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IMPROVE RICE INSPECTION

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HEARING BEFORE THE SUBCOMMITTEE ON OILSEEDS AND RICE OF THE COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES NINETY-FIRST CONGRESS

FIRST SESSION

ON

H.R. 8739 and H.R. 11525

SEPTEMBER 30, 1969

Serial R

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IMPROVE RICE INSPECTION

HEARING

BEFORE THE

SUBCOMMITTEE ON AGRICULTURE

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IMPROVE RICE INSPECTION

TUESDAY, SEPTEMBER 30, 1969

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OILSEEDS AND RICE
OF THE COMMITTEE ON AGRICULTURE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 1302, Longworth House Office Building, the Honorable Maston O'Neal (chairman of the subcommittee) presiding.

Present: Representatives O'Neal, Alexander, Rarick, Wampler, Myers, and Mizell.

Also present: Representative Thomas Abernethy; Hyde H. Murray, associate counsel; John A. Knebel, assistant counsel.

Mr. O'NEAL. The Subcommittee on Oilseeds and Rice will come to order. We meet this morning for consideration of H.R. 8739, introduced by Mr. Abernethy, and an identical bill, H.R. 11525, by Mr. Edwards of Louisiana, which the Chair understands seeks to improve rice inspection procedures by establishing a rice inspection service in the Department of Agriculture.

(H.R. 8739 by Mr. Abernethy and H.R. 11525, by Mr. Edwards of Louisiana are identical bills, the text of which follows:)

A BILL To improve rice inspection

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Marketing Act of 1946, as amended, is amended by adding the following new section:

"Sec. 209. The Secretary of Agriculture shall carry out his responsibilities under subsections (c) and (h) of section 203 above with respect to rice through a Rice Inspection Service established by him within the Department of Agriculture. The head of such Service and those employees who are responsible for or engaged in the development of grades or standards of quality for rice, or in the inspection and certification of the grades and qualities of rice, or in making decisions on appeals or objections filed by the rice trade, shall be qualified specialists in rice and employees of the Department of Agriculture, and their duties shall be limited exclusively to those functions that are important to the implementation of the purposes of the Rice Inspection Service. The head of the Rice Inspection Service shall have a rank and status not less than the rank and status of the heads of other commodity inspection units in the Department of Agriculture.

"To assist in implementing the provisions of subsections (c) and (h) of section 203 with respect to rice, the Secretary is authorized and directed to establish an advisory committee. The functions of the advisory committee shall be to consult with the Secretary and other appropriate officials of the Department of Agriculture and to make recommendations relative to development and improvement of standards under such subsection (c) and to the carrying out of the provisions of such subsection (h) of such Act. The committee shall be composed of nine members, of whom one shall be an officer or employee of the Department of Agriculture designated by the Secretary (who shall serve as chairman), and the remaining members shall be selected by the Secretary from nominations submitted by rice producers and millers organizations in the manner authorized by the Secretary. Committee members other than the chairman shall not be deemed

to be employees of the United States and are not entitled to compensation, but the Secretary is authorized to allow their travel expenses and subsistence expenses in connection with their attendance at meetings of the committee, and the costs thereof shall be paid out of the inspection fees authorized pursuant to the provisions of subsection (h) of section 203 of this Act. The committee shall meet at the call of the Secretary and shall from time to time submit to the Secretary such reports and recommendations as it believes should be taken into consideration by him in carrying out his responsibilities with respect to rice under subsections (c) and (h) of section 203 of this Act."

Mr. O'NEAL. I see Mr. Abernethy, the original author is in the room and we will ask him to take the witness stand. We are delighted to have our very able and distinguished colleague with us and we look forward to your testimony, Mr. Abernethy.

**STATEMENT OF HON. THOMAS G. ABERNETHY, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MISSISSIPPI**

Mr. ABERNETHY. Mr. Chairman, there are many witnesses here from quite afar. I want them to be afforded as much time as possible so the remarks I make will be brief.

The Chair has already identified and referred to the purpose of this bill, that is, to improve the inspection service in the ricegrowing industry.

Rice is not broadly grown throughout the United States, but it is a very substantial crop in Louisiana, Texas, Arkansas, and California and it is rather substantial in the Mississippi Delta and my congressional district.

It is very important to the economy of the respective areas. The rice millers and the growers of rice have probably done as good, if not the best job, of any people in the agricultural industry in bringing their production in line with the demand and keeping the industry on a profitable basis.

They have followed very meticulously the laws of the United States, which came out of our committee incidental to the growing and marketing of rice. All and all, Mr. Chairman and members of the committee, they have done an exceedingly good job.

This bill proposes to amend section 203(h) of the Agricultural Marketing Act, which section authorizes the Secretary to inspect, to certify and identify the various and sundry classes of rice, the quality and condition that it is in when it is received in Interstate Commerce. I might say right here, Mr. Chairman, that the classes and qualities of rice vary considerably more than the average person would assume.

All rice is not alike, not at all. There are many different types, qualities and classes, and it takes a real, genuine expert to look at a shipment of rice and be able to classify it as to quality and so forth.

The inspection service carried on by the Department of Agriculture in the rice industry doesn't cost the taxpayers of this country one dime, not a nickel. The fees are assessed as the inspections are made. From these fees, the Government is completely reimbursed for the output that goes out of the Federal Treasury to the payment of rice inspectors and their expenses incidental thereto.

All these people are asking for and all they ask for is that they have rice specialists do this job. Heretofore, they had such and for some unknown reason—that is, I am informed they had such—and for some

unknown reason, the policy was changed and the inspection is now done by personnel from the Grain Division of the Consumer and Marketing Service, who are not necessarily specialists in the field of rice. They are just grain inspectors with no special skill as to each of the many grains, that is, not necessarily with any particular skill in the inspection of any particular type of grain.

So the purpose of this bill is for—is to get the rice industry back to a system of inspection, which it heretofore enjoyed, which is not only in the interest of the rice industry, but is highly in the interest of the consuming public.

Now, with all deference to my friends in the Department of Agriculture and I have been around here a long time, I can't understand to save my life why they object to this bill. I was shocked and amazed when the report came down from the Department against the bill.

As a result, I directed a second communication to the folks down there and a second letter came back insisting that in their judgment that the bill was not in the interest of the rice industry.

I don't understand their position. Unless, somebody down there wants to keep under their particular heel some inspectors they may now have down in the rice industry—well, maybe that is and maybe not—I just don't know, Mr. Chairman, why they don't go along with it.

