets worldwide. We are expected to respond on each and every trade issue to avoid or limit any potential disruption which might arise. Consequently, we needed to have systems in place which can both respond to trade uncertainties and provide customer confidence in the integrity of the product we produce.

The underlying driver behind this initiative is the need to maintain and build consumer confidence in beef both in Australia and the markets we serve worldwide.

Each Australian state has progressed according to a common timetable toward the implementation of full electronic ID, and the rate of progress has been determined by the logistics and varying production systems in each state. The level of industry willingness to adopt electronic identification also had significant influence on the speed of adoption by each state.

Producers order the tags required and the tag manufacturer uploads the tag numbers to the database. The cattle are tagged before they leave their property of birth. Subsequent sales require the sale barn (or the purchaser) to advise the database of the transfer. At slaughter the processor closes out the tag and loads sale and yield data to the database. Sale information is password protected to the producer and not available to government officials.

Currently, the database, which is managed by industry (MLA), holds in excess of 23 million tags; and the full life history of any one tag can be traced in a matter of seconds. Total company staff responsible for database development (13), technical support (7), help desk (11) and communications (3) is 34.

Implementing significant change within the industry, particularly at a time when there is no apparent crisis, is not without its difficulties. There are significant costs to both industry and government in adopting NLIS. The cost of the tags is met by farmers, and at between U.S. \$1.35–\$2.65 per tag the cost is significant. State and Federal Government financial commitments will be addressed in the written testimony provided by the Australian Federal Government.

To tag the national herd will cost approximately U.S. \$56 million and the annual tagging costs thereafter of approximately U.S.\$20 million.

However, to put these costs into perspective, it is worth noting that Australian beef exports return approximately U.S. \$70 million per week. Prolonged export market closure would be devastating to Australia.

The question of product liability is often raised and particularly at what point in the supply chain the liability transfers from producer to processor and on up the supply chain. In Australia we operate to "vendor guarantee" rather than "buyer beware." A National Vendor Declaration (NVD) exists in all cattle transactions. This

declaration is a signed statement from the vendor declaring the husbandry history of the cattle consignment over the last 60 days.

In addition to the NVD, the industry, in cooperation with government, manages an Extended Residue Testing Program (ERP) which relies on property history contained in the database. Cattle from properties, which are deemed to be at risk from residues, are routinely tested at slaughter. The combination of the NVD and the ERP provides greater confidence to the beef processor competing for those animals.

The Australian beef cattle industry acknowledges this opportunity to address the Committee and share our experiences. We do see a number of distinct advantages when major beef producing nations such as the United States adopt similar technology. Any improvement in the overall integrity of beef in a highly competitive international protein market must benefit the beef industry as a whole; and the greater the volume of sales of RFID tags must surely drive down the cost to producers.

Overall technological improvement in this fast moving age of innovation will benefit all nations and all beef industries.

Finally, from an Australian perspective, the value and importance of Government and industry progressing in partnership on this important project, designed to maintain and enhance customer and consumer confidence in beef, cannot be overstated.

Thank you again, Mr. Chairman, for the opportunity to provide this submission.

NATIONAL ANIMAL IDENTIFICATION SYSTEMS

WEDNESDAY, SEPTEMBER 28, 2005

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON LIVESTOCK AND HORTICULTURE,
COMMITTEE ON AGRICULTURE,
Washington, DC.

The subcommittee met, pursuant to call, at 1:33 p.m., in room 1300 of the Longworth House Office Building, Hon. Robin Hayes (chairman of the subcommittee) presiding.

Members present: Representatives Osborne, King, Neugebauer, Kuhl, Foxx, Conaway, Goodlatte [ex officio]; Case, Scott, Herseth, Salazar, Pomeroy, and Barrow.

Staff present: John Goldberg, Pamilyn Miller, subcommittee staff director; Pete Thomson, Bryan Dierlam, Callista Gingrich, clerk, and Chandler Goule.

OPENING STATEMENT OF HON. ROBIN HAYES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mr. HAYES. Good afternoon. I would like to call the meeting to order. The hearing of the Subcommittee on Livestock and Horticulture to review development of a private sector-based National Animal Identification System will please come to order. Particularly, I want to thank all of you for coming today. I think we have talked in various locations around the country with a number of you, and as much as we enjoy being in the field, welcome to Washington. It is not home to us, but we do work here, don't we, Ed?

I want to thank all of our witnesses for being here today as we discuss the development of a private sector-based National Animal Identification System. This issue has been given a considerable amount of attention over the last 2 years by both the full committee and the subcommittee. Based on the hearings and countless meetings with constituents, I have supported an industry-led, private sector-based approach. I firmly believe the best way for a national animal ID program to work is for the producers and industry to work with USDA to develop a system, rather than having bureaucrats in Washington mandate a burdensome, costly program that does not protect confidentiality.

On July 20, 2005, I, along with Chairman Goodlatte and minority member, Mr. Case, have met with subcommittee members and we sent a letter to Secretary Johanns requesting that USDA implement a private-based animal ID system. What I believe was a response to the letter as well as the comments they have received from a majority of producer groups, USDA announced guiding prin-

ciples for development of a public/private partnership that enables the private sector to maintain animal movement data as part of a national identification system. I am pleased by the Secretary's decision to utilize the resources already in place rather than reinventing the wheel.

With USDA's announcement, the subcommittee wanted to hear from producer groups to understand, particularly at this point in the development of the system, your organization's thoughts on the direction that USDA has chosen to take. We would also like to hear how your organization is working to accommodate and implement such a system and what responsibilities the Federal and private sector should have.

While the subcommittee will hear from representatives of cattle, dairy, swine, and turkey industries today, the subcommittee also invited other livestock sectors to participate, including sheep, chicken, and horse industries. We understand these species groups and organizations are diligently working on their official policies, and the subcommittee looks forward to working with them as we move forward.

I look forward to today's testimony and the insight that each of you will provide. I realize that this week is the National Institute for Animal Agriculture and they are hosting an Animal ID Expo in Chicago, which many of you had an interest in attending. Clearly, animal ID is on the front burner and we appreciate each of you being with us. Sorry that it had to conflict. And again, I want to thank the USDA for allowing us to work within the private sector to develop an innovative, cost-effective, efficient and timely animal ID system.

At this point, I would like to turn the comments over to my good friend, and as good a ranking member as anyone could be privileged to work with, Mr. Ed Case, who is here today. And being from Hawaii, he has a long trip. You all wouldn't realize how important this hearing was, but we thank him for coming and giving us such a fine ranking member here. And without further ado, I would like to recognize my friend, the ranking member, Mr. Case.

OPENING STATEMENT OF HON. ED CASE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF HAWAII

Mr. CASE. Thank you very much, Mr. Chairman. This is a vital hearing in our continuing discussion, not about whether, but how to adopt and implement a National Animal ID System. And I do take this opportunity to thank you for your constructive dialog, as well as our distinguished guests for taking time out of their busy schedules to join us here.

Animal ID has become an indispensable and long-overdue initiative to ensuring that we continue high standards of animal health, regain and maintain and expand our international trading partners, and assure that we can trace, track and quarantine animals and entire herds in the case of an animal health crisis.

Let me say right that from my perspective the USDA's proposed timeline to implement such a system is not unacceptable and does put our producers at risk. We must and should be able to adopt and implement whatever system we decide on in somewhere close

to the same accelerated time frame as we heard weeks ago was accomplished by Australia and Canada.

Second, a National Animal ID System must be functional, flexible and affordable. There should be uniform standards that each producer and species group will be held to. These standards must make sure that we can capture the necessary information that the USDA will need in order to fully execute its duties.

Third, it must be, as a matter of national regulation or practical application of the marketplace or both, universal. It does us little good to advocate and sanction a system in which significant portions of the industry will not or do not participate.

In this context, we have debated the development of a private versus a public ID system extensively already. Let me say from my perspective that I am not sure it much matters, as long as what is developed is timely, functional, flexible, affordable and mandatory. If industry can deliver such a system better than can USDA, all power to it. But in that case there must and should not be, by regulation or in practical application, a private monopoly on who will gather the information or who will supply the necessary tools that producers need to participate. And no matter how that system evolves, the USDA must have real-time access to the system.

From what I have seen thus far, we don't need to reinvent the wheel to get where we want to go. We heard in full committee a few weeks ago from our trading partners, the Canadians and Australians. Both of these nations have a mandatory ID system with universal standards, and both of their government bodies have direct, real-time, 24-hour access to the ID systems. We can learn from their trials and there is no need for us to repeat any of the mistakes that have already been made.

Along these lines, Canada reinforced at that hearing its belief that Canadian producers have maintained much of their Asian market because of their mandatory, transparent animal ID system. Australia said much the same. It should therefore be obvious to us that adoption of the basics of the system they have long followed, including most particularly practical universality, will facilitate our own efforts to break barriers to export of our own product. Conversely, the worst case from my perspective would be for the USDA or anybody else to invest so much time and money into developing an ID system that would not be recognized, with good cause, by our trading partners as an effective system.

Another continuing unresolved issue is concern about the privacy of livestock owners' business information under an ID system. Although some argue or imply that a voluntary system is the only way to address Freedom of Information Act concerns, that appears to me to be a little more than a rationalization for a voluntary, industry-owned and operated system. We can obviously amend FOIA to assure both the purposes of government transparency and legitimate producer proprietary concerns; certainly Canada and Australia have effectively balanced these interests in their own systems.

We have been told thus far that almost all livestock groups support a voluntary private system. First let me reinforce my view that that perspective is shortsighted. Second, however, I believe today's hearing will shed another light on that perspective, and I

welcome specific comments from the witnesses on that particular aspect of a national ID system.

The good news is that, at the end of the day, we are all trying to get to the same place. Now we just have to agree on how to get there. I am confident that with the resources available to all of us we can work with you, Chairman Hayes, and all of our colleagues to do just that. I look forward to the testimony.

Mr. HAYES. Thank you, Ed. And at this point, let me quickly introduce our members, Mr. Barrow from Georgia, of course Mr. Case and myself, Mr. Osborne from Nebraska, Hawkeye, I mean Steve King from Iowa, Mr. Neugebauer from Texas, and Mr. Kuhl. They have got livestock in New York, don't they, Randy? I sometimes forget. I think about a taxi cab. But we really thank you all for being here. Ed and I said the same thing in a, perhaps, different accent, different version, but the point is, how do we maintain our markets? Absolutely, how do we maintain and there is no interruptions with imports? So the standards will come that will give us the infallibility so that our producers can't be questioned. And again, we want to do it quicker, we want to do it better, and we don't want to hold back technology and other innovation that comes only from the farm. If we start a mandatory, from my perspective, it ought to be stopped; and here is the system and here is how you do it; innovations over. So that is kind of where we are coming from.

Any other statements will be accepted at this time and included in the record.

[The prepared statements of Messrs. Peterson and Scott follow:]

PREPARED STATEMENT OF HON. COLLIN C. PETERSON, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MINNESOTA

Thank you, Mr. Chairman. I appreciate this continued dialog on a national animal ID program. After our full committee hearing with the Canadians and Australians a few weeks ago, I continue to have serious questions about the direction the USDA is heading with its plan.

Our livestock producers and ranchers deserve a system that addresses the concerns of cost, timeline, government access and protection of producer's business information. The amount of money that we have thrown at this system, which is not up and running today, is unbelievable compared to the fraction of the cost of establishing and maintaining functioning ID systems in Canada and Australia.

The fact that we continue to debate whether the USDA should have real time access to the system concerns me when we heard from our witnesses a few weeks ago that they are able to sell their products in Asian markets because they have an ID system that is mandatory and accessible by selected, screened government officials. Why would we invest time and money in a system that will not be accepted to our trading partners, when that is one of the goals of creating an ID system in the first place?

Our livestock producers and ranchers need to be protected by a mandatory system, with a private/public partnership that allows the USDA to access the information in real time.

I want to thank Chairman Hayes for holding this hearing today.

PREPARED STATEMENT OF HON. DAVID SCOTT, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF GEORGIA

Thank you, Mr. Chairman, for holding this important hearing to review the development of a private-sector based National Animal Identification System.

Despite the multiple identification systems in place that exist for different purposes, there is no uniform nationwide animal identification system that exists for all animals of any given species. Therefore, approximately 100 animal and livestock industry professionals representing more than 70 associations, organizations, and government agencies worked together to develop a national animal identification

plan. The goal of the National Animal Identification System is to be able to identify all animals and premises that have had contact with a foreign or domestic animal disease of concern within 48 hours of discovery.

On December 25, 2003, one case of BSE or "mad cow disease" was confirmed in the United States and the Secretary of Agriculture announced that the Department would expedite the implementation of the National Animal Identification System and here we are today, discussing the development of such a system. Again, I appreciate the opportunity to be here today to discuss this important topic and I look forward to hearing from the witnesses and learning about private-sector animal identification for animals such as, cattle, poultry, and swine.

Mr. HAYES. I appreciate you all being here. And our panel is Ms. Jodi Luttrupp, National Farm Animal Identification and Records of Brattleboro, VT, on behalf of the Holstein Association. And if you would not mind, we will let you proceed and we will introduce the others as we go along.

STATEMENT OF JODI LUTTROPP, COORDINATOR, NATIONAL FARM ANIMAL IDENTIFICATION AND RECORDS, BRATTLEBORO, VT, ON BEHALF OF THE HOLSTEIN ASSOCIATION

Ms. LUTTROPP. Mr. Chairman and members of the committee, on behalf of the Holstein Association U.S.A. and its 30,000-plus farmer members, I thank you for the opportunity to provide testimony regarding animal identification.

It is no secret that the dairy industry is already ahead of the national animal ID game. We identify animals for management purposes, and our operations are tightly regulated. We do these things to stay in business and be profitable, so complying with national animal ID will not be a difficult task for most dairy farmers.

Thanks to a cooperative effort with the Holstein Association and USDA/APHIS/VS, we have great start already with National FAIR. It was established as a pilot program for a national animal ID system to track animals from farm to slaughter. Utilizing radio frequency ID technology, we have proven this system works since 1999. Today we have 2.3 million animals enrolled on 13,000 dairy and beef operations in 48 States across the country.

We welcomed United States Secretary of Agriculture Mike Johanns' recent announcement of a public/private partnership for national animal ID. We have long supported this concept for several reasons. By having the private sector involved, we can gain producer buy-in. Producers like having the opportunity to choose who they want to work with.

By calling on private industry, we can also take advantage of existing programs like National FAIR. We look forward to working with other segments of the dairy and beef industries to lead the way for other species groups.

Private industry will likely drive competition in the marketplace to a system with the highest standards. Animal ID service providers must earn their customers' trust and provide value and accuracy with their services.

However, with this announcement by Secretary Johanns, there are some other areas and concerns we urge you not to overlook. First, we are hopeful that USDA will stick their mandatory stance. We need everyone's participation to have an effective National Animal ID System. Our producers are looking to USDA for guidelines and answers. Dairy producers need to know what kind of tag to put

in, where to place it, and what animal ID service providers they can work with for proper compliance.

Additionally, we cannot forget the importance of RFID readers in markets and processing plants. We need to establish a goal nationwide that the readers operate with as little human involvement as possible and at the speed of commerce. In our experience, the National FAIR readers have been 90 to 99 percent effective in reading every animal that passes by.

Last but no least, USDA needs adequate access to animal movement data needed to maintain animal health. Ultimately, we hope key, limited data will flow to one national animal ID database to meet all animal health officials' needs and that USDA can access real-time.

Going back to the role private industry can play, I would like to share with you some of the initiatives we have been a part of that offer a great future for animal ID; the State of Michigan, McDonald's, and IDairy. As Michigan has attempted to eradicate bovine tuberculosis, we have been a solutions provider for them using the National FAIR system. In the northeastern corner of Michigan, RFID tags and National FAIR participation is mandatory. We have proven animal disease traceback can be achieved in minutes with our web-accessible database. We feel that the State of Michigan is a perfect blueprint for a national animal ID program in the United States.

We are also working with retail food giant, McDonald's. In California, producers that tag their cattle with RFID ear tags can earn a premium for providing traceable beef. To date, we have returned nearly \$100,000 to dairy producers as an incentive to use RFID tags. We applaud McDonald's for appealing to consumer demands and we are proud to be helping meet them.

Lastly, I would like to introduce you to the latest news in the dairy industry, IDairy, a coalition of six dairy farmer organizations. Members include the Holstein Association, National Milk Producers Federation, National DHIA, U.S. All Jersey, the Professional Dairy Heifer Growers, and the National Association of Animal Breeders. We all agree that our industry will be best served when all dairy operations and dairy cows are identified in a central database. IDairy will provide information to farmers about how to register their premises and obtain tags for cattle. IDairy supports a national animal identification system that protects farmers' privacy, while allowing immediate access of relevant information by Government authorities in the case of an animal disease crisis.

National FAIR and the Holstein Association are proud to be leaders in several significant industry-leading programs, but have not lost sight of the ultimate goal of animal health. We believe there is an urgent need for a national mandatory animal ID system in the United States that allows government to respond quickly and effectively to an animal health emergency. America's farmers and ranchers are vulnerable without such a system. Thank you very much.

[The prepared statement of Ms. Luttrupp appears at the conclusion of the hearing.]

Mr. HAYES. Thank you. And we have been joined by Mr. Conaway from Texas. And a quick comment for you all just to mull

over. My desire as chairman is not to mandate the methods. I want the Department and you to mandate the methods and the outcomes so that we don't lose any potential for doing the things that you have so well outlined. And if we can use a voluntary as Canada and Australia have done to get some 80 percent of the people on board by the time the Department is ready, then it is much to get that 20 percent. And I hope, with you all running it, we will have 100 by then; we can get them on board. So don't think that I am opposed in any to full dialog, discourse, discussion. We have been very engaged and we are not ahead. Collin Peterson is not here yet. I expect him to be. So again, we welcome your comments and just kind of keep up with you as we go along.

Mr. Logan from the National Farmers Union, please.

**STATEMENT OF JOE LOGAN, PRESIDENT, OHIO FARMERS
UNION**

Mr. LOGAN. Thank you, Mr. Chairman. Chairman Hayes and Ranking Member Case, we appreciate the opportunity and I appreciate you conducting this hearing today and giving us our opportunity to present our points of view on national animal ID.

My name is Joe Logan. I am president of the Ohio Farmers Union. I am here today to testify on behalf of the National Farmers Union. I am a fifth-generation family farmer from northern Ohio. We grown row crops, we graze cattle, produce some maple syrup, and wine grapes as well.

National Farmers Union policy calls for a national animal ID system that does five things. First of all, it is funded and controlled by the Federal Government; it mitigates producer liability; it limits producer information accessibility; it is coupled with a mandatory country-of-origin labeling law; and it is only acceptable during times of animal disease and bioterrorism.

On August 30, the USDA announced that it will allow private entities to collect and maintain producer information for NAIS, and that was a great disappointment to the National Farmers Union. It is our hope that Congress will intervene and ensure that animal ID is not just another unfunded mandate for American livestock producers. We believe that USDA is headed in the wrong direction in this regard.

Establishing animal ID is essential to protect our Nation's food supply from naturally occurring disease outbreaks as well as deliberate attack on our food system. And in order to work properly, it must be a uniform and coordinated system, and we believe it should be controlled and funded by the U.S. Government.

The concerns that our members have with allowing a privately managed database system includes, first of all, that it forces producers to bear the financial burden, which they cannot afford, certainly in these times of escalated costs.; it would create a revenue source for private entities seeking to make a profit; we are not certain that that is a good business for the U.S. Government to be in; it does not oversight to protect the confidential producer information; it does not mitigate producer liability; it will not create opportunities, it will create opportunities for packers to condition the purchase of, the sale of livestock on participation in a voluntary program; and it assumes a coordination among a complex web of

data with no guarantees of success; and lastly, it assumes that all sectors of the livestock industry will agree on the development and maintenance of a single entity to represent each species interest.

Now, the USDA's announcement has handed producers an unaffordable financial burden in implementing and maintaining an NAIS database. Given the economic significance and the vulnerability of the U.S. livestock industry, and the extent to which that such a program is viewed in the national interest, NFU believes that it is appropriate for the Federal Government to bear a substantial portion of both the development cost as well as those associated with the day-to-day management of the program.

NFU believes that the development and operation of the NAIS should be a revenue, should not be a revenue source for entities seeking to make a profit. Private control of producer information creates a risk to producers that private or proprietary information could be divulged in a manner that could be detrimental to producers. There is a great concern across the countryside that packers and processors will condition the purchases of cattle from independent producers on those producers' participation in a voluntary program. With no legal or regulatory limitations on who can tap into a privately held database, packers' and processors' ability to access producer information could be very detrimental to firms in the marketplace in general.

Now, establishing and maintaining an NAIS will be a very complex task, and USDA has assumed that someone will coordinate the web of private and governmental data, and know how the system works in case of a disease outbreak. Multiple database sites controlled by multiple entities will no doubt slow the efforts to put NAIS into action during a disease outbreak. And without real-time access to all of the data collected under NAIS, USDA will not be able to execute its mission and stated goals of the program.

One idea that we believe should be carefully considered is having USDA's FSA, Farm Service Agency, take a lead role and responsibility in collecting and housing of all confidential producer data and information. The FSA currently retains sensitive information about individual producers nationwide. It has offices in most every county across the country, and it has the experience in working and dealing with producers. Instead of cutting jobs and closing FSA offices and distributing multiple services, and disrupting multiple services of FSA provided to rural communities, we believe that FSA should be utilized, along with its very sophisticated GIS capabilities, to utilize and administer the NAIS Program.

It is unreasonable to ask livestock producers and others in the industry to blindly pay the tab for the creation of a database strategy which they had no part in developing, especially when one of USDA's agencies currently has the capability on hand to capably maintain that system.

In conclusion, the National Farmers Union believes that USDA has taken a step in the wrong direction by permitting private entities control over NAIS. And it is our hope that future producers' input, along with action by the committee and the Congress, will prevent this.

And I thank you, Mr. Chairman, for the opportunity to submit these comments. We look forward to taking any questions you might have. Thank you.

[The prepared statement of Mr. Logan appears at the conclusion of the hearing.]

