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United States-Canada Open Border Proposal for Meat and Poultry Inspection

Statement of
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Before the Subcommittee on Agricultural Research and General Legislation
Senate Committee on Agriculture, Nutrition and Forestry
Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the results of our review of the Food Safety and Inspection Service's (FSIS) streamlined inspection procedures for Canadian meat and our views on the proposed "open border" between the United States and Canada for meat and poultry products. As you know, both the streamlined inspection procedures and the open border proposal were made in response to the 1988 United States-Canada Free Trade Agreement.

Our testimony is based on a report we issued on July 6 to Representatives Byron Dorgan and Tim Johnson. At their request, we examined five areas related to FSIS inspection procedures for Canadian meat. Our findings are summarized below.

First, we found that the assurance that Canadian meat is wholesome rests primarily on an FSIS determination that Canada's meat inspection system is at least equivalent to the U.S. inspection system. However, we could not independently review the basis for FSIS' determination because it was not adequately documented.

Second, under the streamlined procedures, all Canadian shipments are no longer unloaded at an inspection facility and

1Food Safety: Issues USDA Should Address Before Ending Canadian Meat Inspections (GAO/RCED-90-176, July 6, 1990.)
given a routine visual inspection for general condition. However, selected shipments are still subject to comprehensive inspections for wholesomeness.

Third, rejection rates of Canadian meat were higher in 1989 than in 1988, but the causes and significance of these higher rates are unclear. FSIS cannot account for the differences in the 2 years, or determine whether they are important, in part because it has no criteria for an acceptable rejection rate for Canada.

Fourth, officials from 25 plants that export a substantial amount of meat and poultry to Canada were generally satisfied with the treatment they received under the Canadian inspection system.

And finally, we reported that the open border proposal raises both legal and policy issues that we believe FSIS should address in its decisionmaking on the proposal. For example, a possible legal issue has been raised about whether FSIS has the authority to permanently establish an open border for meat imports or whether the Congress would need to amend the Federal Meat Inspection Act (21 U.S.C. 601 et seq). From a policy perspective, FSIS needs to ensure that food safety will not be compromised under an open border system by addressing questions raised by our review and others regarding the current program for inspecting meat imported from Canada. For example, the increase in rejection rates for Canadian meat imports experienced under the streamlined inspection
procedures and the lack of a well-documented equivalency review of the Canadian inspection system are concerns that need to be addressed.

BACKGROUND

Before providing more detail on our findings, let me briefly give you some background on FSIS' import inspection program and the Free Trade Agreement. Although the streamlined procedures and the open border apply to both meat and poultry, Canada exports mostly meat to the United States. The Federal Meat Inspection Act requires that meat imports be produced under inspection systems that are at least equal to that of the United States and that the imports are wholesome, unadulterated, properly marked, labeled, and packaged. FSIS is the U.S. Department of Agriculture (USDA) agency responsible for reviewing the inspection systems of eligible exporting countries for equivalency and for inspecting imported meat items at the port of entry to help ensure product integrity.

One goal of the Free Trade Agreement is to facilitate commerce between the two countries by reducing technical and regulatory trade barriers. The agreement provides that both countries minimize inspection procedures applicable to each other's meat and poultry imports. Generally, it allows each country to make "spot checks" necessary to ensure compliance with the importing country's
standards or technical regulations. These spot checks will not exceed those made for domestically produced meat and poultry.

In January 1989, FSIS installed new, streamlined inspection procedures for Canadian meat to ease entry into the United States. In February 1990, following discussions between USDA and Agriculture Canada officials, the U.S. Secretary of Agriculture and Canada's Minister of Agriculture announced their intent to conduct an experiment, of up to 1 year, of an open border for trade in meat and poultry. On June 29, 1990, FSIS published the proposed rule for the open border experiment in the Federal Register. An open border will eliminate port-of-entry inspections by FSIS inspectors.