This is something that could be worked out administratively. These people didn't want to push this bill. They had hoped, after counseling, that the Department would enter a regulation authorizing the very thing that they are seeking here. Having been turned down their only recourse is to Congress. That is the reason we are here this morning.

Within the industry, there is only one objection and that came from California, where they have some sort of a State inspection service or State licensees to do the inspection. Those who are sponsoring this bill have agreed to go along with an amendment to the bill which will satisfy the California producers.

I would just like to repeat that this doesn't cost the taxpayer of this Government one nickel; it doesn't lower the dignity or the prestige of the people in the Grain Service of the Department of Agriculture. Those who in the Department reported against the bill will still have their same jobs; and the rice industry, as a result of passage of the bill, will come up with a better service. I hope the committee will report the bill, and before that takes place, I hope the Department will reconsider its position and administratively enter an order allowing the industry to have the type of service that it feels that they need. I thank you very much.

Mr. O'NEAL. Thank you, I like the way you presented the matter. It makes it easier to understand when you do it the way you have.

Now, you have emphasized the fact that the Government does not pay anything for this inspection service.

Mr. ABERNETHY. It doesn't; it doesn't cost the Government anything. There is a reimbursement by way of fees.

Mr. O'NEAL. In other words, the Government pays it, but gets it back?

Mr. ABERNETHY. Right.

Mr. O'NEAL. All right, who do they get it back from?

Mr. ABERNETHY. They get it back from fees from the inspection of the rice. A fee is affixed for the inspection charge.

Mr. O'NEAL. Well, who pays it—the purchaser of the rice?

Mr. ABERNETHY. No, I think the shipper of the rice. I may be wrong about that. One of these gentlemen behind me can answer that better than I can.

Mr. O'NEAL. All right. Now, do you agree or disagree that if this bill were adopted that the cost would go up?

Mr. ABERNETHY. Well, it might double or triple, but what if it did? I don't say that it would. The Department said it would increase costs, but that is no skin off the Department's back.

Mr. O'NEAL. Well, I'm just trying to find out what it would do.

Mr. ABERNETHY. I think it might to a slight degree increase the cost of the inspection service, but the benefit to be derived therefrom, according to the people who pay the cost, feel that it far outweighs the additional fees that they would be out, not only for themselves, but for the consumer as well.

Mr. O'NEAL. Well, this was my next question. Do you know of anybody, outside of Government, who objects to this bill?

Mr. ABERNETHY. No one, just Government. That is my understanding, except, as I just testified to, the ricegrowers of California desire an amendment to be added to the bill so as to perpetuate their use, as I understand it, of State licensed inspectors.

That was one of the objections that the Department proposed to the bill. That has been wiped out because we have reached an agreement with the California people on that point.

Mr. O'NEAL. Has the bill already been amended before its introduction or not?

Mr. ABERNETHY. No, no, sir. No, I have an amendment—

Mr. O'NEAL. As the author of the bill, do you have any objections to the amendment?

Mr. ABERNETHY. Oh, no, not at all.

Mr. O'NEAL. Do you have any language that has been prepared—

Mr. ABERNETHY. Yes, I do. I can read it to the committee now. I have it prepared. This is on a letterhead of the Rice Growers Association of California.

Mr. MYERS. You didn't distribute them up here, did you?

Mr. ABERNETHY. No, no. It just says, "Notwithstanding the above"—I have reference to the fore part of the bill—"inspection and certification of rice may be made by federally licensed State licensed inspectors performing such duties under a Federal State cooperative agreement as provided by this act"—and this is applicable to California and it is the only area, as I am informed that now has federally licensed State licensed inspectors. These gentlemen who follow me can more clearly testify to that matter.

Mr. O'NEAL. As I understand the distinction, in the rest of the country you have Federal inspectors and in California you have federally licensed inspectors, is that the distinction?

Mr. ABERNETHY. That is my understanding, Mr. Chairman. I would rather these people behind me answer the questions.

Mr. O'NEAL. So the amendment would only apply to federally licensed inspectors?

Mr. ABERNETHY. That is my understanding.

Mr. O'NEAL. Now, is it your contention that under the present policy of the Department that sometimes grain inspectors who are not qualified to inspect rice, do inspect rice?

Mr. ABERNETHY. That is the contention of the proponents of the bill and the people who grow the rice and whose rice is being inspected by the currently employed grain inspectors in the offices in the ricegrowing belt.

Mr. O'NEAL. OK. Now, you said that this could be worked out administratively?

Mr. ABERNETHY. Yes, sir.

Mr. O'NEAL. What would it take? What should the Department do to work it out administratively?

Mr. ABERNETHY. Just write an order and publish it in the Federal Register. I don't know that it would necessarily have to be published. It is just a question of—

Mr. O'NEAL. Assignment of duties?

Mr. ABERNETHY. Right, assignment of duties. I think that is all they would have to do. Assignment of duties to inspectors of certain qualifications. Those qualifications being people who would be regarded as experts.

Mr. O'NEAL. Perhaps have some separation in the Department beneath the top?

Mr. ABERNETHY. I didn't understand.

Mr. O'NEAL. I said perhaps have some separation of duties or responsibilities or organization beneath the top?

Mr. ABERNETHY. Their duties would be specific, that is, as to rice. Their inspection duties would be confined only to rice.

Mr. O'NEAL. Now, your bill would create a separate—

Mr. ABERNETHY. Well, I don't think it does, Mr. Chairman. It may create within the inspection service the particular segment of inspectors whose duties would be to only inspect rice.

Mr. O'NEAL. I understand, then you don't think it would require any legislation, but your legislation is aimed at requiring it?

Mr. ABERNETHY. Right, in view of the position of the Department.

Mr. O'NEAL. All right, sir. Mr. Myers?

Mr. MYERS. Mr. Abernethy, I didn't quite understand. You stated that previously you had rice inspectors that were doing what you are asking for and this has been changed?

Mr. ABERNETHY. This is information that has been given to me. I am just saying that these gentlemen behind me, who are going to testify, can better answer those questions than I can and probably give you some dates and data on it that I don't have.

Mr. MYERS. Well, maybe we ought to reserve all our questions for them.

Mr. ABERNETHY. Well, I think that would be well, yes.

Mr. MYERS. One further question is the fact that it will not directly cost the Treasury of the United States any money, is it a fair assumption to say that it will cost the consumer more?

Mr. ABERNETHY. I don't know, but I think it would be so infinitesimal when you take a few license inspectors and spread the cost of their salaries throughout the entire rice industry, I think it would be so little that you couldn't discover it.