Mr. HAYES. Thank you. Rest assured there will be some. Mr. Michael Rybolt, the scientific and technical affairs coordinator, National Turkey Federation. And in the meantime, we have been joined by Mr. David Scott of Georgia. Mr. Rybolt.

STATEMENT OF MICHAEL RYBOLT, SCIENTIFIC AND TECHNICAL AFFAIRS COORDINATOR, NATIONAL TURKEY FEDERATION

Mr. RYBOLT. Thank you. Thank you, Chairman Hayes. Good afternoon, Chairman Hayes, Representative Case and members of the subcommittee. My name is Michael Rybolt and I am the manager of Scientific and Technical Affairs for the National Turkey Federation. I am also serving as the coordinator for the Poultry ID Working Group, which is part of the National Animal Identification System. The National Turkey Federation believes that an animal identification system, if implemented correctly, can serve as a vital tool for protecting both public and animal health in the U.S. I also appreciate the opportunity to testify here today.

This year, the turkey industry will produce about 270 million turkeys. This will equate to about 5 billion pounds of turkey, which is valued at \$8 billion. And virtually all of this is produced on vertically integrated, in vertically integrated operations, which means the producer owns the birds and contracts with the family farmers to raise them.

The turkey industry also operates on very tight margins. In order to maximize their chances of profitability, years ago, the turkey industry developed detailed systems for tracking the movement of their birds from beginning to end, from the hatchery to the processing plants. This system has proven not only vital to monitoring the health and performance of the individual flocks, but it has also equated into a very effective, advanced and reliable animal identification system.

Currently, U.S. turkey companies can trace the movement of every single bird that enter its processing plant. If a bird is hung on the shackles, if it is determined to have a serious disease, the process has the ability to determine where the bird came from and the other flocks it may have been exposed to as well. Likewise, if a dangerous disease breaks in a house, the process has the ability to know if the birds came to the house directly from the hatchery, if it spent time in a brooder house, or what other birds that it may have been exposed to, and where all the birds from that hatchery are located.

The value of our system has proven effective in real-world situations. For example, during the widespread low pathogenic avian influenza outbreak in the Shenandoah Valley during the spring and winter of 2002, industry veterinarians, along with their live production managers, worked very closely with APHIS to determine the origin of the outbreak, which subsequently was the live bird markets of the east coast.

Of course, how does the turkey industry's program fit into the National Animal Identification System? That was the question that the Poultry Identification Working Group was set out to answer. And just real quickly, the Poultry Identification Working Group is representatives from the commercial turkey, chicken, duck, egg, goose, breeder, and some representatives from the noncommercial industries comprise the Poultry ID Working Group. To that group, it quickly became apparent that the current programs in the commercial turkey industry conform to the four guiding principles as outlined by Secretary Johanns in late August.

First, the turkey industry's existing programs can track animals from the point of origin to the processing plant in 48 hours, and sometimes less than that, without creating a burden to the producers or other stakeholders.

Second, because the system is already developed, it does not increase the role or size of the Government.

Third, the system already uses state-of-the-art technologies, and undoubtedly is adaptable to new or future technological advances.

And fourth, the existing system is a private one, but it can quickly be accessed by Government if the need arises.

To that last point, North Carolina, which happens to be the second largest turkey producing State, already has an excellent animal identification program. And most of the Nation's top 10 turkey producing States already have systems in place. We say this not to boast nor is it to cast the turkey industry into a more favorable light than the other industries.

NTF members are mindful that the turkey industry, at least in part, owes its existing advanced tracking programs to the very tenuous nature of the industry's profitability. But we do want to underscore that we do have a program in place that is effective and it already meets Secretary Johanns' guiding principles as well as the broader goals of the NAIS. We stress this because we believe a system implemented, any system implemented by USDA should not unduly, should not be unduly expensive, should compliment existing capabilities, and should enhance those systems that might not yet be as advanced as the poultry industry's. NTF would be concerned about any costly new program that would duplicate systems already in existence.

I would like to make it clear that I am hear speaking solely on behalf of the commercial turkey industry's programs. The live bird market systems serve an important niche customer in this country, but their needs may be completely different than that of the commercial industry. Therefore the Poultry Identification Working Group created a subcommittee, which is chaired by Mr. Gary Fuchs of Ideal Poultry Breeding Companies, to develop an appropriate identification program for these markets and the farms that serve them. All of us in the working group are committed to helping Gary and his committee meet that goal. I appreciate the opportunity today and look forward to your questions.

[The prepared statement of Mr. Rybolt appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, sir. Our next witness, we had to go all the way to Grand Island, Nebraska to find this dear lady, Joy Philippi of the National Pork Producers.

**STATEMENT OF JOY PHILIPPI, PRESIDENT ELECT, NATIONAL
PORK PRODUCERS COUNCIL**

Ms. PHILIPPI. Good afternoon, Mr. Chairman, Mr. Ranking Member and members of the committee. I am Joy Philippi. I am a pork producer from Bruning, Nebraska. I own and operate a 2,000 head swine nursery that is part of a producer network. I handle about 14,000 baby pigs a year. I would like to thank the chairman for holding this hearing on a very important issue.

We believe that the urgency of implementing a national animal identification system continues to be critically important to livestock producers, animal health officials, and consumers both here and abroad. In June of this year, the National Pork Producers Council hosted the U.S. Pork Industry Business Continuity Conference. In fact, the chairman of this subcommittee, Mr. Hayes, addressed that very issue with our participants. Speakers from the industry and the USDA recognized animal identification as the number one factor for successful recovery from a food security threat.

Mr. Chairman, we have had an effective swine identification system in place since 1988. The system can meet the 48-hour traceback standard. Producers are confident that two enhancements to the current PRV system, a mandatory premise registration and adopting the NAIS group/lot numbering formats, will meet the NAIS standards without adding tremendous costs and burdens on them. The identification and record keeping requirements and costs used in the current program are accepted by our producers.

In early 2004, I appeared before the full committee hearing in Houston and presented the pork industry's positions on developing an identification system. Our basic policy principles have not changed; they have been refined. Our delegates at our annual meeting this past March attached deadlines to these principles. The first one is, that mandatory premise registration must be completed by 2007; a mandatory ID by 2008.

In April of this year, the USDA released the draft NAIS standards and plan. Pork producers believe that the USDA proposal will take too long to implement, it is too expensive, and it adds all this unnecessary reporting requirements. In July, the Pork Industry Identification Working Group submitted a species-specific proposal which adapts the existing Federal PRV identification regulations as a model for a national swine ID system. By law, States must comply with these Federal regulations for the identification of breeding swine and market animals. We will continue to report interstate and international movements using the existing systems, including veterinary inspections and movement documents.

These systems have already been funded by State and Federal programs, and were developed by producers in cooperation with Government agencies. We will continue to record all swine movements as a part of our normal business practices. We will register our premises, we will modify our on-farm records, adopt individual animal numbers and group/lot identification numbers; all are in compliance with the NAIS format. Movements directly to slaughter and intrastate movements will be recorded in our own records, but not reported.

In August of this year, USDA announced that they envision a system that requires all industry databases to feed a single, privately held multi-species animal tracking repository. USDA's announcement signaled that the Department's thinking has changed. We believe that the USDA proposal places the cost of the private database squarely on the back of private industry. The current swine ID system has both public and private databases, both for recording and reporting. Databases are accessible by both Federal and State officials when needed. Requiring the pork industry to participate in a new private, multi-species database would be redundant and costly.

The U.S. pork industry is working with the USDA on enhancements to our swine ID system. We do not believe that our proposed enhancements, mandatory premise registration by 2007, mandatory group/lot numbering by 2008, will add tremendous additional costs to producers. The U.S. pork industry has already assigned to the identification implementation task force. We have stepped up education efforts with producers, encouraging them to register their premises and begin adopting the NAIS group/lot identification numbering formats. In the future, we will address an identification system for marketing breeding swine and show pigs by 2008, and continue to work with producers to ensure that the necessary data is in their on-farm records in NAIS format.

In conclusion, Mr. Chairman, pork producers have experienced a successful eradication program. We see no reason to reinvent the wheel. Through a strong, open partnership with Government, both State and Federal, we could offer the response, surveillance and recovery necessary to better fight a foreign animal disease outbreak. We look forward to working with Congress and the USDA as we enhance a program that is sensible and cost-effective for U.S. pork producers. Thank you and I would be happy to answer any questions you have at the appropriate time.

[The prepared statement of Ms. Philippi appears at the conclusion of the hearing.]

Mr. HAYES. Thank you, ma'am. We have been joined by Congressman Salazar from Colorado and Congresswoman Herseth from South Dakota. The next witness is Rick Stott, chairman, Northwest Animal Identification Pilot Project, on behalf of the National Cattlemen's Beef Association. Proceed, sir.

STATEMENT OF RICK R. STOTT, CHAIRMAN, NORTHWEST ANIMAL IDENTIFICATION PILOT PROJECT

Mr. STOTT. Thank you. Mr. Chairman and members of the committee, thank you for the opportunity to testify on behalf of the National Cattlemen's Beef Association. We appreciate your interest in moving the National Animal Identification System forward. We applaud the USDA's most recent announcement supporting the development of a public/private partnership that will enable the private sector to maintain animal movement data as part of the National Animal Identification System.

NCBA's Animal ID Commission has been actively developing a national database implementation strategy, and significant progress has been made in this endeavor. We believe that this sys-

tem will be implemented successfully with continued cooperation between industry and Government, which is critical.

It is clear that the animal tracking database for the NAIS must be developed and managed by the industry. The largest impact, both good and bad, will be borne by the industry; therefore the industry should be responsible for the system. Obviously, the database must provide Government officials with critical information for disease surveillance, meeting the 48-hour requirements and maintain data integrity. The NCBA believes that the NAIS database should be developed, managed and maintained by a neutral industry-driven, private nonprofit consortium. It is critically important that the NAIS is developed in a way that will encourage industry participation, while simultaneously providing animal health authorities with the information they require. A private database also provides additional protection for keeping the information submitted by producers as part of the NAIS confidential, which is critical in encouraging participation.

The NCBA Animal ID Commission has gone through an exhaustive process to select an animal ID database solution that will meet the needs of the NAIS. The technology partner selection was conducted through a three-phase process. The first was to request for information and allow companies to provide background and their information. Based upon these submissions, a request for proposal for specific work was issued to those companies. These proposals were narrowed to a group of finalists who were interviewed by commission members. In the end, the committee selected a team that included BearingPoint Consulting, ViaTrace, and Microsoft.

This technology team offered a world-class solution and showed the commission it could deliver the services requested within the deadline specified, and under terms of costs it offered the greatest value for the industry. This team brings a web-based solution that has been successfully implemented elsewhere in the world, as well as a veteran staff to implement the system. This solution will allow entities currently involved in various animal traceability systems to seamlessly integrate their data to a national system.

The NCBA is reaching out to other industry groups to establish an independent, multi-species, nonprofit consortium to administer the program. The NCBA will hand off the administration of the program to this consortium as quickly as possible. NCBA does not plan to make revenue from this program and it will never recover the thousands of hours of staff time and expense invested in it. Our goal is to generate return for our members, not the association. If the program yields positive results for livestock producers, we feel that this will have a positive effect upon the industry as a whole.

We expect to test this system in October, this month, this next month, and the system will be operational by January 1 of 2006. We recognize that this is a very aggressive timeline, but are confident that this can be accomplished.

Generally, there are three phases to implement the NAIS. First, of course, is the premises system which is underway today. The second phase is the development of an animal identification database which is the backbone for the entire NAIS, and is the focus of the NCBA's efforts. The third phase of the NAIS is implementing the system throughout the industry. This is the most difficult and

expensive phase of the process. This phase will require a coordinated effort between all segments of the industry, the USDA, State officials, and service providers. A significant amount of investment will be required by all stakeholders, especially the industry.

Currently, the USDA has funded pilot programs throughout the Nation to test various aspects of the NAIS. And one key program is the producer-driven Northwest Pilot Program. It is participants from seven States, California, Hawaii, Idaho, Nevada, Oregon, Utah, and Washington. The primary objective of this pilot program is to mirror the national system to identify issues, provide solutions, meet the USDA criteria of 48-hour traceability. Much has been learned regarding to the implementation of the NAIS in the cattle industry. Other pilot programs such as the Kentucky Beef Network and the Southwest Tracking Project has accomplished much in educating producers about NAIS. More needs to be done.

Continued cooperation between industry groups and USDA is critical. Coordination of efforts, integration of systems, assimilating strategic plans, must be accomplished. Political posturing must be put aside and we must focus on what is best for the industry and the implementation of NAIS. The structure is being put in place and your support in this effort is very much appreciated.

Thank you again for the opportunity to present this information on behalf of NCBA.

[The prepared statement of Mr. Stott appears at the conclusion of the hearing.]

Mr. HAYES. Thank you very much. Our next witness is Mr. Bob Stallman, president of the American Farm Bureau Federation from Columbus, Texas. Bob, proceed.

**STATEMENT OF BOB STALLMAN, PRESIDENT, AMERICAN
FARM BUREAU FEDERATION**

Mr. STALLMAN. Thank you, Mr. Chairman, Ranking Member Case, members of the subcommittee. I am a rice and cattle producer from Columbus, TX, as well as president of the American Farm Bureau. Thank you for inviting AFBF to share our views on animal identification today, and that is an issue which is extremely critical to our members. AFBF strongly supports the establishment of a national livestock identification system capable of providing support for animal disease control and eradication.

Furthermore, we believe that private animal identification systems play a key role in implementation of the NAIS by simplifying the establishment of a single, centralized data repository for animal health-related information. Private animal identification systems have been in existence for many years and are becoming ever-more popular as the desire for traceability drives demand from the retailer down the supply chain. In fact, several of our State Farm Bureau affiliates either operate animal identification systems or partner with technology providers to offer those programs as a service to their Farm Bureau members.

Private marketing and production databases are an integral part of the success of NAIS, because they allow producers to automatically forward to a centralized animal health database the narrow stream of information needed for animal health tracking purposes. Therefore, we have steadfastly supported the concept that the

NAIS must allow multiple privately managed databases to submit the required animal health information to a common database, where it can be more easily and rapidly searched and queried in the event of a time-sensitive animal health issue.

Last month, USDA announced that they will pursue a private sector database to maintain animal movement data as part of the NAIS. We will work with USDA to make a privatized database operate as efficiently and as effectively as possible. We look forward to participating in the industry roundtable hosted by USDA next month, where the principles and expectations of a private animal movement database may be further defined.

If a private database is developed, we strongly recommend that an advisory board should be established to help regulate the animal identification system. The board could be comprised of producers, processors, animal health authorities, and USDA. The board could continuously evaluate the overall performance of the animal ID system and make recommendations for improvements. As the USDA considers private sector-based database proposals, we ask that serious consideration be reserved for solutions that are brought forward by a coalition representing the entire livestock industry, and that address the views and concerns of all segments and species, including producers, marketers, and processors. Industry-wide cooperation is crucial if we are to develop a system that is successful on a voluntary basis in which the industry wants to participate.

Further, a private sector database proposal should meet the following principles: one, centralize the animal health-related data of all animals in a single repository, fully and continually accessible by APHIS Veterinary Services and relevant State animal health officials; two, have an oversight structure which provides for input from industry as well as clear delegation of authorities and responsibilities; three, provide a detailed budget, including the allocation of costs to the industry, States, and the Federal Government. The budget should include projections for both developing and maintaining the system, and should identify sources of funding; four, outline how confidentiality of the information and data security can be ensured; five, contain an implementation plan which includes benchmark dates for the system to be partially and fully operational, and the voluntary participation targets; six, identify specific training and education programs which will be made available to producers. In addition to these minimum requirements, USDA should also ensure that a private sector-based database will be internationally recognized by our trading partners.

Aside from these questions about the development of a private sector-based database as a component of the NAIS, the Farm Bureau believes there are four key issues that must be addressed in order to ensure producer acceptance of an animal ID system, regardless of how the database is maintained. Those issues are the cost of the system, ensuring the confidentiality of data submitted by producers, protecting producers from undue liability, and then having sufficient education and information.

Today I will briefly discuss cost and confidentiality issues, but all four issues are further detailed in our complete statement submitted for the record. First, I would like to share our views on the cost

of NAIS and the apportionment of that cost. We believe a cost-effective national system of livestock identification with equitable cost share among Government, industry, and producers must be established. We know that there will be considerable financial expense that will be associated with it. USDA's most recent estimate puts the price tag at \$550 million over the first 5 years. Producers should not bear an unfair burden, an unfair share of that burden. A successful animal ID system must be a partnership of producers, appropriate State authorities and USDA. And we can accept reasonable producer costs associated with that, but once again, they must be fair and equitable.

Our second issue of concern is the confidentiality of producer submitted NAIS data and access to that data. The USDA has repeatedly said that confidentiality can be maintained as long as the program is voluntary. However, they have also said that legislative authority will be needed to protect that information when the ID program becomes mandatory, and that their ability to adequately protect confidentiality, even under a voluntary system, is based on case law rather than statutory authority. Privatizing the database does not protect confidentiality if animal health officials are given the 24/7 access that they require. So it is imperative that Congress enact legislation to address this confidentiality issue. We have been working the industry and have produced some draft legislation to move forward on the confidentiality issue, and we would certainly see that as a requirement for moving forward with the whole system and that we pass that in the 109th Congress.

So again, thank you, Chairman Hayes, for allowing us to present our views today, and I look forward to your questions.

[The prepared statement of Mr. Stallman appears at the conclusion of the hearing.]

Mr. HAYES. And didn't your last comment refer to tort reform? Oh gosh, thank you all for your participation. And I think it is fairly clear where I stand, with both Mr. Logan and Mr. Stallman; Government doesn't pay for anything. The taxpayer pays for it all and the consumer pays for it all. So with that in mind, I am going to immediately transfer to my good friend and ranking member, Mr. Case.

And before I do, let me thank his agriculture staff person, Ann Stewart, and have her identify herself, because I know if you don't know her, you need to. She is a great asset as is Pam Scott Miller on my side and the other members who are very anxious to work with you and for you. Mr. Case?

Mr. CASE. Thank you, Mr. Chairman. I am stuck on voluntary versus mandatory and whether it is a matter of semantics or whether it is a matter of application. I don't care what you call it, as long as it is universal, as long as everybody is participating or at least there is something close to full participation, because I don't see how this is going to work unless people are buying into it and participating in it. And you can do that by the hard hand of Government laying down the law and saying this is what we are going to do, which neither of the chair nor I are instinctively in support of. Or you can do that by setting up a program that does in fact have the effect of universality. And I don't know whether we are confusing semantics with practical policy calls here. So that

is the gist of my question. I am not talking about mandatory in terms of the type of program. It could be varying programs, as long as they got to the same place, as long as everybody understood what the game's rules were. It could be some form of Octans in terms of funding or law or whatever, just as long as it gets to universality.

So with that, I do want to quickly just kind of move myself down the row, starting with your right there. You talked about dairy cattle and I think you said that you had some form of universality. Did that come about because people have to participate, or because they want to, and if so, what is the participation rate?

Ms. LUTTROP. In the dairy industry, identification helps us be better managers. So I think that is the stem of why we have, that so many of our producers are already identifying their cattle.

Mr. CASE. Well, let us say I am a dairy person from a small town somewhere in America. Do I have to do this?

Ms. LUTTROP. No.

Mr. CASE. OK. But I do. What is the rate of participation? Is it above 90 percent?

Ms. LUTTROP. Yes, yes, absolutely.

Mr. CASE. They have 97 percent in the case of Canada under a system that I think could be fairly characterized as not the heavy hand of Government. It is a system that encourages a 97-percent participation rate. So I am trying to figure out where we have that model somewhere in this country, since that seems to be the common ground that is uniting us all here. And you have that, because people do want to participate. And as a practical matter, if they don't participate, what happens to them?

Ms. LUTTROP. It is probably a money factor. If they are better managers, they can make more money.

Mr. CASE. OK. Mr. Logan, universality, what does that mean? Does that mean, what does it mean? Is it, as Mr. Stallman, I think it was, said, or if I got that wrong, I am not sure. Maybe it was Mr. Stott, after all. An industry-run, industry-managed, those were your words, program. Can we get the universality, from your perspective, in that direction?

Mr. LOGAN. I think that the calculus of achieving that universality among all the various species and among all the various arrangements we have within this Nation would be very, very challenging. We have a livestock industry which is largely integrated, but not entirely integrated, and we believe that the interests of those independent producers should be fiercely approved and defended. Frankly, we have encountered a great deal of resistance to the sort of mandatory, heavy hand of Government, as you mentioned, imposing this standard on those, and we believe that an FSA approach or integrating FSA could be somewhat helpful, in that it is sort of a grassroots bottom-up organization, in that that it has locally elected representatives from each of the agricultural communities that represent that organization. So it has a grassroots prospect rather than a top-down. So we think that that could be a mitigating factor.

But we think that, at the end of the day, once all of this data is connected by whatever infrastructure the dairy cattle folks or the turkey folks or the hog folks want to represent, distill that down

to a number; you want to bring that into an integrated, coordinated system. We believe that it makes a great deal of sense to utilize FSA, that already has that GIS capability. And that yesterday they had a number for my farm. They had a number for Ms. Luttropp's farm, Mr. Rybolt's farm, and all of the members here at the table. They had each of our farms identified yesterday, and they could easily convert that to a number that would be satisfactory within a national ID system. They could immediately identify that on their GIS technology that is available in every office nationwide, and actually have boots on the ground within a very short period of time. So we think it could be very useful.

Mr. CASE. OK. And, Mr. Rybolt, do you have 100 percent participation in the turkey industry, and if so, how do you get there?

Mr. RYBOLT. Do we have 100 percent participation now?

Mr. CASE. Yes.

Mr. RYBOLT. Because of the virtue of the business model that we operate under, the vertical integration, all of our companies or processor now have identification in place with the flocks, if they produce. As I stated, they can trace those flocks from the beginning, from the hatchery, all the way through the process to the processing plants. So we have that in place now.

Now, would we want to put that into a single system? We are not necessarily opposed to that. But the cost of that is something, because as I said earlier, we operate under very tight margins now as it is; that if we had to add another cost to the production, if that was a factor we would have to consider. But we already meet the 48-hour traceback of the NAIS as the Secretary pointed out.