**EQUIVALENCY DETERMINATION**

The assurance that Canadian meat is wholesome is primarily based on an FSIS determination that the Canadian meat inspection system meets U.S. standards, i.e., that it is at least equivalent to the U.S. inspection system. To determine the Canadian inspection system's equivalency, FSIS officials told us they reviewed Canada's meat inspection laws and regulations; evaluated Canada's ability to control potential hazards, such as residues and disease; conducted on-site reviews of exporting plants; and reviewed data from port-of-entry inspections. This information, the officials said, along with more than 20-years' familiarity with
the Canadian inspection system, assure them that the Canadian system is virtually identical to the U.S. system. As a result, they have more confidence in the Canadian inspection system's ability to ensure wholesome meat than they do in other countries'.

However, documentation in FSIS' files was not adequate for us to independently review how FSIS had determined the Canadian system's equivalency or the basis for FSIS' confidence in the Canadian inspection system. For example, although FSIS maintains information in its files on specific aspects of the Canadian meat inspection system, correspondence with Agriculture Canada, and other miscellaneous information, we found no systematic assessment of this information that demonstrates how it supports FSIS' position that the Canadian inspection system is equivalent or virtually identical to the U.S. system.

Because of its high degree of confidence in the Canadian inspection system, FSIS changed the equivalency review process for Canada in two important ways. First, FSIS eliminated its own on-site reviews of Canadian plants. Beginning in 1989, Canadian inspectors have reviewed Canadian exporting plants for FSIS and, under the proposed open border, FSIS and Agriculture Canada plan to end their reviews of each other's exporting plants.

Second, FSIS is not using its standard "systems" approach to assess the Canadian inspection system's ability to control such
major hazards as residues and disease. The systems approach uses risk profiles to assess foreign inspection systems' control over five areas--residues, disease, economic fraud (i.e., deliberate adulteration of product), contamination, and processing. FSIS is currently preparing new risk assessments for other countries using updated profiles but has decided to exempt Canada from this process. Instead, FSIS has proposed that, annually, a single team of experts from both countries jointly determine their inspection systems' equivalence. Agriculture Canada is considering FSIS' proposal.

STREAMLINED INSPECTION PROCEDURES

With respect to the streamlined border inspection procedures, several changes have occurred to ease entry of Canadian meat into the United States. Among other things, every shipment of Canadian meat no longer must be unloaded, inspected for general condition and proper labeling, and stamped "U.S. Inspected and Passed." However, Canadian meat is still subject to comprehensive inspections for wholesomeness, although the methodology is now based on 3,000 randomly selected inspections for Canada as a whole. Under the old procedures, comprehensive inspections were tied to the performance history of individual plants. However, in April 1989, FSIS added an intensified inspection program for producing plants that failed the comprehensive inspections.
The two key comprehensive inspections performed on Canadian meat are product examinations and chemical residue tests. In a product examination, the inspector feels, smells, and visually examines exposed product samples to discover defects such as blood clots, bone fragments, extraneous materials, feces, hair, and lesions. For residue tests, the inspector draws samples and sends them to designated laboratories for analysis. The product examination accounts for almost all rejections, by weight, of Canadian meat; few residue tests fail.

The streamlined procedures are controversial because of (1) the advance notice given Canadian plants for shipments that FSIS has selected for inspection and (2) the pulling of samples by Canadian inspectors. These procedures are used so that only trucks carrying Canadian meat selected for inspection have to stop at a U.S. border inspection facility, and when these trucks do stop, they do not have to be completely unloaded. Although FSIS has attempted to strengthen controls and correct problems with its inspection procedures, it continues to allow Canadian inspectors to draw samples for FSIS inspection. This procedure has caused some controversy because FSIS has no control procedure to ensure that samples are pulled in accordance with FSIS instructions; rather, it trusts the Canadian inspector to ensure samples are pulled properly. Further, the FSIS inspectors union has expressed concern about this procedure because it reduces the control its members have over the inspection process. However, if import inspections
are eliminated entirely, as now proposed, the use of Canadian inspectors to draw samples for FSIS inspections will no longer be an issue.