Mr. MYERS. Maybe the question should be asked later.

Mr. ABERNETHY. Any increased cost in Government naturally is reflected in the cost to the consumer, but the cost is so infinitesimal that it may not—I just don't think it would be an appreciable amount.

Mr. MYERS. I think the cost—

Mr. ABERNETHY. Of course, it would cost them less if they had no inspection at all, but it makes up for the difference in quality.

Mr. MYERS. How long—

Mr. ABERNETHY. And the poorer qualities of rice might be costing less. So I assume in the long run, it wouldn't cost the consumer anything.

Mr. MYERS. How long does the rice season last?

Mr. ABERNETHY. I think you will have to ask one of these farmers back here. I don't know.

Mr. O'NEAL. Mr. Rarick?

Mr. RARICK. Thank you, Mr. Chairman. Mr. Abernethy, I know you provide in your bill that the head of the rice inspection service must be a rice expert so the service could maintain the same quality and status as that given other farm commodities in the Department? Are you satisfied that the Secretary has other commodity inspection services which would perform similar practices?

Mr. ABERNETHY. Mr. Rarick, I can't answer that. I will be very frank with you. I didn't draft the bill. The bill was drafted by the producers of rice and the Rice Millers Association and they can speak to that in a capacity that I just can't.

Mr. RARICK. Well, let me ask you this. In the Department of Agriculture, do we not have cotton experts handling cotton?

Mr. ABERNETHY. Yes, sir.

Mr. RARICK. These are handling the cotton inspections?

Mr. ABERNETHY. Yes, sir; we have special graders of cotton located around the country at various sites. The cotton from my area is graded in the Memphis office and that is all they do.

Mr. RARICK. And in sugarcane, don't we have cane experts?

Mr. ABERNETHY. That I cannot answer.

Mr. RARICK. Does the Secretary inquire of the cotton people as to their recommendations and advice on how to improve the industry and the market?

Mr. ABERNETHY. I have no personal knowledge of that, Mr. Rarick, but I would think that he possibly does. The present Secretary, I know that he is making some tours now seeking ways and means to improve sundry services to agriculture. I commend him for it. I am sure that his predecessors have done the same thing.

Mr. RARICK. I was somewhat surprised to read that the Department opposed the bill on the grounds of the cost. On some of the other bills that come before our committee they don't seem to worry about the cost—especially where its taxed against the farmers.

Now as to the advisory committee that your bill recommends, does cotton and other commodities enjoy such a committee?

Mr. ABERNETHY. Yes, sir; they do have. I think that is a part of current law, Mr. Rarick. One of these gentlemen can testify more specifically to that. I think that is already in law.

Mr. RARICK. But the Department even questions whether the advisory committee would be able to help the industry. Have you discussed this aspect with any people?

Mr. ABERNETHY. Well, I haven't discussed it, Mr. Rarick, I can't answer that question.

Mr. RARICK. You haven't discussed it with the Secretary himself?

Mr. ABERNETHY. No, I haven't.

Mr. RARICK. I thank you.

Mr. O'NEAL. Mr. Wampler?

Mr. WAMPLER. Mr. Chairman, I merely want to commend Mr. Abernethy for his appearance here this morning. I think it is another manifestation of his continuing interest in the problems of agriculture, and I appreciate his statement.

Mr. ABERNETHY. Thank you, Mr. Wampler.

Mr. O'NEAL. Mr. Alexander?

Mr. ALEXANDER. I have no questions.

Mr. O'NEAL. Mr. Mizell?

Mr. MIZELL. No questions.

Mr. O'NEAL. Thank you very much.

Mr. ABERNETHY. Thank you.

Mr. O'NEAL. Our next witness is the coauthor of the bill, you might say, Mr. Edwin Edwards of Louisiana.

We are delighted to have you here, Mr. Edwards, and we have a great interest in this subject and we look forward to hearing you.

STATEMENT OF HON. EDWIN W. EDWARDS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

Mr. EDWARDS. Thank you. I appreciate the opportunity of appearing before you. I first offer at this point in the record, if it meets with the approval of the committee, a statement offered by Congressman Jake Pickle, of Texas, who asked that it be put in the record.

Mr. O'NEAL. Without objection, it will be admitted after your statement.

Mr. EDWARDS. I emphasize what has already been said and will be heard over and over again during these hearings and that is the rice industry as an industry supports the intent and purpose of this legislation.

Secondly, I emphasize that this is not legislation that is going to end up costing the taxpayers of this country money. I believe that it is going to save the taxpayers money and I tell you why.

The cost of this inspection service to the Department of Agriculture and Government is now more or less fixed because of administrative costs and the way that the Department of Agriculture provides this service.

The cost that is incurred by the Department to provide this service to the industry is reimbursed to the Government in the form of inspection fees that are paid for by the users of the service, but it is strictly voluntary.

Now, to the extent that the industry uses the service and pays for the inspection, that money is plowed back into the budget to reimburse the Government. But if the industry continues to discontinue its use of this service as it has been for the past 2 or 3 years and this trend continues, there will come a time, Mr. Chairman, and members of the committee, when the cost of the service to the Department of Agriculture is going to exceed what it is receiving in inspection fees and I want to say without fear of contradiction that the industry is dissatisfied with the present service. The industry is discontinuing its use of the service

for the simple reason that it no longer has any faith or confidence in the certificates that are received as a result of the inspections.

May I point out that although this country produces less than 1 percent of the total production of rice in the free world, for 3 years now, America has been the largest exporter of rice in the free world. Sixty-five percent of the crop grown in our Nation is exported, much of it to governments of other nations, and it is important not only to the industry insofar as the economic factors are concerned, but it is important to this country that a reliable inspection service be provided so that in negotiations with foreign governments, foreign importers, and foreign business people who deal in and buy our rice, that these people be given a certificate of grade that they will have some faith and confidence in.

Now, it is going to be pointed out later on in these hearings that in wheat, for instance, much of the commercial transactions of wheat is by telephone. People pick up the telephone and sell so many tons of wheat on a Government inspection certificate and full faith, credit and reliance is had upon these certificates and these transactions are transacted by phone.

There is such a disbelief in the rice inspection service throughout the industry that most of the mills have their own graders, most of the exporters have their own graders, the people who deal in rice have their own graders to make certain there is no question about the quality or grade of the rice.