Mr. CASE. OK. I am out of time. I thought I was going to get all the way down the row, but I will defer until later. Thank you, Chair.

Mr. HAYES. We have been joined by Chairman Goodlatte.

The CHAIRMAN. Mr. Chairman, thank you. If you don't mind, come back to me in a little bit.

Mr. HAYES. I will do that.

The CHAIRMAN. Thank you.

Mr. HAYES. We will start out with Mr. Neugebauer.

Mr. NEUGEBAUER. Thank you, Mr. Chairman, and thank you for holding this hearing.

I will start off with Mr. Stott. Your organization put together a commission really to address this issue of animal ID, and you have done quite a bit of work. Kind of tell me, where in your eyes is the next step for your organization in this process?

Mr. STOTT. We have spent a fair amount of time working on this project. Right now, in this next month, we are going to test the system that we have selected, implement it, and on January 1 of 2006, it will be live. It will be on the web and it will be available for uploading. We expect to have integration from service providers that will probably push close to, we believe, about a million transactions as the test process between now and the end of December, to make that the system has integrity and it has the credibility, and that it can be retrieved from the USDA and work with USDA to make sure they can get the information that they believe they need. But January 1 is the date that we will be live and it will be on the web and it will be available for real use.

Mr. NEUGEBAUER. As I have listened to this debate, and of course, if you just back away from the mandatory and you go to the voluntary. You now, a couple of structures come to mind. One would be a system where different groups could have a collection, a co-op, say, and then with a central depository. Some have said maybe that central depository could be at USDA. Some others offered up that it could be a nonprofit organization that maybe is funded by the various groups involved. That seems a little redundant to me. Is there some thinking in the industry where everyone in the industry would come together and support the formation somewhat of like the Canadian model, where you form a nonprofit that is funded by fees for the use of the service, and everyone then funnels the information into the central depository organization, and then allows USDA, in the event of a need to access that data, that they would be able to go into the system, or to request information from that organization, that that organization would furnish them. What would you say that your organization, what kind of structure do you all support?

Mr. STOTT. That structure, that very structure. The NCBA has no interest in holding this or controlling this or managing this in the long-term. In fact, they have spent a big pack of money trying to get this thing rolling, and it is in their interest for the producers to get it started, but certainly not in their long-term interest at all to manage it. And so creating a nonprofit consortium from across the industry, from every segment, from all interested parties, is really what the objective is, and that has been, that will be done in the next few weeks and that entity will be formed and move forward with that.

Mr. NEUGEBAUER. Mr. Stallman, does your organization support that same concept?

Mr. STALLMAN. Yes. As I have sort of indicated, I think, in a roundabout way in my testimony, that is the only way it will be successful, particularly if we keep it on a voluntary basis. Initially, it is for the industry to come together in some type of consortium or some kind of legal entity, where the situation that you described can be accomplished.

Mr. NEUGEBAUER. And is dialog ongoing with the various organizations to move in this direction? Is there that kind of, are people sitting at the table and talking about the formation of an entity like that?

Mr. STALLMAN. It has been ongoing and it will be ongoing. I understand there is a meeting, I think, October 12 to sort of move forward with some of these same discussions.

Mr. NEUGEBAUER. Can you ever perceive a need for USDA to host that information in a Federal database?

Mr. STALLMAN. They have the capability in terms of need. Certainly a private entity probably can do the job a little more effectively, if you have that industry-wide support to get together and do it, and I think that is really the critical issue in determining the need. If the industry is together, there is no need. If the industry can't get together to move forward, then that presents a different set of circumstances.

Mr. NEUGEBAUER. Well, I think the producers in my area share my concern, is that if you host that in a Federal site, then the pri-

vacy of a lot of that information becomes somewhat in jeopardy, even though we can pass laws. The bad news up here is, sometimes we pass laws and the interpretations are different. Or we pass laws and then people come back and change them after that process. So, I mean, my support right now is for the efforts that you are doing, and I just want to encourage the industry groups that are at the table here, that I think the best solution is the direction we are moving in and that is to have a private entity, a nonprofit, that has the ability to deliver that information to the Federal Government in the need. I think it also allows you to use this process, and I heard the gentlewoman, talking about in the dairy industry, using it really for other business purposes. And I think a lot of the industry folks that we have talked to see some benefit in working with packers and other organizations to really help be a business tool for a lot of our producers.

I thank the chairman for holding this hearing, and I yield back my time.

Mr. HAYES. You are welcome. Mr. Scott?

Mr. SCOTT. Thank you, Mr. Chairman.

I would like to focus my questions around two issues. The first one is cost and the second issue is fraud transparency. How do we protect this element of it? Mr. Stallman, Mr. Stott, especially and you, Mr. Rybolt, well, I guess, all of you, if you could comment on the cost of the system, and if you all concur with what this will cost. And I understand that Canada set one up for about \$3 or \$4 million. We have been putting in about \$30 million, \$30 million annually. And I heard one of you mention the figure of \$500 million. I wonder if we can get a good handle on what this is going to cost. Where will that come from? What role in the cost formally will the Federal Government play? And if we could get some response on that and then I will go to the other part of my question.

Mr. STALLMAN. The cost and confidentiality issues are our two biggest ones. The cost numbers that I gave I believe were those being used by USDA of about \$550 million over 5 years, which would put it a little of \$100 million a year for full implementation. Now that includes everything. Setting up a database, actually, long-term is not the most expensive part. Maintaining it probably adds just as much or more cost, because that is ongoing every year. And our concern is how these costs are allocated between producers, between other segments of the industry, and between the Federal Government. We do believe that there is a public good associated with this and that the Federal Government should pick up part of the cost. Producers should also pick up that cost.

If you look at just tags, the thinking is that with enough volume, ear tags, for instance, and this doesn't apply to poultry necessarily, because it is lot identification. But ear tags for livestock will get down somewhere about \$2 a head. And if you multiply that by the number of head of livestock we have in this country, that would be a pretty significant producer cost right there, just to put in the ear tags, not counting all the database and administration of that.

Mr. SCOTT. Will all of that feed into one database, or will there be a different one depending upon whether it is pork, beef, or poultry?

Mr. STALLMAN. The key is, is to meet the principles outlined, I think, by Secretary Johanns, and the 48-hour traceback is probably the primary one. You could actually have multiple databases feeding in animal movement information into a single database that then would be accessible. So I think that is one of things the industry has to do, is get together and decide how that could work, because there already are different databases amongst the industry. And how to make the most efficient use of that from a cost and management standpoint, moving forward to meet the 48-hour traceback, I think, is going to be a key issue that has to be resolved.

Mr. SCOTT Mr. Stott?

Mr. STOTT. The cost issue has been highly debated, and prior to my working for Agri Beef, which is a family-owned cattle company out of Boise, Idaho, I worked in the international software business and competed with J.D. Edwards and SAP, and implemented software systems for General Electric, Unisys, and Unilever and smaller companies as well, like Agri Beef. And one of the things that is, I think, a bit of a misconception that people get diverted from is that the database itself is not that expensive. In the Northwest Pilot Program, we created a database, very simple, nothing that would be a national, it doesn't have huge bells and whistles on it, for less than \$25,000.

We have estimated that this solution that we selected, it will cost approximately 25 cents an animal for the life of that animal to maintain, manage, and manage the data within that database. Very inexpensive the database. The cost is related to the infrastructure. And one of the things that we found in the Northwest Pilot Program is, in the second tier of the cattle transactions in the auction yards and the feedlots is where most of the resistance, from a cost standpoint, there is a fairly high expense. If we can mirror comments in the way these animal movements occur, it minimizes the barriers of compliance, it minimizes the cost for producers, and it helps the transactions mirror what actually is happening in commerce.

And so that is entirely possible with the database configuration that we are talking about. And so we are very optimistic, from a database standpoint, the cost structure shouldn't be a huge issue, but it is the implementation. And that range, from producers, anywhere from about \$5 a head to \$25 a head, depending on the labor and all the other infrastructure that has to go into place for producers, just to manage and accomplish what we are talking about.

Mr. SCOTT. Mr. Chairman, I know that my time is running, but if I may just touch upon my other point, that I think is important to hit upon and that is the potential for fraud. Do any of you see the potential for fraud in this, and what mechanisms could we put in place to prevent it and address it if it should occur?

Mr. STOTT. Maybe I could touch on it. One of the things that is really important is the integration or the validation against the USDA premises system to validate a valid premise number, for example. That would be a very simple validation process.

The second thing is that there are algorithms that can be designed to determine the credibility of data that is coming into systems. Those things are a dime a dozen in today's computer tech-

nology world with good technology. And so there are things that relate to that. The reality, however, unfortunately is, fraud will occur and misinformation. And I mean, you can't regulate that away. The Internal Revenue Code is a great example of regulating fraud out of the system; it doesn't happen. It allows for people always to be smarter than systems.

Mr. SCOTT. Thank you, Mr. Chairman.

Mr. HAYES. You are welcome.

Mr. Chairman, I am going to let the coach go next, unless you have a time issue.

The CHAIRMAN. I do. I thank you, Mr. Chairman, and I appreciate your holding this hearing and for allowing me the opportunity to ask questions. This is an issue that many members of this committee have worked on very hard. We are pleased with some of the recent developments that have occurred in this area. We appreciate the cooperation of the Department in making it possible for those livestock organizations that wish to proceed with an animal identification program to have the necessary guidelines from the Department that enable them to do that. I personally happen to think that that will lead to getting what we badly need and that is a vastly improved animal identification system up and running more rapidly. That still leaves some questions up in the air for what is going to happen as we go down the road. We don't know how well these systems will work. We do not know how much they will cost. We do not know how many livestock producers will pick them up and participate in them. And we will be watching all of that very closely. But I think it is smart to start with a bottom-up effort rather than to try to have the Federal Government call and say, "I am from the Federal Government and I know just exactly what is best for you and I am here to help."

So, Mr. Stallman, your testimony raised some concerns about animal ID that have been a part of the discussion for sometime, cost, confidentiality, liability. Do you have any specific recommendations from the American Farm Bureau Federation to solve any of those concerns?

Mr. STALLMAN. Well, let me take the liability first, because I didn't address that in my testimony. We need legislation that makes it clear that a producer is not expected to exceed the standard of ordinary care. In other words, when their animal is presented at the market, and at some point it has been accepted, and inspected in some cases, that that meets the test for ordinary care. It should be—immediately from any future action, but at least it gives the producers some protection against things that may occur to the animal further down the line that is totally out of their control.

The confidentiality issues are ones, is one that we are very concerned with. There has been a lot of talk that a private database somehow protects you from FOIA. Well, our analysis indicates, if the 24/7 access that, I think, USDA and APHIS would think is necessary to be able to look at data from a system, that that would probably step over the line and it may be difficult to guarantee, without further legislation, that even a private entity would be protected from FOIA requests if that degree of access is given. So that

is a concern of ours. We think that could be addressed legislatively, too.

The cost issue is one that we think there should be a fair apportionment. We don't want this to turn into an unfunded mandate pushed all the way down to individual producers through some fee system or whatever the case may be. Producers need to share in the cost, there is no question about that, but they shouldn't bear a disproportionate burden of that cost.

The CHAIRMAN. Thank you. Mr. Logan, the National Farmers Union policy calls for a national identification system, as described in your testimony, that does some things that seem to me to be a little conflicting. First of all, you want it to be funded and controlled by the Federal Government, and yet you want to have it only accessed during times of animal disease or bioterrorism outbreaks. In addition, you want it to be coupled with a mandatory country-of-origin labeling law, and yet again, you only want it accessed during times of animal disease or bioterrorism attacks. Don't those goals of your description of a good animal identification system conflict when, for example, with a mandatory country-of-origin labeling law, you would have to access to that information to enforce your mandatory law that is simply not called for and violates your other principle, which, by the way, I strongly support the principle of accessing the information only when the Government absolutely needs it for the purposes that an animal identification law would exist, which is not a consumer labeling issue, but rather an animal disease and bioterrorism outbreak function.

Mr. LOGAN. Yes. Mr. Chairman, I don't believe that those are operating at cross-purposes or any conflict whatsoever. We believe that, obviously, country-of-origin labeling, if not adopted, leaves an immense field security hole in the animal ID system. We could be successful at identifying every animal in the United States and still have access to unidentified product entering this country and entering the food stream, being commingled with U.S. born, bred and identified beef and then distributed out into the marketplace. So we obviously believe that that is an essential component of a workable food security system. That said, what we are intending—

The CHAIRMAN. How are you going to enforce that if you only have access to the information for purposes of animal disease or bioterrorism outbreaks?

Mr. LOGAN. I think what we are referring to, and pardon me if it wasn't clear, sir, is that we don't believe that the industry, so to speak, for proprietary or marketing purposes should have access to that information, and only the Government should utilize that information only in the event of food security issues. But obviously the country-of-origin information should be conduited to the central database.

The CHAIRMAN. But you want it controlled by the Federal Government, but you want it only accessed for these purposes and you only want, and you want to limit producer information accessibility. That again seems to conflict with the goal of having the Government controlling the program.

Mr. LOGAN. We want that to be controlled so that it is not available to proprietary interests or commercial interests. We believe that this database ought to be accessible by the Government, but

the Government really has no interest in accessing or manipulating that database unless there is a national emergency or a disease outbreak.

The CHAIRMAN. Well, I think the best way to assure that is to have the information controlled in a fashion that no one who has reason to get a hold of it gets a hold of it unless they have a good reason to do so.

Mr. LOGAN. Agreed.

The CHAIRMAN. Including the Federal Government.

Mr. LOGAN. Agreed.

The CHAIRMAN. Let me ask all of you. I am sure you each had an opportunity to examine the experience of the Australians and the Canadians in developing, implementing and operating national identification systems that rely heavily on the private sector. As you know, this was the subject of a hearing in this committee 2 weeks ago. I would like to ask each of you what lessons you would draw from that experience that would apply to your own situation. And, Ms. Luttrupp, we will start with you.

Ms. LUTTROPP. I think one of the most interesting lessons we can draw from is in Australia, where they started in one part of the country and continued to grow up from there; walk before you run, which is what we have been able to do. For example, in our system within Michigan, in a small sector of Michigan where it is mandatory ID, get it working on a small scale and then roll it out from there, which is what they have done in Australia.

The CHAIRMAN. Thank you. Mr. Logan?

Mr. LOGAN. Yes. I believe that there is certainly a place for proprietary enterprise and private enterprise in developing the unique identification systems. Dairy may have one system; obviously, not be appropriate for turkeys. So there needs to be some viability there, and I think that is an appropriate place for a private system. But when that is all converted to data, then I think that data really ought to be operated and controlled under a unified and coordinated system. We believe that the Federal Government, with its preexisting database and capabilities, is a good instrument to carry that.

The CHAIRMAN. Thank you. Mr. Rybolt?

Mr. RYBOLT. Thank you, Mr. Chairman. I think, as I mentioned in my statement, the turkey industry, just by the vertically integrated nature of the business, that we have a system in place already. And I think that the committee heard from the other groups, I guess it was last week, that the private sector is actually the more appropriate place for that to occur. The turkey industry, or the commercial turkey industry, actually has identification in place now and meet the requirements in place, and I think that was stressed during the last hearing.

The CHAIRMAN. Thank you. Ms. Philippi?

Ms. PHILIPPI. Well, we have a meeting this next week and with the Canadians we will be discussing the swine ID program. Up until this point, what we have learned is that, we have looked at their program more for total traceability than just for animal health purposes. Again, what we do is we have mandatory for animal health reasons with our eradication programs. As far as what the Australians do, I have not had a lot of exposure of that and

how that would affect their swine industry, but there, again, we understand that it is more of a traceability situation than animal health.

The CHAIRMAN. Thank you. Mr. Stott?

Mr. STOTT. We spent a lot of time studying the Canadian system and have spoken a lot with the Australians as well, and we believe that it is industry-driven, that the systems and the information and the way it works can evolve. With the technology, it can evolve with the industry and that is a very long-term successful opportunity for what we can learn from them.

The CHAIRMAN. Thank you. Mr. Stallman?

Mr. STALLMAN. The bottom line is it can work. With industry involved it can move forward. And the Australian system sort of quantifies the statement that is going to be a Government role, but the question is, can the industry come forward itself and work to implement the program? I think we can.

The CHAIRMAN. Well, thank you all. Mr. Chairman, thank you for affording me the opportunity to ask these questions. I know I exceeded my time a little bit. I do have a statement I would like to submit for the record, and I again commend you for holding this hearing, and I apologize for having to slip out and onto something else.

Mr. HAYES. Without objection. Thank you for being here, sir.

PREPARED STATEMENT OF HON. BOB GOODLATTE, A REPRESENTATIVE IN CONGRESS
FROM THE COMMONWEALTH OF VIRGINIA

I would like to thank Chairman Hayes for his leadership on this important issue and for conducting today's hearing.

Over 2 years ago, I sat down with representatives from a major livestock group to discuss the future development of a national animal identification system. At that time, I asserted that I believed it was going to happen and that they had a choice: they could let the processing community, the administration, the consumer groups or Congress take the lead, or they could step up to the challenge and create and implement the system themselves. They understood the value of pursuing a private sector-based approach. Simply put, they knew that a producer-driven initiative is most likely to minimize the costs and maximize the benefits to producers.

After considerable meetings, briefings, listening sessions, debates, hearings, and the Administration taking comments on its own animal ID "thinking paper", other producer groups and the Department of Agriculture have come around to this way of thinking. Now is the time for the producer groups to rise to this new challenge, pool their creative energies and move forward with getting a system on the ground that serves the best interests of their membership.

Two weeks ago, the Agriculture Committee heard from Australian and Canadian witnesses about how they created and implemented animal ID systems that harnessed the efficiencies of the private sector. I am interested in hearing the thoughts and ideas of the various producer groups that Chairman Hayes has invited to testify today on this important topic and anticipate working with them and their members to get the job done.

Mr. HAYES. Coach Osborne, the floor is yours.

Mr. OSBORNE. Thank you, Mr. Chairman. I would like to welcome Joy Philippi. Always glad to see somebody from Nebraska here.

And just a couple of questions. One is, it seems that the Holstein Association, the turkey folks and the pork producers are all reasonably satisfied with what they currently have in place. Do you feel that you would be mutually compatible with what you are doing now, and how well do you line up with what the National Cattlemen are proposing? In other words, there is no need to reinvent the

wheel if something is working, but I know that each industry is a little different. I don't know if you have really looked carefully at each other. But do you have an impression as to whether what you are doing now would continue to be workable, and if something like the National Cattlemen are proposing were to be adopted, would it work well?

Ms. PHILIPPI. Well, we have had the opportunity to speak with the Cattlemen, and what we do right now works and we don't see any reason to move that over into a private database, as they have talked about. We have already got databases in place. We could add a premise ID to that very simply, plus the group and lot identification issue is what we have. That would be as far as what we have looked at at this point. Whether or not we would ever change that vision, that is up to producers, but right now what we have works.

Ms. LUTTROPP. If I may add to that. Keep in mind, when we are looking at a national animal ID system, it is only four key pieces of data we are looking for, a date, a premises ID, an animal ID, and event, what happened. If that is what we are looking at feeding into a national system, I don't think that is asking very much, and I think all of us, it wouldn't add a lot of burden to simply share those four key pieces of data to a national system.

Mr. OSBORNE. Go ahead, Mr. Logan.

Mr. LOGAN. I would like to suggest that, for many animals, it may include those four pieces of information multiplied by the number of premises on which that animal may have resided over the course of the years. That may be many premises.

Mr. OSBORNE. OK, thank you.

Mr. RYBOLT. As I mentioned earlier, I think that the Turkey Federation, because the industry actually has an identification program that works currently to meet the requirements of the animal identification system, I don't see a need for us to reinvent the wheel, as you stated. I think that the system that is in place now is effective.

Mr. OSBORNE. OK. Do you feel that it would, with what you are doing currently, would be some what similar to what the National Cattlemen are proposing?

Mr. RYBOLT. I haven't evaluated the National Cattlemen's program, the reason being is that the system does work, that we see no need, and we are not opposed to coming under an umbrella program, but so far we are kind of set back because the system works as is.

Mr. OSBORNE. And, Mr. Stallman, do you have anything you want to add to this discussion?

Mr. STALLMAN. Well, I think the views that are presented by the panel indicate the amount of effort it will take for the industry to get together and figure out how to come up with a common accessible database, in this instance, on animal movement. I mean, that is really what we are talking about doing; limited amount of data, but the key is, is to be able to have it in accessible form that can be readily queried and then can move forward with trying to traceback any events that APHIS may need to.

Mr. OSBORNE. OK. I have another question. You mentioned date, and I think USDA at one time had said that it will not be until

about 2009 that they feel that they could really have a comprehensive program in place, which seems a little lengthy and a little risky to me, if something would happen in the intervening 4 years. What do you feel about that? Do you feel that 2009 is a long time, and do you feel that this could be done? Obviously, some of you have already got plans or programs in place. Do you think that a comprehensive national ID program could be done much more quickly than that? And anybody who wants to comment, it would be fine as far as I am concerned.

Mr. STALLMAN. Given the risk we face in being able to trace back with respect to our markets, our national markets, and also the potential for a bioterrorism event of some magnitude that would affect animals, 2009 seems like a long time. We probably need that capability sooner rather than later.

Ms. PHILIPPI. One of the reasons our producers have supported mandatory and a shorter deadline is that we don't want to wait until 2009. We believe our industry can accomplish this. We think, as long as we keep a species-specific view on this, that we can move those deadlines up. For our industry, we have real threats right here on the continent with us. And with classical swine fever of Mexico, to wait until 2009, it could definitely be a threat to our industry that we don't want to have, and that is why we have set our deadlines for 2007 and 2008.

Mr. LOGAN. Yes, Representative Osborne, we agree that both, it needs to be a mandatory, a program needs to be accelerated if any meaningful food security benefit is to be derived. We do believe that that can happen; that the variety of technologies that have been represented here today can all be acquiesced; distill down the data and deliver it to that universal system that already exists in terms of the database capability and the nationwide infrastructure in the Farm Service Agency.

Mr. OSBORNE. Go ahead.