REJECTION RATES

Rejection rates of Canadian meat were higher in 1989 under the new streamlined inspection procedures than in 1988, according to FSIS data. In 1989, 3 percent of 3,030 randomly selected lots for Canada as a whole failed product examination; and 8 percent of an additional 1,866 lots were rejected under the intensified inspection program for individual plants failing inspections. In 1988, 1 percent of 13,466 lots failed product examinations.

The causes and significance of the increased 1989 rejection rate are unclear for several reasons. First, the many changes made to import inspection procedures in 1989 make comparisons with prior years difficult. Second, FSIS generally has not used countrywide rejection rates to manage its import inspection program and has no criteria for what constitutes an acceptable rejection rate for Canadian meat. Historically, FSIS has structured its inspection program to focus primarily on ensuring wholesome product from individual plants by intensifying the level of inspection for plants failing inspection. And third, FSIS has not calculated sampling errors for these rejection rates, and thus cannot
determine to what extent the increased rates may have resulted from random chance, a decline in product quality, or some other reason.

**U.S. EXPORTING PLANTS**

Officials from 25 plants that were substantial exporters of meat or poultry products to Canada in 1989 told us that they have received satisfactory treatment under the Canadian import inspection system. The officials were satisfied for three reasons. First, since shipments to Canada were inspected at the destination rather than at the border, delays were minimal. Second, American exporters did not pay for use of inspection facilities in Canada. And finally, these plants experienced minimal rejections of their shipments by Agriculture Canada in 1988 and 1989.

**OPEN BORDER RAISES LEGAL AND POLICY ISSUES**

Our review identified several legal and policy issues about FSIS' proposal to establish an open border for meat and poultry trade between the United States and Canada.

From a legal perspective, there is a question of whether the open border proposed under the Free Trade Agreement conflicts with the requirements of U.S. meat inspection laws and whether a legislative change is necessary. FSIS' program officials have raised a possible legal issue about whether FSIS has the authority
to permanently establish an open border or whether the Congress needs to amend the Federal Meat Inspection Act. According to USDA's Deputy Assistant General Counsel, the legality of the open border experiment may be an issue that is raised during the public comment period for FSIS' proposed open border rule. The June 29 proposed rule indicates that FSIS believes that adequate legal authority exists for such an experiment.

If, following the rulemaking, FSIS decides to test the open border concept, the key policy issue will be whether FSIS still has adequate import controls to ensure the wholesomeness of Canadian meat. FSIS reviewers no longer review Canadian plants, and an open border will eliminate border reinspections. These are two controls that enabled FSIS to obtain some direct assurance that the Canadian inspection system was functioning in conformance with USDA laws and regulations. Without them, FSIS' equivalency review becomes FSIS' basic management control for ensuring the wholesomeness of Canadian meat. However, as previously mentioned, FSIS is not using its standard systems approach to evaluate the equivalency of the Canadian inspection system and documentation in FSIS' files was not adequate for us to independently review how FSIS had determined the Canadian system's equivalency.

Finally, there is the issue of how FSIS should determine the success of an open border experiment. USDA's March 1990 plan for an open border includes an evaluation plan for determining the
extent to which the economic objectives of the Free Trade Agreement are met during the experiment. The evaluation plan, however, does not discuss how it will assess the effectiveness of an open border in ensuring the safety and wholesomeness of imported meat and poultry. We believe that if FSIS decides to proceed with the open border test after the rulemaking, both the economic and food safety impacts of an open border should be evaluated.

As part of the process for deciding whether to go forward with an open border test, we recommended that the Secretary of Agriculture direct the Administrator, FSIS, to

-- review and document the equivalency of the Canadian inspection system;

-- investigate, as part of the equivalency review, the reasons for the high rejection rates in 1989; and

-- if the open border test is approved, incorporate into the evaluation plan an assessment of the impact of an open border on food safety.

Mr. Chairman, this ends my prepared statement. I would be glad to respond to any questions.