I point out that now, I believe the reason that the Department of Agriculture opposes the bill is quite simply because there are 12 people in administrative capacities whom we feel by and large don't understand rice, don't know how to interpret the regulations and standards which have been promulgated and we think this bill is going to ultimately substitute 12 people who don't know what they are doing for three people who are going to know what they are doing and who are going to be able to work with an advisory committee appointed by the Secretary from names furnished by people in the industry who are aware of, know what the problems are and know what a rice inspection service should do for the industry.

Mr. Chairman, I point out that we believe this service under the bill would end up costing the industry no more than it is now costing, but the industry is willing to pay the extra cost, if it were to occur.

I believe that regardless of the fact that whether or not the service does end up costing a little bit more, insofar as the consumers are concerned, that the ultimate cost would be less than what is now passed on the consumer because of the fact that we have to have multiple inspections so that those dealing with rice will have some stability or some confidence in the inspection.

What I am saying is that now a Government inspector inspects the rice for the farmer and he is paid a fee for that. When the farmer gets ready to sell it to a mill or to a buyer, the mill's inspector has to go in and inspect the rice because they just won't rely on the Government's certificate and then when the mill sells it to an exporter or sells it to someone who is going to get it into the hands of the consumer, he, too, has his own grader to go and look at the rice and inspect it.

So in many cases you have three or four different inspections of rice, which adds to the total cost of getting the rice in the consumer's hands.

If we had one service which would give us an inspection which would be completely relied upon by all in the industry, I believe that the net cost of inspection service from the time the rice is taken from the field until it is put on the table would result in a total overall less cost per pound in getting the rice certified, graded, and inspected and put on the necessary pieces of paper.

Now, just so that you will understand, and people far more knowledgeable than I are going to follow me, let me make these general observations. Rice falls into three general types—long grain, medium grain, and short grain. It doesn't take a very highly qualified person to identify these categories of rice, but from there, each of these three types is subject to being inspected in several forms—rough rice, brown rice, milled whole rice, and then milled broken rice, and the inspection in any one of these forms is made more often than total inspection of beans, or wheat or most grains that I know of and then for each of these three different varieties of rice, there are about six grades, so there are about 18 different grade varieties. Then there are quality factors involved in these 18 factors.

Milled rice is inspected for degree of milling and it takes an expert who works with rice on a day-to-day basis to differentiate between well milled, or reasonably milled rice, or lightly milled rice.

It must be inspected for color, for the amount of chalkiness, for the amount of seed, for the amount of defects, kernel damage, and amount of discoloration, amount of broken rice present, and the amount of each size category for broken rice.

In other words, there is yet another category—then whether the broken grains are short, medium, or long grain and then the moisture content.

It is estimated that some rice may go through as many as 20 different quality determinations from the time it leaves the farm until the time it gets into the hands of the consumer.

Many of these determinations, and this is very important, gentlemen, are subjective in that the rice inspector will look at the rice and it's a matter of individual determination, based upon experience and training and what meets his eye.

In other words, not weights or some method which is subject to actual calculation based on putting it on the scale or measuring with a chronometer or something like that but it is a matter of individual judgment from a subjective standpoint.

I point out, as Mr. Abernethy just said, that the Secretary does have the authority under the present act to do what we want to do under this bill. As a matter of fact, up until about 5 years ago, the rice inspection service was actually working that way with headquarters in New Orleans.

Now, what has happened, is that all appeals or controversies or determinations or interpretations under the standards end up with some board or group in Beltsville here, looked at by people who we don't feel are really qualified to make the final determination and there has been much controversy coming out of these hearings, no confidence at all and no possibility of reasonably anticipating what is going to be decided.

We think that that can be eliminated and full faith and confidence and reliability could be had by the industry at a total smaller cost to the industry and ultimately a savings to the Government by following the procedure which we have outlined in this bill.

Mr. O'NEAL. Thank you, Mr. Edwards. You appear to be very knowledgeable in the subject and I compliment you on your testimony.

I don't want to belabor the point, but I do want to be sure that I understand thoroughly. Let's go back to the voluntary aspect of this service. Now, you have said that this is completely voluntary? There is nothing mandatory about this?

Mr. EDWARDS. That is correct.

Mr. O'NEAL. If the buyer or the seller doesn't ask for a Federal inspection, they don't get it?

Mr. EDWARDS. That is correct.

Mr. O'NEAL. Can they depend on their own inspection, if two can get together?

If the results of the Federal inspection would be a Federal certificate, have the parties learned to trade without it?

Mr. EDWARDS. May I interrupt you, Mr. Chairman. There is one time when I would think that it gets out of the category of being voluntary and that is if the farmer wants to put his rice in Government loans or sell it to the Government, at that time, it is my understanding, that a Government inspector would have to inspect the rice, but other than that if he is going to deal in private industry, he can by-pass Federal inspectors completely.

A VOICE. That is right.

Mr. EDWARDS. He can bypass Federal inspectors completely.

Mr. O'NEAL. Now, the next question following this line. You have said that there is a considerable decline in the usage of this service. Do you have any figures that would back up what you are saying or illustrate what you are saying?

Mr. EDWARDS. The only thing that I can tell you about that, Mr. Chairman, is that people in the industry, millers and farmers in particular, have been complaining to me now for 3 years that they just are tired of putting rice, of having rice come out of the field and have one inspector look at it and grade it one grade and another inspector look at it and grade it another grade and a third inspector grade it a third grade, and the thing is that it does not pay the farmer to go and pay to get it inspected by the Government when he is going to have to wait until the purchaser's inspector grader looks at it to determine how much that man is going to pay him for the rice because it is all bought and sold on grades and if he could get it inspected and then go to a prospective buyer and say, "This is my certificate, what will you give me for my rice?" The man would look at the certificate and buy on that basis, then he would use the service, but it just does not pay him to do that because no matter what inspector he gets to inspect and grade it he does not have a negotiable instrument, if you will allow me to use that expression, whereby he can use that as evidence of the quality of his rice.

There is just that much lack of confidence in the service.

Mr. O'NEAL. Thank you.

Mr. Myers?

Mr. MYERS. Thank you, Mr. Chairman.

Well, Mr. Edwards, I agree that you certainly seem to know the rice situation which I must admit I certainly do not first hand. Does your testimony indicate that rice is doing all right in the export market under the present system? Is there any indication from any importer

where they are questioning the rating of rice or that we need this change in the system?

Mr. EDWARDS. It is doing all right under the present system but not under the Federal system. It is doing all right because people in the industry have their own graders as inspectors and one thing that should be pointed out is that as I understand it, and people behind me can testify to this fact, you just can hardly sell rice on the basis of grade certificate. You have to send a sample so the fellow at the other end who is buying looks at it himself or has his grader look at it and that is part of the whole problem.