Mr. STOTT. Well, I would mirror the comments, in that it needs to be accelerated by the fact that we are going to have it live on January 1 and rolling forward. The risk and the problem and the issue is the infrastructure, the cost to producers, making sure that there are drivers that are there hopefully in the marketplace that will incentivize those folks. We have got, Mr. Case has a great group of cattlemen in Hawaii, called the Maui Cattle Company, that has shown and proven that there is incentives to have source verification and premise management and all those things in place. And so putting a national system in place will help move that process forward in a very quick manner.

Mr. OSBORNE. Thank you, Mr. Chairman.

Mr. HAYES. We are joined by our colleague, Virginia Foxx, from North Carolina. Ms. Foxx, you have the floor and may interrogate the panel.

Ms. FOXX. Thank you, Mr. Chairman. My understanding is, we are going to have conference in about 5 minutes, and so I came as quickly as I could, but I know I am going to have to leave again. So I will defer it.

Mr. HAYES. All right. Ed, do you have any other questions or comments at the moment? I spring it on you, but Ed and I were talking a minute ago, the issue of FOIA has not been determined

one way or the other. I think it is safer on the private side now than it is on the public side, but we don't know that. So Ed and I are going to get our heads together and talk with the chairman and Pam and Ann and see if there is some legislation that won't draw fire and attention from a whole host of other areas; if we can keep this specific to animal ID and see if there is something we can put out there again to help clarify this as we go forward. Ed?

Mr. CASE. Thank you, Mr. Chairman. No, you said what I wanted to say. I would also, just on behalf of our colleague, Ms. Herseth, who is in a Resources markup, asked for leave for her to be able to insert questions and comments into the record.

Mr. HAYES. Absolutely. Have you got any you want to ask for? It looks like we have endured to the end. I want you all to think about them, and go back down the line in reverse order and give each one of you a minute, as we did in California, I thought it worked pretty well, anything you might have missed or a takeaway you want to leave with the panel, and then you can ask us questions, if you like. Bob, do you want to go first?

Mr. STALLMAN. Well, thank you, Mr. Chairman. I think I want to just get back to what you just mentioned about confidentiality. That is probably the number one concern of our producers, and I think there is a big legal question about even being able to protect that in a private entity without some specific new legislation. And so I think that is something that definitely needs to be looked at. I am not an attorney. Our in-house legal counsel has raised questions in that regard, so I think that is one area.

And then the cost area, the cost estimates are kind of all over the map right now and I think we don't know what that is, but once again, just have an equitable sharing of those costs as we move forward.

Mr. HAYES. If I could interrupt you for just a minute, Ms. Herseth has returned. And we have already allowed you to submit your questions, but if you, would you like to—

Ms. HERSETH. I was hoping Mr. Osborne would talk longer.

Mr. HAYES. Which I could hand them to you, but he didn't. What we are doing now is, I have asked the panel to go back the other direction and in a minute sum up anything they might have forgotten or takeaways that they want to give us. And when we get to the end of the line, you will be ready and you can ask yours.

Ms. HERSETH. Well, I will submit. Just to inquire, Mr. Chairman, if there were other questions posed by colleagues on the committee asking the panelists to comment on their thoughts on one centralized database versus different groups, representing and working with different species, maintaining separate databases that are certified by the USDA. Was that line of questioning pursued by other members of the committee?

Mr. HAYES. It has been and we have talked about it in different forms. But if you have got a specific, you are more than welcome to ask it. At this point, the database is going to be specified by the Department in terms of the safety issues they required. What I hope is going to come out of all of this is, the producers who see value added can add to their level of participation to increase the price and the value of their products. So again, we want standards for export protection and all that, but I see this is as a way. And

the reason I say that, I was in Wisconsin recently and in fact, where we stayed, we got pork from Minnesota, and this is the only place in the United States that could buy that pork, but the rest of it is going to Japan and they were getting a huge premium because of the fairness things that they were doing during production. And those are the kinds of potential things that I want to have available for our producers that want to do it. So anyway, sorry for the long—

Ms. HERSETH. Well, I appreciate that. I worked with committee staff on the questions that I was going to ask, and if there are any lines of questioning that weren't pursued, I will submit it for the record. And I have a good enough working relationship, I think, with all these folks and their representatives in South Dakota to follow up with them and to visit with more with you and the ranking member. Thank you.

Mr. HAYES. Now, you are a lawyer, right? Yes.

Ms. HERSETH. I take the fifth.

Mr. HAYES. OK. The reason I mention that, not to bring up anything unpleasant, but the chairman and I have been, the ranking member and I have been talking about, as a result of this, we are going to explore legally what we can do possibly with legislation, keep it specific to animal ID, whether we can answer the FOIA question with legislation. So since you are our resident lawyer, we will pro bono ask you for your advice.

Mr. CASE. I am also a lawyer, Mr. Chairman.

Mr. HAYES. Oh my gosh, we are surrounded by them.

Mr. Stott.

Mr. STOTT. The confidentiality is certainly a concern. The cost is probably a bigger concern. There is a huge amount of infrastructure that has to be put in place here. USDA and the Government can certainly help in education and helping support and drive that cost. I think the market will do a tremendous effort in moving this thing forward in a very rapid manner. And it will give opportunities. In my experience, you find that producers, in implementation of any system, you have about a third of the people that will jump on it because they are innovators. A third of the people will show up and want to do it because their neighbor just did it and they made some money at it. And the other third won't do it under any circumstance, and those guys will be either forced by the marketplace or by regulation. And so we need to allow that to happen in the natural course of business in the industry.

I think, as far as a single database goes, the cost of data storage, particularly into the point, on my far right, there are four pieces of data, and even if you have five or six premises that you have to record, the cost of recording data and storing data is so small and insignificant that perhaps the cost and the value for the USDA in having one source of information far outweighs that relatively small amount of cost of data storage. Thank you, Mr. Chairman.

Mr. HAYES. Thank you. Joy?

Ms. PHILIPPI. Well, I think one thing that we would like to keep in mind as we talk about this, is that the NAIS system does set just the baseline for animal health issues. And when we talk about adding more points of data, we are talking about putting that into a market-driven system, and that isn't what NAIS is all about. Our

producers, when it comes to that issue of confidentiality, trust what we do today. And if we only have to submit the points of data that are asked for, they will do that. If we get into the situation that we have to have expanded pieces of data for a market-driven system, then it would be a totally different situation. That is why we still are going to support our publicly funded idea with the pseudorabies database.

Mr. HAYES. Mr. Rybolt?

Mr. RYBOLT. I think the questions that were asked here today reiterate some of the concerns that the commercial turkey industry have with a centralized system, the cost, confidentiality, fraud, et cetera, et cetera. Some of the subcommittee have asked questions here today that exactly pointed to the reason that we feel that the system that we have in place now works effectively.

As Joy mentioned, the system that is in place for NAIS is intended for public health and animal health. Currently, even in your State, sir, the North Carolina, the State veterinarian, Dr. Marshall, has a system that is in place now that works very effectively in the event of an animal health emergency. He is able to quickly determine where he needs to go, who he needs to call. He can call one of our producers who can immediately find out relatively quickly, short amount of time, find out what birds were they, where they are now and what all the birds may have been exposed to. He can go back to his system that he has and with his GPIS and all the other technologies that he is using, can actually identify what farms may be exposed or whatnot, but that, some of the concerns in the system works for the turkey industry.

Mr. HAYES. And he was here the other day and demonstrated graphically and with maps and other things how quickly you could identify them and isolate by distances all the information you need.

Mr. RYBOLT. He does have a very extensive system.

Mr. HAYES. Mr. Logan, you are the only one here with questions. We are glad we got them all answered for you today and you are fully on board.

Mr. LOGAN. Thank you, Mr. Chairman. I would simply like to add that independent livestock producers across this Nation that don't happen to be involved in the integrated livestock networks that have been so well represented here today have great concerns about the confidentiality of a privately held network and they have actually concerns that their needs for confidentiality may not be respected by a private network, so I certainly acknowledge and give you, Mr. Chairman, accolade for your intention to move forward on the FOIA issue and establishing some legislation that will immunize either a private or a publicly held system in this regard and make certain that its security is upheld.

Mr. HAYES. Very good point and to that issue, if you look at the things that go on in this town and because of FOIA and the high level of interest that members of the press have, that is why we really fear, at this point, having it in the Government. Now, we are not saying, I have to defer it to my lawyer over here, if necessary, that the private sector is absolutely infallible, but those are some of the determinations that we want to make and for now, like you say, for over there, but that is why we had that discussion and again, we would welcome and encourage you all to bring forth any

ideas you might have as we look at putting a piece of legislation out there, try and clarify and to codify and to protect confidentiality.

Mr. LOGAN. Yes, sir. Mr. Chairman, if I can only add that I believe ranking member Peterson, on the large committee, has introduced a piece of legislation that does precisely that. We have already supported that piece of legislation.

Mr. HAYES. Well, he is a fine representative. He is a good guy. But again, we will look at that. We have some question about whether that gets the job done, but that is very, very important to all of us that we figure out how to get it done and get it done. Ms. Luttrupp.

Ms. LUTTROPP. In dairy, and I will speak here more specifically for our members. I think we are somewhat past the cost and confidentiality concerns. I think we are able to accept that we will pay for the tags. We realize ID is going to be a part of doing business every day and into the future. The No. 1 question I get out in the country, talking to farmers from coast to coast or whether I am at the home farm in Wisconsin, is what do I need to do? They are really out crying for standards and guidelines and I think that is a role that you and USDA can help us with. We need mandatory national animal ID to protect our Nation's livestock sooner rather than later.

Mr. HAYES. Great point and I remember talking to a fine young farmer out in California in August and he was talking about mandatory and I convinced him, just like I did Mr. Logan, that was a bad idea and told him what we were doing with the animal ID and just so that you don't misunderstand my intention, we all agree that animal ID is good for the industry. If USDA can't do it until 2009, whatever the reason is, then mandatory ID that doesn't exist is worthless. So now, let us bring everybody that is willing and able and has assets to bring to the table, let us bring them in here.

Then at the point where USDA is ready and hopefully it is sooner rather than later, that we have got enthusiastic supporters as we learn from Canada and from Australia on board and at that point, we have a small number, relatively small percentage of folks, that at that point say we didn't want to do it to you, but you didn't do it to yourself, so here we go. A couple of quick questions. Do you still have any more questions? Well, a couple of quick ones. Mr. Stallman and Mr. Logan. Just out of curiosity, a lot of our individual organizations representing segments of the livestock industry have a system and we welcome anybody to come on board. Have your two organizations thought about coming up with a system of your own at this point?

Mr. STALLMAN. We actually had an internal discussion in that regard and decided that that probably wasn't one of our core competencies, was to try to come up with a system, ourselves. But we certainly want to work with the industry in developing one that will meet the goals and principles that we have outlined for our producer members.

Mr. HAYES. Great.

Mr. LOGAN. We have had contributed to USDA's development, species development and we were kind of dismayed that USDA decided not to accept the recommendations and frankly we are sup-

portive of a uniform system, a database, deposition at the end of the day and we understand that there is a great deal of liability in terms of the various species and we don't think there is any single way to identify an animal, but we think that there is a good single way to maintain that database.

Mr. HAYES. I agree. It is, again, the basic data. All of you will talk together as we move forward with this. Ms. Luttropp, last year you were here and there were 1.3 million animals in your database, now you have got 2.3 million. What do you attribute the success and this great participation that you have and what can you share with others about that?

Ms. LUTTROPP. I think it is an overall producer acceptance of National Animal ID, as I discussed before. We have been able to weave it into management and provide opportunities rather than burdens with animal ID, making it easy for them to comply. We have systems that are able to glean out of their home computer, home management systems that they use every day to manage their farm, we can glean out the key data that we need so it is little work and effort on their part.

Mr. HAYES. Great. And we thought you could do it better. How do you share your data with USDA and how do they access your database?

Ms. LUTTROPP. With the national system we have, it is a web-accessible system, and we have established rules of access, so there is a hierarchy of access for the producer. If you are a producer, you can access your information and your information only. If you are a State veterinarian, there is State veterinarian access. There is also Federal level access. And it is accessed only in times of animal health situations.

Mr. HAYES. And that works fine?

Ms. LUTTROPP. It has been working great.

Mr. HAYES. All right. Joy, specific examples, what type of data you currently report and what you don't have to report on your existing system?

Ms. PHILIPPI. Right now the information that is reported is information that is used in interstate and international commerce, which is information about the producer, back to a post office box at this time, and also information about the number of animals, just basic information, what they put into their recorded records at home. And you know, in typical systems, you are going to see a little, maybe four times, five times and we don't see any reason for all of that to be reported, but we record that because that is good management. We have to know where our animals are and we have to know what they might have been exposed to, et cetera and so on. So as to the reporting, the basic information is all that we have to send in at this time and that is what was used with pseudorabies, as well.

Mr. HAYES. If USDA wants data from your database, how do they get it?

Ms. PHILIPPI. All they would have to do, at this point in time, if they have a way that they have tracked, it would be pretty much like the pseudorabies tests like that, all they have to do is call me up and I would give it to them, because it is in my records and ani-

mal health is first and we definitely would be able to do that and want to do that.

Mr. HAYES. No problems?

Ms. PHILIPPI. No problem.

Mr. HAYES. Great. I was going to ask Mr. Rybolt about the turkey industry program. I think you pretty well covered that. State-based system. One company run the program on the turkeys? Is it a State-based system for the turkey producers now?

Mr. RYBOLT. No, the system that is in place is at the company level right now, that we have each company maintains the bird identification or the flock identification from beginning to end.

Mr. HAYES. OK.

Mr. RYBOLT. And they share that information openly and freely.

Mr. HAYES. And how does the Department access information they need from you?

Mr. RYBOLT. The companies are willing to share any information they need in the event of an animal health emergency. They have done that now in the Shenandoah Valley during the avian influenza outbreak. They also do that in various other states when the need arises.

Mr. HAYES. OK. And that is working well?

Mr. RYBOLT. To my knowledge, we haven't had a problem.

Mr. HAYES. OK. I want to commend the National Cattlemen Beef Association for their proactive promptness. Do you envision keeping certain fields of producer information on a USDA control database or keeping all the data in your private database and allowing USDA access to it, Rick?

Mr. STOTT. We are keeping it in a database and allowing them to have access. The security levels are easily defined. You can allow them to have access as they need.

Mr. HAYES. You think it is safer there, under today's condition, then it would be up here?

Mr. STOTT. Absolutely. I mean, you run into confidentiality issues, you run into all kinds of issues, so we need to do it that way.

Mr. HAYES. Well, it is really neat in this town that USDA would be willing to entertain letting somebody else other than them do it, so I appreciate——

Mr. STOTT. Yes.

Mr. HAYES. Last question. Bob, you expressed support of an advisory board to regulate the animal ID system. How do you recommend that this board might be appointed and what authority would it have, and this sort of relates directly to Steve King. He has some legislation that incorporates that and I told him that I thought it would be really good to talk with all of you and see if what he was thinking about fit into that, so if you would comment on that, Bob.

Mr. STALLMAN. The advisory board fits in exactly with what we are talking about, kind of a broad based group that could, I don't want to say oversight. That is Congress' role in the Federal system. It would be an oversight role, if it was a private entity and you just need, I think, to have some, a group there that is there to provide that industry input that is necessary to have all the kinks, there will be kinks in the system. There will be things that will occur

that they will have to figure out how to handle that weren't thought of before. There will be changes in technology, there will be changes in the production systems over time and so you just need that advisory board there to be sure that the system continues to work and meet the goals that you have put it in place for.

Mr. HAYES. Sounds good. Keep working together. Ms. Herseth.

Ms. HERSETH. Well, thank you, Mr. Chairman. As I mentioned before, I will submit some other questions for the record, but just to pursue a little bit more along your line here, I want to understand and make sure, from all of you that have been very involved in this issue in the different species that you are familiar with and as farmer member organizations, are there any other concerns now from the producer perspective, producer only, are there any other concerns in addition to cost, confidentiality, liability and duplication that you are aware of from the producer perspective?

Mr. STALLMAN. The only one I would add to that is information education. There has to be an effort to sort of get out to that grass roots producer level, I think, and provide some information and education and how that could be done, I think, is a question. I think it can be done. I just think we have to think about that as another component of things to do on the list.

Ms. HERSETH. Good point. Thank you. Any other thoughts there?

Mr. STOTT. I think when you are talking about the cattle industry, we have over a million producers that are producing and 80 percent of the cattle in the industry come from producers that have less than 35 head in their herd. How do you consolidate that and how do you educate those folks and that is a big concern. We have spoken to well over 3,000 people and I remember I gave a presentation about animal ID and there was a guy who was probably 75 years old in the front row and at the end of the presentation, he raised his hand and says does this mean that I am going to have to learn how to turn on my computer? And there is a fear out there that what we are talking about is going to be so burdensome and they are going to have to know technology, that that education of how to get the new ways, the system we are proposing has a lot of ways to bring that system, that information into the system that is not necessarily computer based and they can fill out a form and voice recognition and all kinds of neat things, but getting that word out is really going to be critically important.

Ms. HERSETH. Any other thoughts here along this same line?

Ms. PHILIPPI. I think what I would add to the comments that have been made is that we have already stepped up our efforts to educate the producers. We have had producers bring up just the same issues that you have, that, I think the number one issue for us is still it is going to take too long to implement the program that we have seen spelled out at this time by USDA. That is why we want to go ahead, build on what we do today and let us get it done sooner. That is a huge issue for our producers.

Mr. LOGAN. I would simply like to contribute that this Nation's livestock industry has been historically built on the basis of independent producers and we want to make certain that those independent producers that don't happen to be associated with the integrated system at this point continue to have market access, continue to have their interests guarded and safeguarded. We also

want to make certain that with regard to the trade issue, that our international trading competitors are subject to the same cost schedules that we are. If costs are imposed on U.S. producers, we want to assure that that doesn't put them on a dis-favorable trade status with regard to our international competitors.

Ms. HERSETH. Thank you. And just one more question, if I might. That was all very helpful and Mr. Logan, I appreciate you got at a little bit of my concern here on market access issues, but let me go back to a point that you made, Mr. Stott, on technology because I think we have to be cautious going forward, however this moves forward on cost, as it relates to producer buying. And it is not just cost in the initial stage, but as technology continues to develop, what would that mean in terms of cost to producers, because if I can just make an analogy that some of you may not think is very apt, and I haven't thought through it fully yet, but it is a concern.

Just like we see in the prescription drug industry, they come out with a new drug and then the patent runs out, so they make a minor adjustment to extend the patent or there is a generic that is available or there is a new drug but yet no information available in the marketplace and the need for transparency to determine how the new drug performs compared to what was already on the market. We need to keep in mind that as technology improves and you can add more information or it is easier to track, but the initial technology that forms the basis and foundation of this system is adequate and continues to be adequate, that if the independent producer, in particular, doesn't want or cannot financially bear the costs of integrating the newer technology, but the current technology he or she is utilizing is sufficient, that we keep that cost component in mind for the importance of our independent producers across the country.

If you care to comment on that point, that would be fine, but I know that in the essence of time, I would just yield back to the chairman, even though I don't have any time remaining to yield back.

Mr. HAYES. Turning back to constituents, we really get along around here. We work together. We welcome anybody who would like to comment. It certainly, that is a crucial issue we saw in the poultry industry years ago, the technology changes and new types of houses and all that. Does anybody have a comment? I think it is a great point and we need to work hard to make sure somebody doesn't get left holding the old bag.

Mr. STOTT. I think, just an example, the ID tags that are commonly used for individual animals have dropped from about \$50 per tag about 10, 15 years ago to about \$2 a tag today. So the technology continues to improve, efficiencies continue to improve. Who knows what is going to be coming down the pike as far as identification? It may be a chip, it may be a who knows what, potentially. And with an industry driven system, they can evolve to accept and all we are doing is capturing a premise number, an ID number and the date and time, and so that can be captured in a lot of different ways and if you are allowed to evolve and change, certainly the Government can't regulate fast enough to keep up with technology, that is why the industry solution is really a terrific opportunity. The other part of it, too, is to learn the way Con-

gress works and as long as you can trace back animals using group ID or individual animal ID, then it should be allowed. It reduces the costs for producers and I can talk a little bit about that, but we don't have time.

Ms. PHILIPPI. I think one thing we need to keep in mind, Mr. Chairman, is that we have all kinds of technology differences right now and it is never going to be one size fits all, and so the one thing that we believe in is let us make this thing a workable program, specie specific and technology neutral at this point.

Mr. LOGAN. Yes, Mr. Chairman, USDA originally came out with a technology neutral orientation. We believe that that is absolutely true, that the base line criterion are identification of the animal, time, date of birth, premise and those things by any means necessary or available. If that data can be supplied to the central data base, that should be sufficient and no specific technology should ever be used as access to the marking system.

Mr. HAYES. All right, since we have consensus and without objection, the record of today's hearing will remain open for 10 days to receive additional material, supplemental written responses from witnesses to any question posed by a member or other panel or the panel direct. And again, thank you all sincerely for your efforts, for your energy, for the way you represent your constituents. We appreciate you being here. I hope that you found this to be productive, and the Subcommittee on Livestock and Horticulture is adjourned.

[Whereupon, at 3:23 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF JOE LOGAN

Thank you, Chairman Hayes and Ranking Member Case for holding this hearing and providing me the opportunity to testify before your subcommittee concerning the development and implementation of a National Animal Identification System (NAIS). My name is Joe Logan; I am president of the Ohio Farmers Union and here today to testify on behalf of the National Farmers Union (NFU). I am a fifth-generation family farmer from northern Ohio, growing row crops, grazing cattle, producing maple syrup and wine grapes. National Farmers Union is a general farm organization representing 250,000 members nationwide, including beef, pork, dairy and poultry producers.

The development and control of a NAIS is a big concern to our members, who fear they will be held financially responsible and legally liable for a system that may or may not achieve the goals of a 48-hour trace-back capability. The current state of the NAIS could best be described as a mandatory-voluntary system, which results in nothing more than an unfunded mandate for livestock producers. U.S. producers have no assurance that their foreign competitors will have the additional burden and expense of complying with an animal identification system in their country. We live in a competitive, global market where price determines market share. American producers are required to comply with strict labor, environmental and other production regulations, which drive up the cost of producing their commodities. Too often, our global competitors do not have to adhere to similar standards; a NAIS could simply be another example of increased production cost for U.S. livestock producers, with a potential loss of market share and no economic benefit.

National Farmers Union policy calls for a national animal identification system that:

- Is funded and controlled by the Federal Government;
- Mitigates producer liability;
- Limits producer information accessibility;
- Is coupled with the mandatory country-of-origin labeling law; and
- Is only accessed during times of animal disease or bioterrorism outbreaks.

The August 30, 2005, announcement by the U.S. Department of Agriculture (USDA), allowing private entities to collect and maintain producer information for a NAIS was a great disappointment to NFU members. It is our hope that Congress will intervene to ensure a NAIS is not just another program that American livestock producers will find themselves footing the bill for the benefit of processors and retailers. Establishment of a national identification program may have been a good idea when former Homeland Security Secretary Tom Ridge proposed the idea months ago, but USDA is headed in the wrong direction.

Establishing a NAIS is necessary to protect our Nation's food supply from naturally occurring disease outbreaks or deliberate attacks on our food system. However, in order for the program to work, it must be a mandatory system that is funded and controlled entirely by the Federal Government. The concerns our membership has with allowing a privately managed database system include:

- Forces producers to bear the financial burden, which they cannot afford;
- Creation of a revenue source for entities seeking to make a profit;
- Includes no legal or regulatory oversight to prohibit divulging confidential producer information;
- Includes no legal or regulatory oversight to mitigate producer liability;
- Creation of opportunities for packers and processors to condition the purchase of livestock upon participation in an unprotected NAIS;
- Assumes coordination among a complex web of data with no guarantees of success; and
- Assumes all sectors of livestock industry will agree upon development and maintenance of a single entity to represent each species interest.

The August 30 USDA announcement handed producers an unaffordable financial burden of implementing and maintaining a database. The current situation in rural America warrants the attention of Congress and the administration due to circumstances out of the control of agricultural producers. Soaring energy input costs, all types of weather-related disasters and rapidly declining commodity prices are jeopardizing the future of the American food production system. Unlike other sectors of the economy, agricultural producers cannot pass their higher operating costs forward; therefore, we believe it is appropriate that Federal taxpayers assist our sector in bearing any increased operating expenses associated with the NAIS.

USDA has yet to answer the basic questions of how much a privately controlled database will cost and where the money will come from. Given the economic significance and vulnerability of the U.S. livestock industry, and to the extent such a program is viewed in the national interest, NFU believes it is appropriate for the Federal Government to bear a substantial portion of both the development costs as well as those associated with the day-to-day management of the program.

National Farmers Union believes the development and operation of a NAIS should not be a revenue source for entities seeking to make a profit. Private control of producer information creates an inherent risk to producers that private and/or proprietary information could be divulged in a manner that could be detrimental to producers. Permitting private entities to collect and control animal movement information jeopardizes producer participation during the voluntary stage, places the financial burden on producers, does nothing to resolve producer confidentiality concerns, and creates a risk that information necessary for quick trace-back will be delayed.

Congressional intervention is needed given the current consolidated livestock market structure and potential economic harm that could be done to independent producers by a privately held database. There is great concern across the countryside that packers and processors will condition their purchase of cattle from independent producers on producers' participation in the voluntary NAIS program. With no legal or regulatory limitations on who has access to the database, packer and processor access to producer information would be detrimental for producers, firms and the marketplace.

USDA officials have stated that private control of the NAIS database does not resolve confidentiality issues such as a Freedom of Information Act (FOIA) exemption and there will be no producer participation mandate until those confidentiality issues are worked out. NFU has been working with Ranking Member Peterson and other commodity groups to develop legislation that would resolve this issue; however, Congress has not acted on the legislation introduced by Representative Peterson that would exempt information collected via the NAIS to be exempt from the FOIA. We strongly urge this subcommittee to encourage immediate action of the full committee and Congress to address these very real concerns.

Establishing and maintaining a NAIS is surely to be a complex task, and USDA has assumed that someone will coordinate the web of private and Government data and know how the system works in the case of a disease outbreak. Multiple data-

base sites controlled by multiple entities will no doubt slow the efforts to put the NAIS into action during a disease outbreak. Without real-time access to all of the data collected under NAIS, USDA will not be able to execute its mission and stated goals of the program. The United States Government does not have the best track record in coordinating in a crisis. The recent devastation of the Gulf States due to Hurricane Katrina is a clear example of the Federal Government's failure to coordinate communication among first responders, which the Department of Homeland Security has been working on for the past four years, following the tragic events of September 11, 2001.

One idea that should be carefully considered is having the USDA's Farm Service Agency (FSA) take the lead role and responsibility in collecting and housing all confidential producer data and information. The FSA currently retains sensitive information about individual producers, has offices in most counties across the country, and has the experience in dealing with producers. The National Association of FSA County Office Employees has stated its readiness to be part of an alliance that ensures a secure, efficient and cost-effective NAIS by utilizing the strengths and capabilities already within the agency. FSA has the positive track record with producers, is currently on the ground with a local presence today and maintains 90–95 percent of all producer information in its database. Instead of cutting jobs, closing offices and disrupting the multiples services FSA provides to our rural communities, as the administration has recently proposed, we believe we should utilize FSA's expertise in administering the NAIS.

A comprehensive educational and outreach communications component is critical to the success of the program in order to educate producers of their role and responsibilities. The committee recently heard from representatives of the Australian and Canadian animal identification programs and their reliance on open communications with producers to ensure success of their respective identification programs. It is difficult to ask livestock producers and others in the industry to blindly pay the tab for a database strategy, which they had no part in developing. Hosting a public forum on October 12, in Kansas City, MO and expecting all livestock industry players to agree upon an already established private strategy is simply short-sighted and unrealistic on the part of USDA.

In conclusion, National Farmers Union believes USDA has taken a step in the wrong direction by allowing private entities control over the NAIS. It is our hope that further producer input and immediate congressional action will prevent this program from being hijacked by profit-seeking entities. I thank the subcommittee for this opportunity and look forward to answering any questions.

ANSWERS TO SUBMITTED QUESTIONS

Representative Peterson Questions

Do you support mandatory animal identification? Explain.

Establishing a NAIS is necessary to protect our Nation's food supply from naturally occurring disease outbreaks or deliberate attacks on our food system. In order for the program to work, it must be a mandatory system that is funded and controlled entirely by the Federal Government.

Do you support real-time identification information access for USDA? Explain.

Without real-time access to all of the data collected under NAIS, USDA will not be able to execute its mission and stated goals of the program. We do not believe it is realistic to expect USDA to be able to complete a 48-hour trace-back in light of an animal disease outbreak if they have to contact up to 50 or more private database systems to gain access to information. Multiple database sites controlled by multiple entities will no doubt slow the efforts to put NAIS into action during a disease outbreak.

Representative King Questions

How would a voluntary program compel participation to 100 percent participation?

Part of the definition of voluntary includes the phrase, "not forced or compelled". Given the independent nature of livestock producers and the overwhelming number of producer concerns surrounding a NAIS, it is difficult to expect 100 percent participation under a voluntary program.

Is a producer-driven independent entity structured under Federal guidelines a public or private system?

That would be a private system. It is important to include producer input and involvement in the development and maintenance of a NAIS, however allowing private entities control over any portion of the system should not be allowed.

Do you support a system that is operated by producers?

Producer input and involvement in the development of a NAIS is vital. However, the varying interests between independent producers and others involved in the industry are vast. At this point it is not at all clear unanimity can be achieved in adopting one single system to serve the needs of everyone. It is important that all interests are respected, but there must be a mediator and NFU believes that role must be fulfilled by the Federal Government.

Do you support Federal funds to establish infrastructure and user fees to operate a producer run system?

National Farmers Union supports Federal funds to establish the NAIS infrastructure and operate the system. The intent of the system is to protect our livestock herds and the American public from animal disease outbreaks or attacks. Every American will be a beneficiary, and therefore we believe the Federal Government should absorb the financial burden associated with all aspects of the system. We believe this cost would be minimal if existing infrastructure is utilized with existing database systems and management.

Do you believe that a private system would be immune to confidentiality and litigation concerns?

No. Both USDA officials and members of Congress have already stated that a privately held database system will not be immune to confidentiality and litigation concerns. These two issues along with the anticipated cost of the system are the largest looming questions and concerns held by producers across the country. A private system does not guarantee that producer information will not be sold to the highest bidder. With no legal or regulatory control over the system producers would be left completely exposed to potential predators.

Is a privately held database safer from a confidentiality perspective than a quasi-government database with statutory protection from FOIA?

A privately held database offers no safeguards, legal or regulatory, to protect producer information. A database fully controlled and funded by the Federal Government that includes statutory protection from FOIA and other statutory safeguards such as producer liability would ensure producer information is safe.

Do you believe that packers will voluntarily mandate livestock identification as a condition to sale?

Unfortunately, yes. Vertical integration within the beef industry has resulted in packers controlling over 80 percent of the market. With overwhelming control over the market, packers are able to dictate to producers what conditions must be met as a condition of sale. Given the current structure of livestock markets, it is unrealistic to expect independent producers to succeed in the absence of protection from unfair competitive practices, including forced participation in a voluntary NAIS.

What do you like and/or dislike about the Livestock Opportunity and Marketing Opportunities Act, H.R. 3170? If you dislike portions of the legislation, how would you change it?

Any Livestock Identification Board must be operated and controlled by USDA. The role of the board should be one of consult and advisement.

Technology—Determination of official identification technology must be done on a competitive basis at the lowest possible cost. Current available technologies and the number of current species identification programs are vast. The legislation includes no protocol in establishing the “official ID technology”.

Fees—The power of the board to prescribe and collect fees is too broad. The lack of language identifying whom the board would assign fees to and in what amount is concerning.

Voting members—Producers should be allowed to have input on whom is represented on the board. Allowing the Secretary in “consultation” with Congress is not enough to ensure independent producer’s will have a voice at the table.

Premise identification—The proposed language does not take into consideration the work that has taken place thus far with premise identification across the country. Will the board require producers to reenroll their premises under the guidelines of the board? Release of information—section 7 (c)(2) is unclear and does not provide a set of guidelines under which the board could determine release of information. The release of producer information to the Attorney General, Secretary of Homeland Security or foreign governments does not fit the intentions of the system, which is

to identify and contain animal disease outbreaks for purposes of containment. The definition of a “criminal act” is unclear; the definition of “purpose of national security” is unclear, as is releasing information to foreign governments.

STATEMENT OF MICHAEL L. RYBOLT

Good afternoon Chairman Hayes, Representative Case, members of the Subcommittee. My name is Michael Rybolt, and I am the manager of scientific and technical affairs for the National Turkey Federation. I also have served this year as chairman of the Poultry Working Group for the National Animal Identification System (NAIS). NTF believes a national system for animal identification, if implemented properly, can be a significant tool for protecting animal and public health, and we appreciate the opportunity to testify here today.

TURKEY INDUSTRY STRUCTURE AND EXISTING CAPABILITIES

To understand our approach to animal identification, it is important to understand the structure of the poultry industry today and the capacity for animal identification that already exists. The turkey industry this year will raise almost 270 million turkeys, which in turn will produce more than five billion pounds of ready to cook turkey meat. The industry will generate more than \$8 billion in sales.

Virtually all turkey in the United States is produced on a vertically integrated model. The processor owns the turkeys and contracts with individual family farmers to raise the birds. It also is an industry that operates on extremely tight margins. In a good year, a turkey might generate a two-cent per pound profit at wholesale. In order to maximize their chances of profitability, turkey processors long ago developed detailed systems of monitoring their turkeys’ progress from hatching to the processing plant. The system has been vital to measure the health and performance of individual flocks. This monitoring program also has proven to be a very advanced, reliable animal identification system.

Currently, U.S. turkey companies can trace the movement of every bird that enters its processing plant. If a turkey on a processing line is found to have a serious disease, the processor has the ability to determine the flock or even the hatchery of origin for the bird. Similarly, if a dangerous disease breaks in a turkey house, the processor has the ability to determine whether the turkey came to the house straight from the hatchery, whether it spent time on a brooder farm and where all the other turkeys from that hatching are located. Put simply, if a disease breaks in the turkey industry, our processors quickly can determine from a single sick bird what other turkeys are likely to have been exposed to the disease.

The value of our system has been proven in real-world situations. For example, when there was a widespread outbreak of low pathogenic avian influenza (LPAI) in the Shenandoah Valley during the winter and spring of 2002, industry veterinarians and live production managers were able to work closely with USDA’s Animal and Plant Health Inspection Service to determine the origins of the outbreak, which was traced to the live bird markets of the East Coast.

RELATIONSHIP WITH NATIONAL ANIMAL IDENTIFICATION SYSTEM

How, then, does the turkey industry’s program fit in with the National Animal Identification System? That was the question we set out to answer at the Poultry Working Group. While I am testifying solely on behalf of NTF and the turkey industry, our Poultry Working Group is comprised of leaders from the commercial turkey, chicken, duck, egg, goose, and breeder industries, as well as members that represent the noncommercial industries. We examined the tracking programs currently in place within the commercial industry, and it was clear that the programs in the commercial turkey industry were consistent with USDA’s initial vision for an animal ID program, and more specifically, they conform to the “four guiding principles” for the NAIS, as outlined in late August by Agriculture Secretary Mike Johanns.

(1) As we already have demonstrated, the turkey industry’s existing programs can track animals from point of origin to processing in 48 hours—often sooner—without creating a burden for producers and other stakeholders.

(2) Because the system already is developed, it has no impact at all on the size or role of the Government.

(3) The system already has evolved through numerous changes in technology, currently is utilizing sophisticated computer programs and undoubtedly will be adaptable to future technology.

(4) By its very nature, the existing system is a private one, but one that can be accessed quickly by all levels of Government should the need arise.

I would like to elaborate a little more fully on this last point. During a field hearing last August, this committee heard testimony from the North Carolina Department of Agriculture about its animal identification system and it was able to see how the State program worked seamlessly with the existing industry program. North Carolina is the Nation's second-largest turkey producing State, and almost every one of the Nation's top 10 turkey producing States has a similar program in place.

NAIS SHOULD COMPLIMENT, NOT DUPLICATE, INDUSTRY SYSTEM

The point of this is not to boast, nor is it to cast the turkey industry in a more favorable light than industries that may operate under different business models and thus have not yet developed such an extensive system. Our members are mindful that the turkey industry, at least in part, owes its existing advanced tracking programs to the very tenuous nature of the industry's profitability.

But, NTF does want to underscore that we have a program in place that is effective and that already meets Secretary Johanns' guiding principles and the broader goals of the NAIS. We stress this because some aspects of the secretary's August 30 still need to be clarified.

For example, the secretary spoke of a single public/private system that would maintain confidentiality of data yet be easily accessible by the Federal Government in the event of an animal health emergency. We are not clear yet exactly what USDA envisions by such a system. If it is something that is inexpensive and complements the existing capabilities and enhances those systems that might not yet be as advanced as those used in the poultry industry, then NTF likely would be supportive of such a system. But, if USDA is seeking the creation of a costly new system that would duplicate programs already in existence in the poultry industry, then NTF would have serious concerns and in fact might not be able to support such a system. The turkey industry already has a program that complies with the secretary's guiding principles. We have proven it works when dealing with both federal and State animal health agencies. The turkey industry should not be expected to pay large sums for a program whose main beneficiaries are industries that do not have extensive tracking capabilities at this time.

LIVE BIRD MARKETS MAY NEED DIFFERENT SYSTEM

NTF would like to make one final observation. When we discuss industry's tracking capabilities, we are speaking of the commercial turkey industry's tracking programs. We make no representations regarding the tracking capabilities of live bird markets or the farms that raise birds for them. These markets serve an important niche customer base in this country, but their needs may be different from those of the commercial industry. The Poultry Working Group has created a subcommittee, chaired by Gary Fuchs of Ideal Poultry Breeding Farms, to develop an appropriate identification program for these farms and markets. All of us in the working group will continue to do all we can to help them realize that goal.

Again, NTF appreciates the opportunity to testify here today. I look forward to answering any questions you may have.

**Answers to Written Questions
September 28, 2005, Hearing on Animal Identification
Subcommittee on Livestock and Horticulture**

*Submitted by Michael L. Rybolt
National Turkey Federation*

From Representative Collin Peterson

1. Do you support mandatory animal identification? Please explain.

The National Turkey Federation at this time does not believe mandatory animal identification is necessary. As noted in our testimony, the turkey industry already is in compliance with the guiding principles of an animal identification program, both as outlined by Agriculture Secretary Mike Johanns and as enumerated in most of the major animal identification bills that have been introduced. Because of the nature of our industry, our members can trace all flocks from the processing plant back to the farm and even the hatchery of origin within 48 hours or less, as is the standard outlined in the National Animal Identification System plan. They are utilizing state-of-the-art technology that will be adaptable to future technological advances, and our capability of interfacing with the many state identification programs already in existence indicates we will be able to rapidly provide USDA with all information it may require in the event of a disease outbreak or other emergency.

Obviously, a mandatory program is not necessary to ensure the turkey industry's participation. Our members already are participating. More importantly, none of the legislation we have reviewed to date takes into account the turkey industry's existing capabilities. This leaves our members very concerned that – however well intentioned – a mandatory identification program will force them to “reinvent the wheel” and render their existing programs at least partially obsolete.

2. Do you support real-time identification information access for USDA? Please explain.

NTF is unclear about how Congress would define of “real-time.” With regards to the commercial turkey industry, the current system in place within each establishment virtually ensures a “real-time” tracking. Because of the detailed information maintained by the establishments continuously, the industry would have no trouble providing the information to any governmental entity for which the information would be benefit in the animal health crisis.

From Representative Steve King

1. How would a voluntary program compel participation to 100-percent participation?

The turkey industry is vertically integrated and operates on a very tight profit margin. To maximize performance of our flocks and to comply with contractual obligations to their growers, turkey operators have developed a sophisticated, state-of-the-art tracking system that allows it to follow the progress of their flocks from the hatchery to the processing plant. Accordingly, the commercial turkey industry already has 100-percent participation in a program that meets all the criteria outlined by USDA and most of the major animal identification bills. Accordingly, NTF does not believe mandatory legislation is necessary with respect to the turkey industry. NTF also believes emerging market forces will compel other livestock producers to develop and participate in animal identification programs for their respective species.

2. Is a producer-driven independent entity structured under federal guidelines a public or private system?

NTF cannot say definitely without knowing the precise details of any given entity, but as a general rule, we believe it is possible to construct a program in a fashion that ensures it is a private system.

3. Do you support a system that is operated by producers?

With respect to the turkey industry, yes. NTF does not have policy with respect to the needs of other livestock groups.

4. Do you support federal funds to establish infrastructure and user fees to operate a producer-run system?

NTF members believe it would be appropriate for the federal government to invest in whatever umbrella program that is necessary to access the relevant data collected by the turkey industry's system and systems that other industry's may develop. Our members would not support the use of federal funds or user fees to pay for anything beyond such an umbrella program and would be strongly opposed to paying user fees to support any other industry's identification program.

5. Do you believe a private system would be immune to confidentiality and litigation concerns?

NTF believes the information held within the turkey industry's private system would be immune from confidentiality requests, and we strongly support a Freedom of Information Act exemption for any data gathered, accessed or retained by the federal government. We are uncertain what other types of litigation concerns might be applicable to the system the turkey industry operates. We believe a species-specific private systems to which the government has rapid access in emergencies is the best option.

6. Is a privately held database safer from a confidentiality perspective than a quasi-government database with statutory FOIA protection?

The previous answer covers this question as well.

7. Do you believe that packers will voluntarily mandate livestock identification as a condition to sale?

The turkey industry is vertically integrated and already has a system in place. NTF cannot answer for processors in other industries.

8. What do you like and/or dislike about the Livestock Opportunity and Marketing Opportunities Act, H.R. 3170? If you dislike portions of this legislation, how would you change it?

NTF's primary concern about H.R. 3170 is that it seems to be driven by concerns in the livestock – specifically, the beef cattle – community, yet it includes poultry as though we face the same challenges and are starting with similar capabilities. As we discussed in our oral testimony and in responses to other questions, the turkey industry already has a state-of-the-art, fully operational program that allows processors to track flocks from the hatchery through to the processing plant. The industry already has demonstrated that its system can interface with state animal identification programs. It also has shown how its system can quickly pinpoint and control animal disease outbreaks within the industry.

No matter how well crafted, it is difficult to imagine any mandatory animal identification program that would not wind up “re-inventing the wheel” and requiring our industry to needlessly duplicate systems it already has spent considerable time and expense developing. Creating a mandatory program for the turkey industry would result in an unnecessary government intrusion into industry operations and, essentially, an unwarranted tax on our members.

While it is not appropriate for NTF to comment on the specific needs of other industries, it certainly would appear that those industries currently without a working identification program are seeking to implement one as rapidly as possible and to ensure strong participation among its members. NTF would take no position on legislation directed solely at those industries that do not yet have a fully operational identification program, but as a general observation, our members believe the voluntary approach is on track and will be operational within the timelines specified by H.R. 3170.

STATEMENT OF JOY PHILIPPI

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

I am Joy Philippi, a pork producer from Bruning, Nebraska. I own and operate a 2,000 head nursery, which handles approximately 14,000 head of weaned pigs per year for our local producer network. I am here today to present the pork industry's position on a national animal identification system.

I would like to thank the Chairman for scheduling this subcommittee hearing on such an important issue. The urgency of implementing a national animal identification system continues to be critically important for livestock producers, animal health officials, and our consumers here and abroad. At a recent industry stakeholder meeting, the U.S. Pork Industry Business Continuity Conference, which included speakers from the United States Agriculture Department (USDA), animal identification was recognized as the number one factor for successful recovery from a food security threat, such as an intentional or accidental foreign animal disease outbreak.

The President has designated agriculture a critical infrastructure through the Homeland Security Policy Directive 9 (HSPD-9) and it can't be emphasized enough that food security is in the public interest, as well as the producers' interest. For example, a USDA agriculture economist speaking at our Pork Industry Business Continuity Conference estimated that if there were a Foot and Mouth Disease outbreak in the U.S., it would result in staggering economy-wide losses between 40 to 60 Billion dollars due to the destruction of animals and the loss of exports until our export markets reopen. Another noted swine economist has estimated that a business disruption would reduce exports by 12 percent, while blocked exports would drive prices down 60-70 percent. A disease such as Classical Swine Fever, just miles from our border, is a daily threat to the profitability and viability of our industry.