There is just no system now which is now working where people can get a piece of paper which is evidence of the grade factors of rice that is negotiable or can be used to buy and sell rice, and it has caused problems for those in the industry buying and selling because instead of picking up the phone and saying I have got so many tons of rice, U.S. grade 1, 2, whatever it is, how much will you pay me for it, a sample has to be sent to the ultimate purchaser whose grader has to look at it and make his own determination.

Stability is what is lacking. Confidence is what is lacking. Certainty is what is lacking and, in other words, we would like full faith and credit in the service.

Now, the industry is doing well. We are selling 65 percent of our crop overseas. But there are many examples and some will be testified to here where rice has been sold on the basis of certificates and lawsuits are involved, disagreements have come as a result of not understanding what the certificate meant and what the grading was or because there was a difference of opinion as to the quality of the rice.

Mr. MYERS. Maybe you are indicating we do not need any inspection at all. Maybe it is a handicap. Maybe we ought to omit this, just do away with it entirely. What you are talking about selling on samples, the grain exchanges as I have seen on boards of trade, they always have samples of other grades and you always buy on the quality of the car being sold, wheat, corn, and beans, I think are all that way.

Mr. EDWARDS. What we want to establish if we can, and we think we can, because one time we operated this way, is one inspection service for rice, supervised and administered by specialists.

Mr. MYERS. Now, you made a statement that up to 5 years ago they had specialists, is this right, just one inspector who inspected rice alone?

Mr. EDWARDS. It came out of the New Orleans office until about 5 years ago and our troubles began when he was replaced by somebody sent down there from Beltsville or Washington whom, and he is a fine gentleman, and I have no criticism of him except I do not think he was qualified for the job and I believe that is when we began to have a deterioration in the service.

Mr. MYERS. Would this be a personality problem rather than the system?

Mr. EDWARDS. No. Not a personality problem. It is a lack of knowledge of the problem in a specialized field, grading of rice.

Mr. MYERS. You say we have 12 now, I believe is the figure you used.

Mr. EDWARDS. Administrators.

Mr. MYERS. Where are we going to get the inspectors if we do not have them now?

Mr. EDWARDS. Not inspectors. There are more than 12. These people in the field generally know what they are doing. The problem comes from the interpretation of the rules and regulations and standards when it gets up here to Beltsville.

Mr. MYERS. Well, if we do not have them now where are we going to get them?

Mr. EDWARDS. We have them if the Department of Agriculture will just let us give them to them.

Mr. MYERS. You think they will take your people?

Mr. EDWARDS. There are no smarter people in the world than those in the rice industry if they will let us run our business, but the thing is the other people are running our business who do not know and this is why we are in trouble.

Mr. MYERS. You mentioned it is a voluntary program and I also understand that. You also mentioned multiple inspection. Why do that if you are not asking for State food voluntary inspections? Why is the rice industry doing that?

Mr. EDWARDS. Well, when a fellow harvests his rice early in the season he generally does not want to sell right away because the market is not at its best. He wants to put it in storage somewhere but he needs money to send his children to school and pay for his car and pay for his combines and tractors which incidentally, are going up at terrific rates while the price of rice is not. I just thought I would throw that in.

Mr. MYERS. This is not the first time we have heard this. Nothing original in that statement.

Mr. EDWARDS. Things are like that in Indiana. When he puts his rice in Government storage and at that time for the Government to determine what they will lend him for it, or the value of the rice, it has been graded and he pays for grading service, inspection service. But that is not worth anything to him when he sells it. The buyer is going to say, "I am not interested in what the Government says is the grade. I am going to look at it myself. I do not rely on the Government grade." So they send a man out to grade it and more times than not there is a difference in the grade. One will say one grade and another another grade, simply because there is just such a technical service and it is a service which requires experts who know what they are doing and we lack now any kind of continuity or understanding by everybody in the industry as to how the rice should be graded.

Mr. MYERS. Does it work in the cotton industry? Do they accept a certificate of grading in the cotton industry?

Mr. EDWARDS. Oh, I understand there is some problem in grading cotton.

Mr. MYERS. You can sell cotton without samples.

Mr. EDWARDS. Yes, three-quarter inch, inch and a quarter, cotton grades. Take it out of a bale of cotton, the gin. I believe the buyers rely on grade samples.

Mr. MYERS. I have seen them do it.

Mr. EDWARDS. But I point out, I believe you do not have all of these different shades of chalkiness, moisture content, grading, milling, light milling.

Mr. O'NEAL. Are you saying cotton inspection is easier?

Mr. EDWARDS. Easier than rice, I believe.

Mr. MYERS. If I was going to have to start I would rather start on rice than I would on cotton. I felt that sample. I cannot tell any difference.

Mr. EDWARDS. That shows that you do not know anything about cotton. Just kidding, of course.

Mr. MYERS. I do not know if I ever could learn how to tell the difference.

Mr. EDWARDS. It is really difficult to explain but it is funny how people who are in the business will look at a lot of rice and the interpretations are so loose and so unnailed down to definite factors and it is so much a subject matter. In other words, the look of it, chalkiness from feel and from test, it is so much a subjective matter that it opens the door for unbelievable numbers of differences of opinion and really one of our big problems in my opinion, is not so much the people in the field who are doing the actual grading but the fact that we do not get the same interpretations in what I believe to be competent interpretations of the standards here in Beltsville.

Mr. MYERS. One further observation. It is a matter of personal judgment regardless of who is down there in the field. I used to show horses, cattle and the only time I ever agreed with the judge is when he found me first.

Mr. EDWARDS. Well, we feel like in any event it is going to be a hard thing to do and is going to require specialists.

Mr. O'NEAL. Mr. Rarick?

Mr. RARICK. Thank you, Mr. Chairman.

Mr. EDWARDS. Let me ask you this. Among the rice producers, the field graders themselves in the rice business, do they have any reliability upon their own judgment in grading the rice?

Mr. EDWARDS. Well, to a large extent it is their own judgment.

Mr. RARICK. The main objection is that while they feel they can be confident in their own grading they lack confidence in the grading by the Federal graders.

Mr. EDWARDS. By people higher up in an administrative capacity who make the final determinations who are not specialists in rice but who come from other grain divisions.

Mr. RARICK. Your objection then is that the present policy is like having corn growers grading wheat or hog raisers grading cattle. That is your position?