We believe that people familiar with the issue are coming to understand how important animal health is to protecting the economy and the food supply. We also believe that most Americans are willing to support the development of an affordable, accurate and sustainable mandatory national animal identification system in order to ensure animal health. Finally, we believe that in the interest of protecting animal health, the economy, and the food supply, enhancements to the current swine identification system are in the public interest and should be publicly funded.

The pork industry has had a functional, mandatory swine identification system in place since 1988. This system requires that all swine in interstate commerce be identified and records concerning these movements be reported to Federal and State databases (53 FR 40378, October 14, 1988). This requirement greatly facilitated the Pseudorabies Disease Eradication Program which was developed by producers, in cooperation with the States and the USDA.

The identification requirements used in the program have been accepted by producers, and the associated costs of identification and record-keeping are built into today's production systems. Over the years of the eradication programs countless animals have been traced back successfully, proving the effectiveness of the existing program. Swine producers are confident that by enhancing the current system by adopting the numbering formats as described by the national animal identification system and registering premises, the current system will achieve the 48-hour trace-back goal without adding additional costs and burdens on pork producers and processors.

In early 2004, I appeared before the House Agriculture Committee hearing in Houston, Texas, and gave the pork industry's position on developing a national animal identification system. At the time, I stated that the U.S. pork industry believed that a national animal identification system should be:

- a mandatory national program with uniform standards as described by the national animal identification system;
- a practical and effective tool for improving animal health management, including surveillance, assessment, response, and recovery to the intentional or unintentional introduction of foreign animal disease;
- a system capable of a 48-hour trace-back to the premises that had direct contact with a diseased animal or animals;
- inclusive of all relevant livestock species, as defined in the 2002 farm bill;
- part of a national critical infrastructure plan to protect the food and agriculture sector;

- a credible system to meet the demands of our international trading partners in a post-BSE world, this should include harmonization across North America, and finally;
- a system that must not impose additional costs on pork producers over the cost of the current mandatory system that the industry is using today.

At that time, when the national animal identification system effort was beginning in earnest, we thought that the national animal identification system database was going to be a USDA funded system.

In April 2005, the USDA published in the Federal Register, a draft program standards and strategic plan for the national animal identification system. Pork producers believe that without using the existing swine identification infrastructure, the timeline the USDA presented in its strategic plan would take too long to implement and be far too expensive for producers and processors. Producers also believe that there is too much of an additional reporting burden being placed on producers and processors.

In July 2005, the Pork Industry Identification Working Group (PIIWG) submitted the U.S. swine industry's consensus document outlining standards by which the swine industry intends to implement a national swine identification system. This working group is a broad-based group comprised of pork producers, breeding stock companies, data providers, livestock markets, processors, State and Federal animal health officials and academics. This group has been regularly meeting since January 2004. The swine industry's proposal focuses on adapting the existing Federal identification regulations used during the Pseudorabies Eradication Program as a model for a national swine identification system. These regulations can be found in 9CFR section 71.19, 9CFR section 161.3, 9CFR section 201.49 (a), and 9 CFR section 201.95. By law, States must comply with these Federal regulations for the identification of swine and market animals.

The pork industry's proposal is to add to these standards in order to comply with the national animal identification system numbering formats for premise identification, enhance individual animal identification and group/lot designations; retain data necessary for a 48-hour trace-back for animal health issues and to be accessible by State and Federal animal health officials. It also details how the industry would accomplish the task of identifying individual animals such as cull, breeding stock and show pigs.

Under our proposal, we will continue to report interstate and international movements using the existing systems of the Certificate of Veterinary Inspection (CVI) and the Interstate Movement Report (IMR), which have already been funded by State and Federal programs. We will continue to record all swine movements as a part of our normal business practice. We will register our premises and create our records using the USDA national animal identification system format. We will adopt individual animal numbers and group/lot identification numbers using the USDA national animal identification system format. Finally, as in the current system, movements directly to slaughter and intrastate movements would be included but not be reported by producers and processors.

Pork producers are comfortable with the current level of reporting and recording and we have already accepted the costs of this system. It has proved that it can meet the goals of rapid trace-back in most cases, and with some modifications it can be even more effective and efficient.

Mr. Chairman, and Members of the Subcommittee, the U.S. pork industry has developed and supported this species-specific approach because it takes an already existing, proven successful system rather than reinventing the wheel. The current mandatory swine identification system developed both public and private databases for both recording and reporting to meet the needs of disease eradication programs. Those databases were producer-driven in cooperation with the USDA, State departments of agriculture, and State veterinarians.

In August 2005, the USDA announced that they envision a system that requires all industry databases to feed a single, privately held animal-tracking repository that the Department could access. That announcement signaled that the USDA's thinking had changed. We believe that the USDA proposal now implies that the cost of this database will be primarily born by private industry. The pork industry supports an effective swine database, accessible by both Federal and State animal health officials, without producers having to pay additional costs over and above that which they already pay today.

Mr. Chairman and members of the Subcommittee, the pork industry believes that any national animal identification system for swine must build on the already successful industry-State-Federal animal health partnership that has been in place since 1988. Through that partnership pork producers have already invested in a na-

tional swine identification system that has met the needs of swine disease eradication and pork quality improvement programs.

Requiring the pork industry to participate in a private multi-species database would add additional costs. We are concerned about the cost of participating in a privately held multi-species database, and we would request the public funding necessary should the USDA direct this outcome. We are willing to work with the USDA to continue enhancing our swine identification system within the standards put forth by the national animal identification system, but without putting additional financial burden on pork producers or processors. We expect the Federal Government to fund whatever it sees as mandatory enhancements to our current system.

So, what do we see as the next steps for the U.S. pork industry? In 2005–06, we plan to step up to the challenge and work on the enhancement of our national swine identification system. This will involve a continuing partnership with the Animal and Plant Health Inspection Service (APHIS)—Veterinary Service to ensure a 48-hour trace back. A swine identification implementation task force made up of industry stakeholders and Government representation is the next step and has already been formed.

Additionally, the pork industry will educate producers about the importance of the identification program and strongly encourage them to proceed with premises registration. We will adopt the group/lot identification numbering format as proposed by the national animal identification system and implement the individual animal identification system for cull swine and show pigs as proposed by our identification working group. We will work to ensure that data is recorded in a manner compliant with the national animal identification system and that the data is available to State and Federal animal health officials.

What role do we see the USDA playing in the development of an industry-led national swine identification system? We believe that the USDA should:

- work with individual species groups to implement species-specific plans within the national animal identification system;
- monitor compliance; and
- work with the pork industry to identify needed enhancements to the current system.
- What role do we want Congress to play in the development of the national swine identification system?
 - provide funding and direction to the USDA to work with individual species groups to implement species-specific plans within the national animal identification system;
 - provide oversight so USDA ensures compliance with the national animal identification system;
 - provide funding to enhance the currently publicly funded database for swine where needed information and animal movements are already being reported and effectively used by State and Federal animal health officials; and
 - provide the necessary funding and manpower to ensure protection of the Nation's critical agriculture infrastructure.

In conclusion, Mr. Chairman, I want to once again thank you for holding this hearing. I would also like to thank the Chairman and Members of the Subcommittee for their time and attention. I would be pleased to answer questions at the appropriate time.



To: Dr. Elizabeth Parker
From: National Pork Producers Council
CC: Pam Miller
Date: October 18, 2005
Re: Additional Member Questions and Responses

Representative Collin Peterson

1. Do you support mandatory animal identification? Please explain.

Yes, the U.S. pork industry does support a national mandatory animal identification program for all relevant livestock species. In March 2005 our pork delegates at our annual meeting passed two resolutions to attach deadlines to implement a national swine identification system. We support mandatory premises registration to be completed by 2007. We support a mandatory national swine identification system by 2008. The U.S. pork industry has had a mandatory swine identification system in place for market swine since 1988. This system was originally developed as part of an animal disease eradication program. We believe that this system, developed jointly by producers and relevant government entities, should and can be adapted to meet the goals of the National Animal Identification System (NAIS) (i.e. 48 hour traceback to herd of origin).

2. Do you support real-time identification information access for USDA? Please explain.

The U.S. pork industry would support access to address specific animal health issues or concerns identified by industry and by state and federal animal health officials to the specific data outlined in the National Animal Identification System in order to meet the 48 hour traceback goal. We support "ready" access to necessary data by state and federal animal health officials in the case of an animal health emergency or in the case of the need for a surveillance trace-back. We refer to it as "exception reporting".

The Global Voice for the U.S. Pork Industry

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Representative Steve King

1. How would a voluntary program compel participation to 100 percent participation?

We do not believe that a voluntary program will probably ever achieve 100 per cent participation. For that reason, we believe that marketing channels will drive compliance. The pork chain—including retailers and packers/processors will increasingly begin to require premises identification numbers and individual animal or group/lot identification prior to purchasing or contracting for livestock. Likewise, shows and livestock markets will also increasingly begin to require compliance with the identification formats defined in NAIS. Our experience with such programs is that though they begin as a voluntary program, the bugs get worked out early on as the early adopters get on board. These early adopters are then able to exert market pressure on the rest of the industry, eventually making the program just the “cost” of doing business.

2. Is a producer-driven independent entity structured under federal guidelines a public or private system?

It has components of both. Take the Pseudorabies Eradication Program, the program was/is producer-driven in collaboration with the U.S. Department of Agriculture and state departments of agriculture. All movement records are recorded and privately held (either in private production databases or producers' own business records). Some of those records are reported to state/federal databases (i.e. interstate movements, international movements). To date, producers have paid all costs associated with identification, recording, and reporting of the data. The states/federal governments have paid to record and access the data that is currently being reported to them. We believe that the U.S. Department of Agriculture should determine the minimum information they need to achieve the “48 hour traceback”. We believe that they have done this in the NAIS. The Department should work with individual species groups to insure, by a date-certain, that each species has a program in place to provide that specific data in the proper format(s) so that, when needed, federal or state animal health officials can upload the data into their databases for epidemiological purposes. We have other examples of where private industry complies with federal guidelines, such as recording treatments given to animals, records of medications added to feed at mills or records of manure application onto land. All these records are open for inspection upon request by regulatory officials. There are also spot inspections to make sure records are in compliance with regulations.

3. Do you support a system that is operated by producers?

Yes, as stated above, there are many other examples of situations where producers have to keep records in accordance with federal law. Even tax and business records count, as this information is reported yearly to the IRS, often over a web portal. We support a system that complies with the identified needs of the Department to achieve the goals as set forth in the NAIS. We do not believe that one-size fits all. Different species have different lifecycles, diseases of concern and production systems. One system will not work for all species. Therefore, we believe that giving industry/individual species groups the framework necessary to achieve the 48 hour goal and then having them either develop a "compliant ID" system or adapting an existing system to meet the needs of the NAIS.

4. Do you support federal funds to establish infrastructure and user fees to operate a producer run system?

Pork producers feel that federal funds should be used for the following:

- a. Determining the framework for the overall system (already done in NAIS).
- b. Development/maintenance of any infrastructure used to collect/transfer, store and analyze data necessary to address an animal health issue.
- c. Outreach efforts to educate the public and producers.
- d. Costs associated with verifying compliance with the NAIS framework, including:
 - i. Initial certification of compliance
 - ii. Exercising the system to determine effectiveness, enhance users' familiarity with the system, and establish acceptance among trading partners
 - iii. Spot verification audits

Producers (or "users") should fund the following:

- a. identification of their premises and animals
- b. recording of all animal movements
- c. reporting of all eligible movements currently governed by a Certificates of Veterinary Inspection or International Movement Records and international movements
- d. alteration of existing systems, or development of systems, to comply with the numbering formats for premise and animals or group/lots as defined in the NAIS

- e. Activities in support of a "Swine ID Control Board"
- f. Outreach efforts to producers and consumers.

5. Do you believe that a private system would be immune to confidentiality and litigation concerns?

We do not believe that there will ever be 100 per cent guarantee of confidentiality in either private or public records system. Records held in a private system could be subpoenaed during litigation should a judge decide that they are germane to the ongoing litigation. We do believe that if public funds used to develop a public system, then those records are available under various state and federal freedom of information laws unless specific legislation were to exempt those records from public release.

6. Is a privately held database safer from a confidentiality perspective than a quasi-government database with statutory protection from FOIA?

It is likely that carefully crafted federal and possibly individual state legislation would be required to ensure data protection.

7. Do you believe that packers will voluntarily mandate livestock identification as a condition to sale?

Yes. We do believe that the livestock markets and our international trading partners will all increase the pressure to begin requiring this information as a condition of sale.

8. What do you like and/or dislike about the Livestock Opportunity and Marketing Opportunities Act, H.R. 3170? If you dislike portions of the legislation, how would you change it?

Pork producers support the idea that we should build on already existing animal health and disease surveillance program. We believe that adapting our current mandatory system to meet the 48 hour traceback goal stated in the NAIS should not impose additional (and as yet unnamed) costs on producers. Using the current PRV Eradication Board model and adapting it to meet the mission of implementing a national swine ID system should not pose huge logistical or cost challenges on producers.

STATEMENT OF RICK R. STOTT

Mr. Chairman and members of the committee: Thank you for the opportunity to testify on behalf of the National Cattlemen's Beef Association. We appreciate your interest in moving the national animal identification system forward. We applaud the USDA's most recent announcement supporting the development of a public/private partnership that will enable the private sector to maintain animal movement data as part of the National Animal Identification System (NAIS).

NCBA, as a leader in the cattle industry, has been very active in developing a strategy to implement an industry driven system. NCBA's Animal ID Commission has been actively developing a national database implementation strategy—significant progress has been made in this endeavor. We believe that for this system to be implemented successfully, continued cooperation between industry and Government is critical.

PUBLIC/PRIVATE PARTNERSHIP

It is clear that the animal tracking database for the NAIS must be developed and managed by the industry. The largest impact, both good and bad, will be borne by the industry; therefore, the industry should be responsible for the system. Obviously, the database must provide Government officials with the critical information for disease surveillance within 48 hours and maintain data integrity.

The NCBA feels that the NAIS database should be developed, managed, and maintained by a neutral, industry-driven, private, non-profit consortium. It is critically important that the NAIS is developed in a way that will encourage industry participation while simultaneously providing animal health authorities with the information they require for disease tracking purposes. A private database also provides additional protection for keeping the information submitted by producers as part of the NAIS confidential which is critical in encouraging participation.

The industry has become more informed about the risk of animal health traceability and customer market demands, and producers have realized that in order for the U.S. cattle industry to maintain our competitive edge in the global marketplace, the NAIS must be initiated within a very aggressive time frame. An industry-led database will allow for more rapid adoption of the NAIS and broader implementation of the program across the industry.

An industry led consortium will be able to execute the implementation of the database in an efficient (to minimize costs), effective (to maximize speed of implementation), and reasonable (to maximize adoption) manner. This consortium will provide an NAIS system that will minimize the barriers of compliance, more likely mirror the natural flow of commerce, enlist the most efficient technology available, and evolve as the industry evolves; while providing the animal health authorities with the information they require in a timely manner. As one of the leaders of the cattle industry, NCBA believes it has the responsibility to support this effort.

NCBA EFFORTS

The NCBA Animal ID Commission has gone through an exhaustive process to select an animal ID database solution that will meet the needs of the NAIS. The technology partner selection was conducted through a three-phase process. The Commission initially issued a request for information (RFI) to allow companies to provide background on their capabilities and ideas for the system. Based on these submissions, a request for proposal (RFP) for a specific scope of work was issued to companies whose capabilities met the technology needs. These proposals were narrowed to a group of finalists who were all individually interviewed by the Commission members. In the end the committee selected a team that included BearingPoint Consulting, ViaTrace, and Microsoft.

This technology team offered a world-class solution and showed the Commission it could deliver the services requested within the deadlines specified and under terms and costs that offered the greatest value for the industry. This team brings a web-based solution that has been successfully implemented elsewhere in the world, as well as veteran staff to implement this system. The functionality and depth of the software is exceptional, using an existing software package so that it was not necessary to create the infrastructure. This solution will allow entities currently involved in various animal traceability systems to seamlessly integrate their data into the national system. NCBA is reaching out to other industry groups to establish an independent, multi-species non-profit consortium to administer the program. NCBA will hand off administration of the program to this consortium as

quickly as possible. With representation from all sectors of the livestock industry, this consortium will have ultimate oversight responsibility for the program.

NCBA does not plan to make revenue from this program, and will never recover the thousands of hours of staff time and expense invested in it. Our goal is to generate a return for our members, not the association. If the program yields positive results for livestock producers, we feel this will have a positive effect on the industry as a whole.

We expect to test the system in October 2005 that will allow us to identify areas of improvement in performance and usability. Our timeline is for the system to be operational by January 1, 2006. We recognize that this is a very aggressive timeline but are confident that this can be accomplished.

There is a demand for better animal identification systems now. Nearly everyone agrees that more effective tools to improve our ability to track and eradicate disease concerns are important to our industry as well as our ability to function in the world beef market. As cattlemen, we are concerned that without taking decisive action, our customers' needs may not be met and many cattlemen may not be able to meet new standards in the marketplace.

RESPONSIBILITY OF PRIVATE AND PUBLIC SECTOR

Generally there are three phases in the implementation of the NAIS: First, development of premises systems; second, development of an identification database; and third, implementation of the NAIS throughout the industry. The premises ID phase of the NAIS is now being implemented by USDA and each State's animal health department and acts as the foundation for the entire NAIS. Coordination and validation of data between the premises system and the animal identification database will be critically important to heighten the integrity of the overall system.

The second phase, development of an identification database, is the backbone to the entire NAIS and is the focus of NCBA's efforts.

The third phase of the NAIS is implementing the system throughout the industry. This is the most difficult and expensive phase of the process. This phase will require a coordinated effort between all segments of the industry, USDA, State governments, and service providers. A significant amount of investment will be required by all stakeholders, especially the industry.

Currently USDA has funded pilot programs throughout the Nation to test various aspects of the NAIS. One such pilot program is the producer driven Northwest Pilot Program that has participants from seven States; California, Hawaii, Idaho, Nevada, Oregon, Utah and Washington. The primary objective of this pilot program is to mirror the national system to identify issues, provide solutions, and meet the USDA criteria of 48 hour traceability. Much has been learned regarding the implementation of the NAIS. Other pilot programs such as the Kentucky Beef Network and the Southwest Tracking Project has accomplished much in educating producers about the NAIS. More needs to be done.

Continued cooperation between industry groups and USDA is critical. Coordination of efforts, integration of systems, and assimilating strategic plans must be accomplished. Political posturing must be put aside and we must focus on what is best for the industry and the implementation of NAIS. The structure is being put in place and your support in this effort is very much appreciated.

Thank you again for the opportunity to present this information on behalf of NCBA.

ANSWERS TO SUBMITTED QUESTIONS

Questions from Mr. Peterson

Do you support mandatory animal identification? Please explain.

At some point in time we expect the National Animal ID system to become mandatory. That being said, we fully expect that the market will be the driving factor in taking the system mandatory, and not congressional action. Our industry is seeing the advantages of source-verified animals in marketing, quality control, and trade. Due to this, the market will soon dictate that all cattle entering the food chain must be identified, and those wishing to sell their cattle will have to participate in the NAIS.

Do you support real-time identification information access for USDA? Please explain.

We support the ability of USDA to work closely with the NAIS consortium. In the event of an animal health emergency, both the USDA and NAIS will be able to work

as a team, in a real-time situation, to provide the trace-back needed within a matter of hours, if not a matter of minutes.

Questions from Mr. King

How would a voluntary program compel participation to 100 percent participation?

At some point in time we expect the National Animal ID system to become mandatory. That being said, we fully expect that the market will be the driving factor in taking the system mandatory, and not congressional action. Our industry is seeing the advantages of source-verified animals in marketing, quality control, and trade. Due to this, the market will soon dictate that all cattle entering the food chain must be identified, and those wishing to sell their cattle will have to participate in the NAIS.

Is a producer-driven independent entity structured under federal guidelines a public or private system?

We believe that this type of setup would be a public system. Case in point is the Cattlemens Beef Board which oversees the beef check off. This is a producer-driven independent entity, yet the board is appointed by the Secretary of Agriculture. As such, the entity is not truly independent because it cannot make leadership appointments, and we have seen bureaucratic red-tape and inefficiencies make the check off less flexible and effective as it could be under a completely private system

Do you support a system that is operated by producers?

A private, producer-operated system is exactly what we want to see implemented. That is why NCBA has driven forward with developing just such a database that we expect to have online by January 1, 2006

Do you support Federal funds to establish infrastructure and user fees to operate a producer run system?

NCBA is not asking for Federal money to build the database system, and we fully expect that it will be funded by user fees. The USDA still has a part to play in this system, and that comes in the form of managing and issuing premises IDs. That function is well-suited for them and will require Federal money, but the actual database, ear tags, readers, et cetera will be paid for by the users (producers, feeders, packers) themselves.

Do you believe that a private system would be immune to confidentiality and litigation concerns?

We believe that a private system will be more immune to confidentiality and litigation concerns than a public, USDA database will be, but we are not sure it is air tight. We have counsel working on that issue right now to determine our vulnerabilities, but we see this area being the most appropriate for Congressional action. FOIA exemption legislation will be needed as an extra measure of protection.

Is a privately held database safer from a confidentiality perspective than a quasi-government database with statutory protection from FOIA?

Yes, we believe that a privately held database is safer, but not full-proof as we mentioned above. As such, we feel that the most appropriate role for Congress in this process is to work on confidentiality legislation to add further protection to the database.

Do you believe that packers will voluntarily mandate livestock identification as a condition of sale?

Yes, given our current experience with packers and feeders who are paying premiums for source-verified cattle, we believe that once the NAIS is in place, the market (retailers, packers, and feeders) will begin to make source-verification a condition of sale.

What do you like and/or dislike about the Livestock Opportunity and Marketing Opportunities Act, H.R. 3170? If you dislike portions of the legislation, how would you change it?

We feel that H.R. 3170 is a good piece of legislation, and many of our staff, members, and Animal ID Commission members have been involved in reviewing it. At this time, however, we do not feel that legislation is needed to get the NAIS started. NCBA is developing a database that we expect to be operational as early as January 1, 2006, and the USDA has put its support behind a private database. We think the best role for Congress right now is to work on confidentiality legislation to further protect producer information. If, at some point in the future, H.R. 3170 is

deemed to be needed, we would like to work with you in refining the way you address the board responsible for administering the NAIS.

STATEMENT OF BOB STALLMAN

Good morning, Chairman Hayes and members of the subcommittee. I am Bob Stallman, a rice and cattle producer from Columbus, Texas, and president of the American Farm Bureau Federation (AFBF). We appreciate your scheduling of this hearing to review producers' perspectives on livestock identification and, specifically, how we are proceeding with implementation of the National Animal Identification System (NAIS). Thank you for inviting AFBF to share our views on an issue that is critical to our members.

The concept of a uniform national system of animal identification has received increasing attention within our organization in recent years. Our livestock producers acknowledge and appreciate the vital importance of animal health surveillance. AFBF strongly supports the establishment of a national livestock identification system capable of providing support for animal disease control and eradication.

The immediate need to uniformly identify and track livestock in the U.S. is highlighted by recent cases of bovine spongiform encephalopathy (BSE) in North America, the economic losses our poultry producers experienced during the exotic Newcastle disease (END) outbreak, the devastation caused by an outbreak of foot-and-mouth disease (FMD) in Europe and a general heightened awareness of homeland security after 9/11. The consequences of these real and potential events demonstrate the need for an individual animal ID system that is capable of transferring information quickly and accurately throughout the livestock industry and allied animal health community. A well-designed system will help contain new or deliberately introduced diseases and minimize harmful effects on the industry and national security. While an animal ID system will not prevent a disease occurrence, it will significantly reduce the time required to identify the operations with which the infected animal was associated.

PRIVATE-PUBLIC PARTNERSHIP

Since 2002, AFBF has been an active participant in the development of the U.S. Animal Identification Plan (USAIP). Along with more than 100 individuals representing over 70 industry groups and State and Federal Government representatives, we have compiled a working document that outlines information and concepts that could be used to implement a uniform national livestock identification system. AFBF continues to provide input on the NAIS through the USAIP species working group framework, as well as the NAIS subcommittee of the Secretary's Advisory Committee on Foreign Animal and Poultry Diseases. We encourage Congress and USDA to continue working closely with Farm Bureau and all species organizations and segments of the livestock industry to ensure that the perspectives of participants guide the implementation of an animal identification system. USDA recognized very early that it was extremely important to develop the animal identification program via a public-private partnership. That cooperative approach is even more important today as the system nears full implementation in individual herds, at fairs and exhibitions and through markets and processing facilities. We look forward to continuing to work with Congress, USDA, relevant State agencies and other industry organizations representing various segments of animal agriculture. We strongly believe this is the best approach to enhance producer education and participation in a voluntary system and ultimately affect the success of the NAIS.

STATUS OF NAIS IMPLEMENTATION

We believe the development of the NAIS is, for the most part, proceeding very well. The complexity of developing such a system when we have 95 million cattle and calves, 60 million hogs, six million sheep and lambs and over 700 million chickens and turkeys cannot be understated. We have undertaken an enormous task with serious issues to be resolved if we are to avoid significant economic and labor consequences for producers.

We are making progress on the NAIS implementation, particularly in the first phase of premises registration. All 50 States are now capable of registering the locations where livestock are held within their State. In the last year, more than 110,000 livestock premises nationwide have been recorded.

I would be remiss if I did not thank the department for their cooperative effort to date. They are to be commended for their work with the livestock industry and

State governments in the development of the USAIP. The NAIS framework initially announced by the department follows the principles outlined in the USAIP. We encourage USDA to continue working closely with the livestock industry to ensure that grassroots solutions guide the implementation of the NAIS.

THE ANIMAL MOVEMENT DATABASE

This summer, we submitted comments to USDA on the NAIS Draft Strategic Plan and Program Standards documents. Among other issues, those comments addressed our strong support for continuing on the original plan, first envisioned in the USAIP, to develop a single, centralized animal data repository.

AFBF believes very strongly in the role of private animal identification systems. Such systems have been in existence for many years and are becoming ever more popular as the desire for traceability drives demand from the retailer down the supply chain. The need for animal identification and the marketing information that can be associated with it has never been greater, hence, the increasing number of providers offering those services.

In fact, several of our State Farm Bureau affiliates either operate animal identification systems or partner with technology providers to offer those programs as a service to their Farm Bureau members. For example, Kansas Farm Bureau recently developed Beef Verification Solutions (BVS) an animal identification program utilizing technology provided by AgInfoLink. The BVS program is now operational in Kansas and Mississippi, and other State Farm Bureaus have expressed interest in either that specific program or similar efforts. The purpose of BVS is to make production and marketing information available to participants in the beef supply chain in order to enhance efficiency and profitability. In addition to capturing the value of production and marketing data, private databases such as BVS play a key role in the NAIS by allowing producers to automatically forward to a centralized animal health database the narrow stream of information needed for animal health tracking purposes. Therefore, we have steadfastly supported the concept that the NAIS must allow multiple privately-managed databases to submit the required animal health information to a common database, where it can be more easily and rapidly searched and queried in the event of a time-sensitive animal health issue.

Last month, USDA announced that they will pursue a private sector database to maintain animal movement data as part of the NAIS. We will work with USDA to make a privatized database operate as efficiently and effectively as possible. We look forward to participating in the industry roundtable hosted by USDA on October 12, where the principles, expectations and challenges of a private database may be further defined.

If a private database is developed, we strongly recommend that an advisory board should be established to help regulate the animal identification system. The board should be comprised of producers, processors, animal health authorities and USDA. The board should continuously evaluate the overall performance of the animal ID system and make recommendations for improvements.

As USDA considers private sector-based database proposals, we ask that serious consideration be reserved only for solutions that are brought forward by a coalition representing the entire livestock industry and that address the views and concerns of all segments and species, including producers, marketers and processors. Industry-wide cooperation is crucial if we are to develop a system that is successful on a voluntary basis, in which the industry wants to participate.

Further, a private sector database proposal should meet the following principles:

- Centralize the animal health-related data of all animals in a single repository, fully and continually accessible by APHIS Veterinary Services and relevant State animal health officials.
- Have an oversight structure which provides for input from industry as well as clear delegation of authorities and responsibilities.
- Provide a detailed budget, including the allocation of costs to the industry, States and the Federal Government. The budget should include projections for both developing and maintaining the system, and should identify sources of funding.
- Outline how confidentiality of the information and data security can be ensured.
- Contain an implementation plan which includes benchmark dates for the system to be partially and fully operational and voluntary participation targets.
- Identify specific training and education programs which will be made available to producers.

In addition to these minimum requirements, USDA should also ensure that a private sector-based database will be internationally recognized by our trading partners. An animal health issue has the potential to cause economic devastation for the

U.S. livestock industry if we cannot reopen meat and poultry export markets quickly; indeed, we have already felt some of that pinch in the case of Japanese markets being closed to U.S. beef exports. Our animal identification system must be consistent and valid enough to be relied upon throughout the globe. While we know that USDA is internationally recognized by comparable food safety and animal health officials in other countries, we must be certain that a private sector database will meet the same standard of international credibility and acceptance.

AFBF looks forward to working with the rest of the livestock industry to address these issues as quickly as possible. If an industry-wide coalition and comprehensive proposal cannot be developed and operational within the next year, AFBF recommends that USDA continue with the development of the NAIS as outlined in the Draft Strategic Plan timeline. With so many issues still to be resolved, and yet an urgent need for a uniform nationwide animal identification system, it is critical that USDA not delay implementation while waiting on the development of a private sector-based animal movement database.

FOUR KEY ISSUES TO BE RESOLVED:

Farm Bureau believes there are four key issues that must be addressed in order to ensure producer acceptance of an animal ID system regardless of how the database is maintained—the cost of the system, ensuring the confidentiality of data submitted by producers, protecting producers from undue liability and sufficient education/information.

COST

A cost-effective national system of livestock identification, with equitable cost share among Government, industry and producers must be established. Considerable financial expense will be associated with the development and implementation of an ID system. The price tag for establishing, operating and maintaining the system, continues to be a huge issue for our members. Equitable apportionment of those costs among affected parties is also important.

Producers cannot and should not bare an unfair share of the costs of establishing or maintaining an animal ID system. Our ability to move forward with a voluntary system depends on adequate and equitable funding. USDA's most recent estimate puts the price tag for a national identification system at \$550 million over the first five years. A successful animal ID system must be a partnership of producers, appropriate State authorities and USDA. However, we have serious concerns about the financial burden that such a partnership could create for producers.

While we can accept reasonable producer costs to support an effective program, we believe costs should be balanced and shared among all others who ultimately benefit. The public good, which will certainly be enhanced by this program, should be considered when determining who pays the bill.

USDA has allocated a total of \$52 million to the NAIS in fiscal years 2004 and 2005. In addition, USDA requested \$33 million for animal ID in the president's fiscal year 2006 budget, and both the House of Representatives and Senate included that amount in their respective versions of the fiscal year 2006 Agriculture Appropriations bill (H.R. 2744). Although critical, it is less than one-third of the projected funding necessary to meet the goals of implementing the NAIS in a timely manner. Given the cost projection of \$100 million per year, \$33 million from the Federal Government is inadequate and puts the largest share of the financial burden on producers and States with already limited budgets. Farm Bureau believes the Federal funding level needs to be significantly greater, approximately two-thirds of the overall cost, if we are to start an ID system with meaningful producer and industry participation.

We understand that the appropriations process is difficult this year given budget constraints. However, adequate producer funding for animal identification should be a very high congressional appropriations priority this year and in the future. We appreciate the inclusion of \$33 million in this year's agriculture appropriations bill, and encourage members to continue working to increase that amount to a more adequate funding level in the final version of the bill.

CONFIDENTIALITY

The confidentiality of data and access to that data must be adequately addressed. When the Government requires extensive information from its citizens, the Government must use that information responsibly. Privacy is a fundamental right of all Americans.

The NAIS should ensure the security of producer information and respect the privacy of producers by only collecting data necessary to establish an identification system. Any data collected to comply with an animal ID program must be maintained and used solely for the purpose of animal disease prevention and control. Furthermore, our producers must be protected from public disclosure under the Freedom of Information Act (FOIA). Otherwise, proprietary information on individual farms could be exploited by the farm's competitors or by activist groups.

USDA is administering the NAIS cooperatively with the appropriate State animal health officials. Because of the major role that State governments play in this system, we must ensure that data is protected at both the State and Federal levels.

Finally, it is imperative that the only agencies allowed access to the information are animal health and other agencies with a legitimate disease and emergency response purpose. There must be clarity on exactly which Federal and State agencies will have access to the data. It is critical that a public discussion on how much information, what type of information and availability to whom be conducted immediately.

LIABILITY

Many producers worry that they might be forced to share liability for food safety problems that are now limited to meat merchandisers. An ID system must protect producers from liability for acts of others after the livestock leaves the producers' control. This includes concerns about nuisance suits that name everyone who handled particular livestock.

Congress must pass legislation to define the standard of care required of a producer of livestock as "ordinary care." If livestock is inspected, there should be a rebuttable presumption—not immunity—that the producer met the standard of ordinary care for injuries, illness or any type of damage or economic loss suffered from the consumption of a meat food product. In no event should the producer be held to a standard higher than that of ordinary care. The presumption will serve as evidence that the producer, whose animal has passed inspection, has met the duty of care owed to the public—ordinary care.

PRODUCER UNDERSTANDING AND INVOLVEMENT

It is critical that producers fully understand what an animal ID system will and won't do. We applaud the administration for setting aside part of their funding for producer education and outreach.

We encourage USDA and Congress to continue to focus on producer involvement as the NAIS is implemented. In addition to the input provided through producer organizations like AFBF, we believe there is a continued role for the USAIP species working groups in providing species-specific feedback on NAIS development and that the NAIS Subcommittee can provide valuable guidance from the affected industries as the NAIS is implemented.

We are pleased to have the opportunity to share our views with you today. If properly funded and implemented, an animal ID system will enhance our ability to identify and isolate disease-affected animals quickly. That should in turn increase domestic and foreign consumer confidence, and reduce the adverse effects of animal disease outbreaks on our producers. We look forward to working with you as the NAIS progresses. Thank you.

**Testimony of Jodi Luttrupp
Holstein Association USA, Inc & National FAIR
Before the United States House of Representatives
Committee on Agriculture
Subcommittee on Livestock and Horticulture
September 28, 2005**

Mr. Chairman and Members of the Committee, on behalf of the Holstein Association USA, Inc. and its 30,000 plus farmer members, I thank you for the opportunity to provide testimony regarding animal identification.

It is no secret that the dairy industry is already ahead of the national animal ID game. We identify animals for management purposes, and our operations are tightly regulated. A dairy producer must have a license to sell milk; bulk milk samples are taken for testing every time the milk hauler picks up their milk; and state inspectors periodically drop by the dairy for inspections. We do these things to stay in business and be profitable, so complying with national animal ID will not be a difficult task for most dairy farmers.

Thanks to a cooperative effort with the Holstein Association and USDA/APHIS/VS, we have a great start already with National FAIR. It was established as a pilot program for a national animal ID system to track animals from farm to farm, farm to market, and market to slaughter. Utilizing Radio Frequency ID (RFID) technology, we have proven this system works since 1999. Today we have 2.3 million animals enrolled on 13,000 dairy and beef operations in 48 states across the country.

We welcomed United States Secretary of Agriculture Mike Johanns' recent announcement of a public/private partnership for national animal ID. We have long supported this concept for several reasons.

By having the private sector involved, we can gain producer buy-in. Producers like the idea of having the opportunity to choose who they want to work with.

By calling on private industry, we can also take advantage of existing programs like National FAIR. We look forward to working with other segments of the dairy and beef industries to lead the way for other species groups.

Private industry will likely drive competition in the marketplace to a system with the highest standards. Animal ID service providers must earn customers' trust and provide value and accuracy with their services.

However, with this announcement by Secretary Johanns' focusing so much on the animal movement data remaining in private hands, there are some other areas and concerns we urge you to not overlook.

First, we are hopeful that USDA will stick to their mandatory stance. We need everyone's participation to have an effective national animal ID system. Our producers are looking to USDA for answers and guidelines. Calves hitting the ground today will be in the milking herd by 2008, USDA's mandatory ID date. Dairy producers need to know today what kind of tag to put in, where to place it, and what animal ID service provider they can work with for proper compliance.

Additionally, we cannot forget the importance of RFID readers in markets and processing plants. We need to establish a goal nationwide that the readers operate with as little human involvement as possible and at the speed of commerce. In our experience, the National FAIR readers have been 90 – 99% effective in reading every animal that passes by due in part to our use of half duplex RFID tag technology.

Last but not least, USDA needs adequate access to the animal movement data needed to maintain animal health. Ultimately, we hope limited, key data will flow to one national animal ID database to meet all animal health officials' needs and that USDA can access real-time. With National FAIR we have demonstrated how this can be done with multi-tiered Rules of Access for producers, state veterinarians and federal animal health officials.

Going back to the role private industry can play, I'd like to share with you now some of the initiatives we have been a part of that offer a bright future for animal ID. They are the state of Michigan, McDonald's, and IDairy.

As the state of Michigan has attempted to eradicate Bovine Tuberculosis, we have been a solutions provider for them using the National FAIR system. In the northeastern corner of the state, RFID tags and participation in National FAIR is mandatory. We have proven animal disease traceback can be achieved in minutes with our web-accessible database. We are making it easier for Michigan's beef and dairy producers to market cattle. Instead of being viewed as a burden, producers look at RFID tags as a seal of approval for animal health. The state of Michigan is a perfect blueprint for a national animal ID program in the United States.

We are also working with retail food chain giant, McDonald's. In California, producers that tag their cattle with RFID ear tags earn a premium for providing traceable beef. To date, we have returned nearly \$100,000 to dairy producers as an incentive to use RFID tags. We applaud McDonald's for appealing to consumer demands and we are proud to be helping meet them.

Lastly, I'd like to introduce you to the latest news in the dairy industry, IDairy, which is a coalition of six dairy organizations that serve thousands of dairy farmers. Members include the Holstein Association USA, Inc., National Milk Producers Federation, National DHIA, US All Jersey, the Professional Dairy Heifer Growers, and the National Association of Animal Breeders. The coalition was formed because we all agree our industry will be best served when all dairy operations and dairy cows are identified in a central database. IDairy will provide information to farmers about how to register their

premises and how to obtain tags for cattle. IDairy also supports a national animal identification system that protects farmers' privacy, while also allowing immediate access of relevant information by government authorities in the event of an animal disease crisis.

We must build upon these private initiatives and take advantage of them. National FAIR and the Holstein Association are proud to be leaders in several significant, industry-leading programs, but have not lost sight of the ultimate goal of animal health. We must remember what started us down this journey of national animal ID and 48-hour trace back for animal disease surveillance. National FAIR has held this as our mission all along.

We believe that there is an urgent need for a national mandatory animal ID system in the United States that allows government to respond quickly and effectively to an animal health emergency. America's farmers and ranchers are vulnerable without such a system. Thank you very much.

Additional Member Questions/Answers

Provided by Jodi Luttrupp on behalf of Holstein Association USA, Inc.
September 28, 2005 Subcommittee Hearing on Animal ID
US House of Representatives – Committee on Agriculture

Representative Peterson

1. Do you support mandatory animal identification? Please explain.

The Holstein Association has long supported a mandatory national animal identification system. Such a system will not be effective unless we have everyone's participation to help protect our U.S. herd and ensure our worldwide trading partners we have a system in place to react to any animal disease threats. This needs to happen sooner, rather than later. Other countries around the world such as Canada and Australia have already proven it can work.

2. Do you support real-time identification information access for USDA? Please explain.

USDA will need real-time, 24 X 7 access to the national animal identification system. This will be critical to react quickly and accurately to any animal disease situation.

Representative King

1. How would a voluntary program compel participation to 100 percent participation?

A voluntary animal ID program would not gain 100% participation across species. We must educate our producers that times have changed, and so must the way we do business in animal agriculture. Since the producers will be footing the bill for their ID tags and systems, many producers will not make the investment unless they have to.

2. Is a producer-driven independent entity structured under federal guidelines a public or private system?

It really falls as a public/private partnership, which is what our industry needs. Producer input will be a key driver for acceptance, and public oversight and involvement will be critical to see the 48-hour traceback and animal health system goals are met.

3. Do you support a system that is operated by producers?

A producer driven system will help producer buy-in, so we support the concept. Producers like the idea of choosing who they want to work with and trust.

4. Do you support federal funds to establish infrastructure and user fees to operate a producer run system?

Federal funds to help reach our goal of a national animal ID system will be greatly appreciated. We strongly support federal funds to help education efforts and assist in building infrastructure such as RFID readers in cattle markets and processing plants. User fees are a bit of an unknown at this point, but if they do end up being a significant investment on top of the tag costs, supplementation would be critical. We feel producers are already accepting of the fact that they will bear the cost of the tags and their own on-farm data management systems.

5. Do you believe that a private system would be immune to confidentiality and litigation concerns?

Since USDA and other animal health officials will need access to the system, even if privately run, it is not immune to liability and confidentiality concerns.

6. Is a privately held database safer from a confidentiality perspective than a quasi-government database with statutory protection from FOIA?

A pure privately held system would still need to be accessed in an animal disease situation, just as a government database would. So, either way, legislation would be needed at the federal and state levels to protect confidentiality.

7. Do you believe that packers will voluntarily mandate livestock identification as a condition of sale?

If anyone outside USDA would have the power to make a national animal ID system mandatory, it would be the packers. They could require an animal be RFID'd and fully traceable as a condition of sale. Today, some are offering value-added incentives for this, but it could easily become expected in the marketplace.

8. What do you like and/or dislike about the Livestock Opportunity and Marketing Opportunities Act H.R. 3170? If you dislike portions of the legislation, how would you change it?

HR 3170 is good in concept, but we would offer these suggestions.

- a. The board offers too independently of USDA. We need their guidance and standards to ensure the system meets their needs and goals.
- b. Along those lines, USDA needs adequate access to the animal ID system, 24 X 7, to react to any animal disease situations.
- c. Limiting the board to seven seats is difficult. We understand you need to draw the line somewhere, but we feel dairy needs a designated seat at the table, too.

STATEMENT OF ROD NILSESTUEN

Dear Mr. Chairman: Thank you for the opportunity to submit written comments for the record of the September 28, 2005 subcommittee hearing on the National Animal Identification System (NAIS).

I hope this will be one of many opportunities for the subcommittee to obtain public input on this issue. Safeguarding animal health is vital to the wellbeing of all U.S. citizens and the economic vitality of animal agriculture. The ability to track animals from birth to current location within 48 hours is a critical next step that USDA should implement as soon as possible.

Last August 31, USDA Secretary Mike Johanns announced Bush Administration support for a voluntary national animal identification system largely in the hands of private industry. While we are still awaiting more details, the announcement seems to work against the very reason for developing a national animal identification and trace back system: enhancing herd health and trade through 48-hour disease trace backs:

I am concerned that USDA's decision to back away from mandatory, publicly-funded animal identification will erode the public's faith in the safety of American meat products—both domestically and internationally.

This decision raises several troubling issues:

- USDA does not have authority to mandate participation in a private industry held database. That means there is no way to ensure the compatibility of multiple databases—of species, States and regions. How will State and Federal animal health officials conduct quick trace backs that could prevent a disease incident from becoming a disease outbreak?
- How will animal health officials access data? Will there be a cost to access it in an emergency? Will they need “permission”?
- What is the cost to public health - and industry - if the system is private and State health officials do not have access or have limited access in an emergency?
- States hold premises data. Without the premises information there is no way to trace movement of animals, even if they are individually identified. We should learn from Canada, which had individual animal ID and a tracking database first, and then had to go back and get premises information.
- Many States, like Wisconsin have passed legislation to protect the premises data as confidential information, not subject to open records. State data cannot be shared with a private entity. A private sector system will need to recreate its own premises system.
- The cost of a private system - including maintenance, enhancements and administration—will be funded on the backs of the producer. Producers have always been partners in the cost of a tracking system—labor for tagging, cost of tags, readers, et cetera but they should not be forced to bear the full burden.
- Will our trading partners and the biggest buyers of meat trust a privately-managed identification system? How will Japan look on this move? Within our own borders, will the big restaurant chains take industry's word for it? More to the point, will their customers accept it? Will producers want to pay for a system viewed with suspicion by the public?