Mr. EDWARDS. That is right, except it is a lot easier to tell a hog from a cow than some of this rice from other grades.

Mr. MYERS. I can tell rice from corn if that is what you are asking.

Mr. EDWARDS. Believe me, you would then qualify for one of the supervisors under the present regulations.

Mr. MYERS. I may be looking for a job one of these days.

Mr. EDWARDS. I tell you what, if I do not get this rice inspection passed I will be looking for a job after the next election.

Mr. RARICK. It's the feeling of the rice industry that they desire a Federal grading system by inspectors upon which they can put reliability and dependability so a U.S. certificate could be widely accepted.

Mr. EDWARDS. Yes, and I might point out that that is the basic philosophy. General agricultural marketing acts for the National Government to furnish acceptable standards of grades so that people would be able to deal in commodities with some reliance, some confidence.

Mr. RARICK. That is what the law hopes to achieve but we are learning that the producers have lost confidence and we are asked to restore competence to the inspection service.

Mr. EDWARDS. Mr. Rarick, this not the only incident, I am sure you know of where some people have lost confidence in some phases of our problems but this is one of the instances I believe, that we can easily accommodate the consumer at no cost to the taxpayer and without doing damage in the Department of Agriculture, I point out that in the 4 years I have been here, it has been very seldom that I have ever known of a situation like this where a solid united front of support has come from a whole industry such as this one, and I think as has been pointed out in some of the testimony which has been written and which I reviewed, that in itself speaks out vociferously and very succinctly for the need for this service.

Mr. RARICK. I think, perhaps, the gentleman from Indiana is unfamiliar with our situation in the Deep South. His people have not suffered loss of freedom of choice.

Mr. EDWARDS. That is correct, Congressman. But one thing I want to point out, they have not lost freedom of choice in selecting Members of the Congress and I am concerned about that.

Mr. RARICK. I agree. I concur. I thank you, Mr. Chairman.

Mr. O'NEAL. Mr. Wampler?

Mr. WAMPLER. Mr. Edwards, would you have any objection to the proposed amendments to your bill that would permit the continuation of the Federal-State cooperative agreement as it exists in California?

Mr. EDWARDS. No. I concur with the proposed amendment because I can recognize the specialized problems they have there and I want to say to my colleagues from California and to the industry from California in many respects they are worthy of emulation because they have really done well for their industry in California, I think honed it and toned it and used it to really the ultimate, and I think that anything that they wanted so far as their industry is concerned I would support because you cannot argue with success and they have been successful.

Mr. WAMPLER. Thank you.

Mr. O'NEAL. Mr. Alexander?

Mr. ALEXANDER. Thank you, Mr. Edwards, for your informative testimony in this regard. I would like to say by way of comment for the benefit of those people from Louisiana that you have communicated most effectively with me concerning the rice industry and that, it is my suspicion at this time that you will not be looking for a job very hard come next election because you have done a very good job in representing the rice industry of Louisiana.

Mr. EDWARDS. Thank you very much.

Mr. O'NEAL. Mr. Mizell?

Mr. MIZELL. Thank you, Mr. Chairman.

Mr. Edwards, are all of the rice crops harvested approximately at the same time?

Mr. EDWARDS. Within a certain area. Arkansas generally comes after Louisiana. But it is generally starting around the 1st of July to somewhere around the 1st of October is the high point of the season nationwide.

Mr. MIZELL. The proposed specialists in rice grading, would they be able to follow the markets?

Mr. EDWARDS. They do not have—

Mr. MIZELL. I mean, would they be able to? The point I am interested in, could a limited number of rice specialists, rice inspectors, follow the market rather than having to have a specialist at each of the locations?

Mr. EDWARDS. No. You would have to have—

Mr. MIZELL. At each harvest?

Mr. EDWARDS (continuing). Have them at each location because rice is bought and sold year round, stored year round, milled year round.

Mr. MIZELL. Then it would have to be inspected—

Mr. EDWARDS. That is right and a lot of times the rice is not inspected until after it gets out of the dryers. Sometimes it is inspected when it leaves the farms. Other times it is inspected when the exporter buys it and a lot of times it is inspected three times because it will change a little bit. Rice stored in cool climate will probably end up milling a little bit better than if it is milled right after it is harvested and give you a little bit better milling grade but you would have to have—that in itself, the actual legmen to do the inspection, there is no shortage of them and that in itself is not any problem. It is when you get out on top of them, the interpretations of the regulations and the fact that there is no stability or confidence on what is going to happen in the event of a contest or difference of interpretation.

Mr. MIZELL. Could this be eliminated through training the men and making rice specialists out of them?

Mr. EDWARDS. I guess it could be eliminated if we took the 12 men at the administrative level and got them completely knowledgeable in it and worked with them and the local inspectors, but much of our problem could be solved under the new legislation by having a small group of real professionals who are supervised and working with the actual graders and inspectors so that they would know the thinking and philosophy and attitude of this group on top of them in the event of any difference of opinion.

Mr. MIZELL. Could you give us an idea of how many new employees we are talking about?

Mr. EDWARDS. I think you would be reducing the number of employees from 12 now on an administrative level to not more than three. There is no need for 12. But one thing I want to point out, and I am not being critical because everybody has got to paddle his own canoe, but a lot of present money budgeted for rice inspection service actually is part of the overall umbrella of grain inspection and we believe we are paying for administrators and for office space and for other things, telephones and secretaries, that really are not related to the rice industry because it is such a small industry and so specialized and if we separated the service, you could, I believe, end up with a net loss in Federal employees.

Mr. MIZELL. Men at the present time who have been in the field, who are employed, employees of the Government, doing the inspection now.

Mr. EDWARDS. Yes, but their jobs would not be affected under this new act.

Mr. MIZELL. They would continue to inspect only rice?

Mr. EDWARDS. Only rice, in our area. Now, I do not know what they do in other areas. There are some isolated cases where people have been shoved—I do not think I know of any in my area but people have been sent in to be graders and inspectors that really were not qualified. I do not say that as a fact because I do not know that. Those that I know, I am going to say right now, are very qualified and capable.

Mr. MIZELL. Again, I would like to come back to the other question proposed a few moments ago. Do you think it is possible to obtain the desired inspection of rice through training of the men that we have now?

Mr. EDWARDS. Absolutely, and my opinion gives way to much more credible evidence when you go back in history because for years we were completely satisfied with the service when it was coming out of the New Orleans office under the leadership and jurisdiction of the inspectors in the field and we are trying to get back to those good old days.