USDA's announcement last month appears to ignore years of hard work by the public-private partnership that developed the US Animal Identification plan (USAIP) and adopted as the National Animal Identification System (NAIS). Is USDA now moving away from the NAIS?

In 2004, USDA had adopted Wisconsin's premises registration system as the model for national use. To date, 37 States and one tribe have signed on to use the system, the product of a five-year effort by a private-public partnership called the Wisconsin Livestock Identification Consortium (WLIC), developed with \$2.75 million in Federal funding secured by Sen. Herb Kohl and Rep. David Obey.

Our system offers the advantage of real-time access to the information by our State veterinarian in case of an animal disease outbreak. This is vital in order to adequately protect human health, animal health, and economic health. The one person in the State who has the authority to quarantine animals must not be hamstrung by having to request information from the private sector.

Last year Wisconsin Governor Jim Doyle signed the Nation's first mandatory livestock premises registration law, a necessary first step toward our goal of 48-hour trace backs in animal disease events. We worked hard to develop the overall framework of the national plan and were leading the way toward its implementation.

I have also enclosed for the subcommittee record our response to Docket No. 05-015-1, National Animal Identification System Draft Strategic Plan and Program Standards, which USDA released for public comment earlier this year. That docu-

ment appeared to indicate that USDA was headed toward a publicly-funded, mandatory animal identification system. Did something change between then and August 31?

Thank you again for the opportunity to comment on this important issue.

DEPARTMENT OF AGRICULTURE

ANIMAL PLANT HEALTH INSPECTION SERVICE

DOCKET NO. 05-015-1

NATIONAL ANIMAL IDENTIFICATION SYSTEM

NOTICE OF AVAILABILITY OF A:

DRAFT STRATEGIC PLAN AND PROGRAM STANDARDS

Thank you for the opportunity to submit comments regarding the National Identification System (NAIS) Draft Strategic Plan and Program Standards.

The Department supports the overall objectives of the NAIS and the Program Standards to:

- Establish a uniform national standard for uniquely identifying locations that produce, manage, and hold livestock.
- Establish a uniform national standard for uniquely identifying individual animals and a group or lot of animals as they move through the marketing chain.
- Establish a uniform national standard data management system for recording the movements of individual and lots of animals at change of ownership, interstate movement, and commingling with other owners livestock.
- Establish the ability to trace a diseased animal of concern from point of diagnosis through the marketing chain to herd of origin within 48 hours.

The Department supports the five guiding principles of the Draft Strategic Plan and the Program standards establishing:

- Uniform data standards throughout the U.S. supporting premises registration, animal identification, and animal tracking.
- Coordination of NAIS with production management systems and marketing incentives.
- Mandated implementation for all livestock species.
- Cooperative efforts by industry and government to achieve 48 hour traceback.
- Secured, reliable and confidential information.

TOPICS OF INTEREST AND ANSWERS TO SPECIFIC QUESTIONS

DOES NAIS NEED TO BE MANDATORY?

Yes. WI encourages the USDA to commit to full implementation of the program by January, 2009 as outlined in the plan. We support individual components of the plan being made mandatory prior to January 2009 as outlined in the strategic plan. We encourage USDA to consider moving up the mandatory time-table for implementation by requiring premises registration and animal identification at herds/flocks of origin by January 1, 2007. Identification at origin provides a necessary “bookend” for disease traceability. The other “bookend” comes at the time of disease detection either at ante mortem or post-mortem inspection at harvest or other production location. Placement of the “bookends” into the NAIS as an initial first step can be accomplished in a short period of time at less expense to industry and government compared to the proposed NAIS initiative to report all changes of ownership that may occur between the bookends. While the “bookend” step may not always meet the 48 hour traceback goal, it will significantly improve the current disease traceability timetable in the U.S. and be reflective of other animal identification systems accepted by international trading partners.

A mandatory program requires that a time-tested infrastructure to support the program is in place. We encourage APHIS to seek additional, adequate Federal funding to support technology and infrastructure development and testing.

COMPLIANCE FOR IDENTIFICATION

We support mandatory identification of livestock prior to moving into commerce or to commingled events. Markets and/or exhibitions and other commingled events

should have the ability to offer identification services to producers. Compliance and enforcement rules and regulations should be written and enforced by State animal health officials. Markets, exhibitions and other commingled events should have the option to refuse livestock not identified, but compliance authority should rest with State and Federal animal health authorities.

TAGGING SITES

The Department supports establishing tagging sites. Any entity should be allowed to offer identification services. Sites will need to comply with USDA and State requirements for administering AIN ID devices and must agree to meet the reporting requirements outlined in the NAIS.

COMPLIANCE/RECORDING OF DIRECT SALES

The Department supports the proposal that the receiving premises is the entity ultimately responsible for reporting the movement. State-licensed livestock dealers could be forced to report movements as a condition of their license. In the case of direct or private treaty sales, both the seller and the buyer should be encouraged to report the movement. This self-policing cross check will ensure for the seller and the buyer, that health authorities would have access to the official record noting the day their respective responsibility stopped / started. The NAIS Animal Tracking System should accommodate the listing of name and address, since in most cases the buyer and seller would not share premises numbers.

To ensure producers selling and buying livestock comply there should be various options available to report animal movement. This can be achieved through internet based State systems, industry groups (DHIA's breed registries, any other third party service provider), or on paper forms. A national standard format for paper for paper forms should be established.

AGE TO IDENTIFY ANIMALS

We support identifying animals at change of ownership, interstate movements, and commingling of animals by multiple owners. Producers should be given the latitude to decide on identification prior to the above.

NAIS TIMELINES

We support the proposed mandate of January 2009. We encourage USDA to accelerate the time-table for implementation by requiring premises registration and animal identification at herds / flocks of origin by January 1, 2007. We also encourage USDA to seek additional funding for implementation, infrastructure, application development and testing.

SPECIES TIMELINES

There should not be any exemptions in regards to compliance of species groups to certain components of the NAIS. For example all livestock species must register a premises by the same mandatory date. Setting different timelines will create confusion with industry and producers in regards to implementation and does not support the uniform goal of a system with 48-hour traceback capabilities.

DATA SUBMISSION

Electronic data submission is the most cost and labor efficient however, to ensure all producers, markets, exhibitions, and processing facilities have the ability to participate, all venues for data submission should be allowed. This includes direct internet based data entry, paper submission, herd management software, or producers working through third party data providers.

Wisconsin piloted various venues and means for premises registration. Producers can register themselves directly online, fill in a paper form, work through approved third party service provider, and register through on-line PCs in county FSA offices. A State data collection infrastructure that addresses regional needs and allows for various options for data entry has proven to be very efficient and achieve the maximum amount of buy-in from stakeholders.

CONFIDENTIALITY

The Department supports all information contained in the NAIS be protected from disclosure. The sole purpose of the NAIS is to enhance the U.S. disease surveillance

and monitoring system. The animal tracking component promises to provide animal health authorities the opportunity to significantly improve their ability to prevent and control disease outbreaks. The same data set given access to the public could be used to implement a biological terrorist attack.

METHODS FOR SUBMITTING DATA

We encourage the direct electronic transfer of as much data as possible. We support and encourage producers, markets, abattoirs, breed associations, and third-party data managers have the ability to submit animal movement data to the animal tracking system. However, producers, markets, exhibitions, and processing facilities must all have the ability to participate and there will be a continued need for alternate submission venues including paper submissions.

PRIVATELY MANAGED DATABASE

The proposed NAIS infra-structure allows for USDA and States to contract with private database managers. The Wisconsin Department of Agriculture, Trade and Consumer Protection contracted with Wisconsin Livestock Identification Consortium (WLIC) to manage the State premises and animal ID database. Although WLIC is maintaining a privately managed database, the authority for collecting and storing premises and animal identification and data ownership resides with the State Department. Premises registration and animal movement information is accessible to State and Federal animal health officials at all times. To meet the 48-hour traceback objective and maintain international credibility any national privately managed database must meet USDA's standards and under the authority and oversight of USDA, with industry input. Data must be accessible to USDA and State animal health officials at all times.

FUNDING

Wisconsin producers and legislators have voiced strong feelings that the financial burden for implementing the NAIS should not be shouldered by the producers. A public, private partnership, including Government, industry, consumers and producers is the best solution. Producers have raised concerns that a privately managed database system without Government oversight has potential to lead to excessive fees passed back to the producer with no offset for these added costs. Under a publicly held system it is expected that these costs would be shared with the consumers, industry and Government. We encourage USDA to secure adequate long term funding, (beyond the \$33 million), for States and USDA to implement and administer the NAIS.

MULTIPLE SYSTEMS

Multiple national animal ID databases broken out by species would make compliance cumbersome and risk that the 48-hour traceback goal cannot be met. Producers or stakeholders managing different species should not be asked to submit data to multiple locations to comply with NAIS. The proposed information system infra-structure for one single national animal ID database which is supported by State databases and third party data providers is the most cost effective and efficient infra-structure method to achieve maximum compliance and address regional (State) differences.

The reporting of animal movement information (premises of origin, premises of destination, animal identification, and the date of transaction/movement) should be State controlled and coordinated through the proposed NAIS Animal Tracking System. Such a system will provide large and small producers an easy one step, cost effective choice in meeting the reporting requirements of the NAIS. In order for the State/Federal veterinary infrastructure to respond to an animal disease outbreak or threat in a timely manner, the State veterinarian must be able to go to a central data system and bring up the record of all movements for the animal in question.

STATE LEVEL

The question of who manages the national animal ID database has had much debate; however, very little focus is placed on the task of collecting the data. Data collection is the task that will be hardest and most expensive to accomplish, it also cannot be separated from the database management issue. Stakeholders are very concerned in regards to the technology and costs associated with data collection. Due to regulatory differences (branding, non-branding, etc.) the current design of the data collection infra-structure that includes State managed databases must be

maintained either under a public, or privately managed national animal ID database.

TECHNOLOGY NEUTRAL

The Department supports the NAIS Cattle Industry Working Group recommendation for the individual identification of all cattle, utilizing ISO-compliant Radio Frequency Identification Device (RFID) ear tags as the standard for implementing the NAIS in the U.S. cattle industry. The technology neutral stance does not provide guidance or incentive in the market place for direction on infrastructure development. Technology neutral dictates that producers, marketing agents and packing plant managers must have all forms of ID equipment available just in case an animal shows up with a varying type of ID device. Technology neutral adds expense not effectiveness to the program.

To maintain continuity of animal disease programs and reporting animal tracking data to the NAIS, we support the use of RFID technology in all livestock species as deemed effective and appropriate by the NAIS Species Working Groups.

Thank you for the opportunity to submit these comments and participate in the process.



Ranchers-Cattlemen Action Legal Fund – United Stockgrowers of America

**Written Testimony Submission to the United States House of
Representatives Agriculture Subcommittee on Livestock Regarding
the Privatization of the National Animal Identification System**

October 11, 2005

The Ranchers Cattlemen Action Legal Fund - United Stockgrowers of America (R-CALF USA) is a non-profit association representing over 53,000 cattle producers, over 18,000 of whom are voluntary, dues-paying R-CALF USA members, and over 43,000 are members of R-CALF USA's 60 affiliated ranch and cattle associations. R-CALF USA represents U.S. cattle producers on issues concerning national and international trade and marketing and is dedicated to ensuring the continued profitability and viability of the U.S. cattle industry. R-CALF USA's membership consists primarily of cow-calf operators, cattle backgrounders, and independent feedlot owners. Various main street businesses are associate members of R-CALF USA.

R-CALF USA's views on USDA's recent announcement to develop a "public/private partnership that enables the private sector to maintain animal movement data as part of the National Animal Identification System"

R-CALF USA is concerned with the announcement by Agriculture Secretary Mike Johanns that the U.S. Department of Agriculture (USDA) has decided that a single, privately held animal-tracking repository will track and maintain animal-movement data for the agency's National Animal Identification System (NAIS).

USDA is headed down the wrong course in a matter that is vitally important not only to the U.S. cattle industry, but also one that is truly a legitimate health issue with significant implications for the general public. It concerns us greatly that USDA would entrust such a sensitive responsibility to private organizations that are not statutorily responsible for animal health and welfare, not accountable to the public or the industry, may have political motivations, and that may be desirous to profit or otherwise benefit from access to proprietary producer/production information. This arrangement could lead to potential abuses and intentional misuse of information that could damage individual producers and potentially harm the markets. If USDA insists upon implementing a national animal identification program, it should be administered and operated by the federal, state and

tribal animal health agencies that have a statutory responsibility to maintain the health and welfare of the U.S. livestock industry.

Protecting U.S. livestock from outbreaks of foreign animal disease and by extension, protecting the public from exposure to a foreign animal disease outbreak, is a national security issue. As such, only the official department(s) charged with the statutory responsibility to ensure the health and safety of U.S. livestock and the safety of the American people should administer a program designed to achieve this public objective. Importantly, only such official departments can be held accountable to the public for not administering the program properly. The program should be administered by APHIS in coordination with state animal health departments and tribal governments. If the success of the program is to be measured by whether or not animals in the vicinity of a disease outbreak can be traced within 48 hours, then the agency needing the information to achieve such an objective should have both the authority and responsibility for the program's administration and operation.

How is your industry working to accommodate such a system?

R-CALF USA, its affiliates, like minded associations and stakeholders are committed to working with Congress and the USDA to ensure that any national animal I.D. system remains under the jurisdiction of existing animal health agencies. R-CALF USA continues to support current animal identification systems in existence today, including the numerous state branding programs and the numerous market-driven, voluntary source verification programs currently underway. R-CALF USA also supports pilot animal identification projects presently underway, particularly those that build upon existing identification systems and attempt to conduct an accurate cost/benefit evaluation.

The USDA has not provided the U.S. cattle industry with the most critical information needed to make an informed decision regarding whether the cost of a national animal identification system is economically feasible. The USDA estimated the cost of the much less elaborate country of origin verification system would be \$10 per animal. Based on the U.S. cattle herd size, this provides a very rough starting-point cost estimate of nearly \$1 billion. This represents a significant cost for the United States' cattle industry, which generates a gross income from the sale of cattle and calves of about \$45 billion. Up until two years ago the 750,000 cattle producers remaining in the U.S. experienced over a decade's worth of depressed prices, resulting in staggering losses to the industry measured in billions of dollars. Because the USDA has not provided even a basic cost estimate for a national animal identification system, it would be fiscally irresponsible for any representative of the U.S. cattle industry to support USDA's proposal. R-CALF USA does not support the USDA's proposal and continues its request for a comprehensive cost/benefit analysis before the agency proceeds any further with its proposal.

What responsibilities the federal and private sector should have in establishing such a system?

The USDA must first provide the industry with the basic information needed to responsibly evaluate the agency's proposal. The industry needs to know the expected costs of such a system as well as the expected benefits. Any data base essential to the performance of identifying and tracing animals exposed to a disease outbreak should be exclusively managed by the federal government in coordination and cooperation with state animal health authorities, including state brand boards, and tribal governments, which are already charged with the statutory responsibility to maintain the health and welfare of both livestock and the American people. Tribal and state animal health authorities have a long history of providing exceptional animal disease control for our industry. USDA's proposal would set the nation's animal disease prevention and control capabilities on a backwards course.

The potential abuses by private firms or associations, whether at the national or state level are too great to allow a profit motivated firm or association to administer a program designed to ensure the health and safety of U.S. livestock and human health. There should not be any consideration given to allowing state-wide firms or associations to administer the proposed program unless such entities are contracted to conduct other animal health related services for the state's animal health department. There has been a long, successful tradition for this type of relationship and USDA should encourage these cooperative efforts.

Thank you for the opportunity to submit these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard B", with a stylized flourish at the end.

Richard Bowman, DVM
Animal ID Committee Chair

STATEMENT OF THE NEW MEXICO CATTLE GROWERS' ASSOCIATION

Thank you for the opportunity to submit the following comments on this topic so important to livestock industry and animal owners on behalf of the New Mexico Cattle Growers' Association (NMCGA) with members in all 33 of the State's counties as well as 14 other States.

There have been several primary questions foremost in the minds of NMCGA members since a national animal identification (ID) program has begun to gain steam and attention. Those questions have not changed, nor have they been answered. In fact, the more of these meetings we attend and participate in, the less we seem to know.

What will this program cost producers? No one can or will endorse any program until they know what their cost is going to be.

How is confidentiality going to be protected? We were first told that a "private" data base would provide protection, but we learned recently in Chicago that this is not the case. However, we were told that a voluntary private system might protect confidentiality.

Will the program be voluntary or mandatory? Reports are that the private system currently being contemplated will be voluntary, thus no cost can be calculated. However, USDA continues with presentations indicating that the system will be mandatory by 2009.

Who will distribute tags? How will this information be communicated to existing State animal health agencies? Who will provide movement data into the proposed central data base? How will a disruption of commerce be avoided?

Is there liability to producers as an animal health issue is traced to their premises?

New Mexico and other "brand" States have had animal identification and tracking systems in place for well over 100 years. These State agencies have demonstrated the ability to track animals for animal health purposes. The NMCGA believes that the data bases in New Mexico and other States are too valuable a resource for the USDA to simply throw away. They are and should be the basis of tracking for animal health purposes.

State agencies like the New Mexico Livestock Board have the statutory responsibility to monitor animal health and they simply cannot hand over that responsibility or authority to anyone, least of all a private legal entity with no more than a memorandum of understanding with USDA.

NMCGA believes that State agencies such as the New Mexico Livestock Board must be the keeper of the data for animals with their individual States. There are three basic events that would trigger the need for official individual animal identification:

- (1) change of ownership,
- (2) inter-state movement,
- (3) multiple owners co-mingling their cattle.

The following events would then trigger Federal access to the data management system for a disease trace back:

- (1) a confirmatory positive test for a List A disease,
- (2) the declaration of an animal disease emergency by the Secretary of Agriculture, and 3) program disease (Brucellosis, TB, etc) trace back to determine origin of infection.

Thank you for your time. These comments will be submitted to the U.S. Department of Agriculture (USDA) at the public meeting in Kansas City, Missouri on October 12, 2005. The NMCGA sincerely hopes that the USDA and/or Congress can answer these questions for its members.

ATTACHMENT: ADDITIONAL QUESTIONS REGARDING A PRIVATE ANIMAL ID SYSTEM.

- Who legally owns the "legal entity"?
- What legal liability will the legal entity or its individual members bear under this plan?
- Who pays for the physical structure, equipment, software, etc to house the legal entity and the database system?
- Give us a specific example where a Memorandum of Understanding (MOU) has been used in the past to establish a contract with a private entity to carry out specific services for the Federal Government.
- The MOU is a contract with the Federal Government. Will the legal entity have to have 50 separate MOUs with the individual States as well as with the individual tribal councils?

- If the legal entity fails to meet the terms of the MOU or compliance/enforcement issues arise that makes the MOU null and void, can the government come in and take over the system and operate it?
- The MOU appears to be a “contract” for services. Is U.S. Department of Agriculture (USDA) using an MOU to get around the open bid process of the Federal Government for services provided by the private sector. (Note: since the government is not paying for the services, there may be no obligation to contract for those services through an open bid process.)
- What patents or copyrights exist on information/database systems that will need to be addressed in the establishment of a private database system?
- Were distributive database systems considered versus a central database system?
- What advantages and disadvantages does each have in this instance?
- Will the central database contain so-called value added information as well as ID tracking information? If not, how do the various industry segments pass along and access value added information from a multiplicity of private database service providers?
- We need detailed cost projections for operating and maintaining the system and the specific sources of funding. (Until this specific cost information is provided, the legal entity should not form itself into a legal entity.)
- How will the National Cattlemen’s Beef Association (NCBA) proposal or any other private database proposal meet or support existing State and Federal official animal ID and health requirements?
- How will the legal entity governing body be structured and how large will it be? How will the governing body vote, through a weighted vote or one man, one vote structure?
- How will the legal entity deal with individuals or entities that choose not to participate in the USDA sanctioned industry legal entity?
- On what legal basis can the USDA sanctioned industry legal entity require that animal ID information be placed with the legal entity’s database system either during the voluntary or mandatory stages? Do you anticipate animals moving through livestock facilities that choose not to participate in the legal entity’s database system will be discounted?
- What kind of enforcement action or tools can or will be used by the industry legal entity to force compliance?
- USDA and some of the States have indicated that they will not pay for information from the private database. If the private sector cannot exact a fee on the government for the necessary animal health tracking information, should the USDA commit to paying for or cost-sharing the building of the ID information highway? If the legal entity decides to exact a fee from the Federal and State governments for the use of the private database, what recourse does the government have to avoid such fees?
- What information from the private database will animal health officials have access to and what procedures will have to be put in place to monitor their access to the database?
- Will ID information collection points such as markets, feeders, packers, etc., be able to dump animal movement information into the private central database without first going through another private data service provider?
- Has NCBA or the other current data service providers eligible to manage the private central database developed a plan for ensuring the confidentiality of the information and securing the data against outside or inside interference?
- If exemptions from Federal and State freedom of information laws are not obtained prior to the private database becoming operational, will the national ID program need to remain voluntary indefinitely to protect the information in the private database?
- From recent statements by NCBA officials, it is assumed that the legal entity will adopt their private database plan. Will USDA consider other proposals or have they already predetermined that the NCBA proposal will be the chosen one? Is there any reason that the industry stakeholders should not reopen the request for proposal process relative to the establishment of a private central database for National Animal Identification (NAIS) information?
- Will the private database proposal developed by an presently undefined legal entity be required to go through the Secretary’s NAIS Advisory Subcommittee for their review before an MOU is signed?
- Do you anticipate that already established appropriated NAIS funds will be transferred to the private sector to support the development and operation of the private central database?