Mr. MIZELL. You do not believe the growth of inspectors—when they moved the New Orleans office they did not bring specialists to Washington.

Mr. EDWARDS. No, they made some sort of an office clerk out of him and sent somebody down to him but during the last 5 years that office has been made up by people in Beltsville, maybe wheat and corn but we get in trouble when we come up here with the rice problem. And there is one other feature of this bill that is important. For years also there was an advisory group from the industry working with the Department of Agriculture officials in promulgating and formulating rules and regulations and standards for rice. That also has been discontinued in the past 5 years. We want to reestablish that because this industry is a moving industry. If we have terribly expensive per acre cost of production, it is awfully difficult for us to compete in world markets. It is very difficult for a rice farmer to compete with other grain farmers because of the limited market which he has. Farm machinery as in all other industries, goes up tremendously but acreage allotments are more or less static.

Now, we just feel that we have now reached a point where we have got to emphasize and take advantage of every conceivable amount of efficiency. We have to develop new varieties—a new grading service. We have to stabilize the grading. We have to cut the multiple grading needs that we now are facing, if at all possible, so in this bill we provide for a Council, one man appointed by the Secretary as Chairman who will be kind of a full-time Government employee, and then the remainder of them would be selected by the Secretary of Agriculture on the basis of recommendations from the industry who will not be Government employees but advisers in formulating new rules or regulations or new standards as if and when the time comes for doing so because this industry is very fluid, and we have to keep up with conditions in world markets, agricultural conditions around the world. We are concerned about new grades of rice. IR 8 and IR 5 that were developed by Ford Foundation money and Government money in the Philippines which is giving three and four times as much production per acre in some of the Far East and Middle East countries. That, of course, fortunately is not

a very high quality of rice but the one thing we have to sell on the world market is a superior quality of rice and we have got to keep our industry upgraded if we are to keep it healthy and alive and I point out if we do not keep it healthy and alive we are not going to be able to compete with the world markets. Only about 35 percent of our rice is purchased for domestic use and we will have a group of rice farmers on the welfare rolls at Government expense if this industry is not kept healthy. One way we can insure its health and one thing that is indispensable to its health is an upgrading of the grading service.

Mr. MIZELL. You are interested in obtaining a certificate that is acceptable worldwide for rice inspection.

Mr. EDWARDS. That is our ultimate goal. That is a very difficult but essential goal.

Mr. MIZELL. Do you think this is the only way to obtain that?

Mr. EDWARDS. I do not really think we can ever do that in rice; it is so complicated and so subject to subjective considerations. They may disagree with me, but I think we will never see the day in which we can sell barbed wire or other items that you can do so on a basis of a certificate in worldwide trade but we can come a whole lot closer to it with a more efficient, scientific inspection service than we are now. We are just as far from it as it is possible to get. So much so that it is hard to get people to use the service, the Government service, that is, and they are going gradually but definitely to their own inspection services.

Mr. MIZELL. You do not think it can be accomplished without establishing a complete department handling the rice inspection?

Mr. EDWARDS. Oh, yes it could be. If they took the people that are now running the program and accepted our advice and counseling, or just on their own got people who know what they are doing I think that is the key to the whole thing. This bill will in effect, require the Department of Agriculture to do it. As Mr. Abernethy said, the Secretary has the authority under the present act to do this and so did for many years and then regrettably like so many other things, we got caught in an administrative bog down and all of a sudden we were in trouble.

Mr. MIZELL. I thank you for the response you made to my education. You give me a little education on what your needs are.

Mr. O'NEAL. Mr. Burlison?

Mr. BURLISON. No questions, Mr. Chairman.

Mr. O'NEAL. This change, I think you said took place about 5 years ago?

Mr. EDWARDS. Before I got to Congress, Mr. O'Neal.

Mr. O'NEAL. Now, your complaint is not with the inspectors in the field at all?

Mr. EDWARDS. Not really. They are adequate in number.

Mr. O'NEAL. They are adequate in number and are highly skilled?

Mr. EDWARDS. Generally highly skilled and know what they are doing.

Mr. O'NEAL. But the complaint comes about because 12 men up here in Washington or in Beltsville who did know their job were substituted for three men who did not know their job. Is that what you are saying?

Mr. EDWARDS. No. Actually, it was one man who knew his job in the New Orleans office that everybody relied upon. He is in Utah in another

job. Now, it is up to 12 people as I understand in administrative capacity up here who are looking at these standards, promulgating standards and rules and regulations and are causing confusion in the industry. They may disagree with me, these people behind me, but I do not believe the problem lies with the fellow making \$400 or \$500 or \$600 a month looking at the rice and grading it. I think the problems come after the certificate is signed in interpretations, questions and controversies in the grading service and in the interpretation of the standards and regulations.

Mr. O'NEAL. All right. I do not want to wear this out either but I was shocked when you said that inspection of rice was a more highly skilled work than inspection of cotton. I thought this was one of the most difficult tasks on earth. I have always been led to believe that. Do they inspect rice on a cloudy day from a window with light coming only from the north as they do in cotton grading?

Mr. EDWARDS. Do you want me to tell you how bad it is? I had a grader and a buyer—he serves in a dual capacity—call me 2 weeks ago and among other things he told me—and he was serious—he said, “I checked with my doctor and from day to day my eyesight changes and one day I look at the grade of rice because of the condition of my eyes and gave it a certain grade and the next day I give it a different grade.”

Mr. O'NEAL. I understand there are 532 qualities of cotton that have to be taken into consideration. Do you know how many in rice?

Mr. EDWARDS. About—qualities?

Mr. O'NEAL. Yes.

Mr. EDWARDS. Well, you start with the—it is a whole lot less than that. I will defer to you then. I just point out the fact that I know little about cotton.

Mr. O'NEAL. I wish I knew as much about peanuts as you do about rice.

Mr. EDWARDS. You are a really good peanut man, Mr. Chairman.

Mr. O'NEAL. Thank you, Mr. Edwards.

Mr. EDWARDS. Thank you, gentlemen.

(The statement of Congressman Pickle follows:)

STATEMENT OF HON J. J. PICKLE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman, and members of the subcommittee, I appreciate very much this opportunity to appear before you and state why I feel the Rice Inspection Service bill should be adopted.

This is a matter which is of great importance to the rice growers and processors in my District, and I would note that their support for a bill such as this—as they have expressed it to me for over a year, now—is as strong and sincere as I have ever seen.

To capsule their request, it is simply that the inspection and grading of rice be performed by rice specialists, whose function within the department is to work only with rice, and who are not subject to the operational or supervisory authority of people who may not be knowledgeable in or are not even specialists in rice.

This view is opposed by the Department of Agriculture, because they feel it would involve excessive costs, and because they feel:

... maximum cross-utilization of federally-employed or licensed commodity inspectors should be the department's objective rather than pursuing an opposite course of action. (USDA Report on H.R. 8739, July 12, 1969)

I suppose that simply means that they want people to be grading all kinds of commodities, and that they feel by doing so, they would save money.

Of course, there is some merit in pursuing this kind of approach, up to a point. But that point is reached when it becomes clear that the quality and accuracy of the grading being performed is inadequate.

In my view, this is one of the main purposes in considering this bill: To determine whether the grading which has developed over the past several years in fact is adequate and accurate.

And in judging the relative weight of the testimony you will hear, I might suggest that it is a crucial fact to remember that the present rice inspection system is self-financing. Inspection fees now collected from rice processors reimburse the Federal government for virtually all of the Federal expenses involved, so just as a start, I would note that this "excessive costs" argument on the part of the department might have something of a hollow ring.

I understand testimony to be presented by the Rice Miller's Association will even make the point that higher fees, if necessary as a result of passage of this bill, are completely acceptable to the industry, and I strongly submit that the people of the industry, under these conditions, are in the best position to know whether the present system is adequate for their purposes.

The grading of rice is a highly complex process, and it is not the sort of thing a man can do on a casual, part-time basis. To draw on analogy to the system now proposed by the Department, we might as well have had small-plane mechanics making the final checkouts on the moonshot.

Another problem, as shown by present operations, is that unknowledgeable graders can issue strange and conflicting interpretations contrary to usage, custom and practice in the trade. Rice growers and millers are often left wondering what new interpretations will be issued—usually on short notice—after the grower or dealer has made commitments on the basis of an earlier inspection.

Mr. Chairman, I appreciate this chance to be with you and to make this statement about the rice inspection bill. After hearing all of the testimony, I hope that you will conclude that this bill does reflect a sound approach paid for and recommended by those people who earn their living in rice.

Mr. O'NEAL. I see we have in the audience the Honorable Robert L. Leggett of California. Do you wish to testify?

STATEMENT OF HON. ROBERT L. LEGGETT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. LEGGETT. Thank you, Mr. Chairman. I have some brief remarks. I have not reduced them to writing. I suspect my remarks will require very little cross examination. I do—I have Mr. Robert Freeland, the vice president of the Rice Growers Association of California, who will testify and will present the California position. I feel I have to make these few remarks considering the fact that Mr. Edwards claims to represent 25 percent of the ricegrowers of this country. I claim to represent about 23 percent of the ricegrowers. Virtually all of the rice grown in California is grown in my congressional district. As you know, this is a very consolidated growing commodity.

Mr. Alexander has about 20 percent in his State and Mr. Rarick has about 20 percent plus or minus, and Texas has some and Mississippi has some. So the five States represent the total commodity. We have the short grain in California, medium grain, and we have longer grains down in the gulf. As far as this particular bill is concerned we have always had a high degree of cooperation between the various growing States in the past and it does not stop with this legislation. We are getting along very well out in California. We have suggested an amendment to the bill to maintain the State inspection services and I understand that that amendment is satisfactory with the authors of the bill. We have worked out very well out there. One of our benefits is the fact that we have all of our rice flowing through one office so we do not have this problem of inconsistent inspections made by several different

offices. And if they make a mistake there, we do not know about it because we have got no other office in the country to compare with it.

I think as far as the million and a half dollars that is involved in this legislation, I remind the gentlemen that we are going to be voting out a bill here on Wednesday from my House Armed Services Committee of about \$21,500,000,000—\$21½ billion. Today we are going to lose in Vietnam about a million and a half worth of helicopters if it is an average day. So a million and a half dollars is not an awful lot of money. We have got an excellent commodity in rice in that we have got none under long-term storage, no surpluses. It costs the country a little over \$200 million a year for this commodity. It is one of our best foods for peace programs. And we are very competitive and as I understand it, the southern growing States want to be more competitive and want to standardize their procedures, so with these amendments we have got no objection.

Mr. ABERNETHY. Mr. Chairman, before Mr. Leggett leaves, may I make a brief statement? Mr. Leggett communicated with me about the amendment which I read to the committee a moment ago. I stated to the subcommittee that that was the amendment which had been agreed upon. Since I testified I learned they have agreed on other language. Mr. Gaines, who represents the association and Mr. Leggett will present it.

Mr. LEGGETT. Mr. Freeland.

Mr. ABERNETHY. I hope before they leave the room that these two gentlemen will present to the committee the agreement on the new language. There is an agreement on new language, is there not?

Mr. O'NEAL. All right. We look forward to having that at the proper time. Thank you, Mr. Leggett. We appreciate your testimony. And we look forward to hearing from Mr. Freeland at the proper time.

Mr. LEGGETT. He is down on the list.

Thank you very much, Mr. Chairman.

Mr. O'NEAL. Thank you.

The next witness on the list is Mr. George R. Grange, Deputy Administrator for Marketing Services, Consumers Marketing Services, Department of Agriculture.

Mr. Pickle's testimony was inserted in the record by Mr. Edwards, I believe. Is that not right?

STATEMENT OF GEORGE R. GRANGE, DEPUTY ADMINISTRATOR FOR MARKETING SERVICES, CONSUMER AND MARKETING SERVICE, U.S. DEPARTMENT OF AGRICULTURE; ACCOMPANIED BY HOWARD WOODWORTH, CHIEF OF THE GRAIN INSPECTION BRANCH

Mr. O'NEAL. All right, Mr. Grange. We are delighted to have you. You seem to be a little bit on the defensive whether you like it or not.

Mr. GRANGE. Thank you, Mr. Chairman. I have with me Mr. Howard Woodworth, who is the Chief of our Grain Inspection Branch. Mr. Woodworth, with your permission, will assist me in replying to questions.

Mr. O'NEAL. We are delighted to have you, Mr. Woodworth.

Mr. GRANGE. I have a brief prepared statement which I would like to give for the record, Mr. Chairman. Before starting on it I would like to say very emphatically and very sincerely that the objective of the Department is no different insofar as our inspection service is concerned than the objectives expressed by the Congressmen representing the rice industry. We are interested only in providing a worthwhile and a useful and a reliable inspection service for rice. This is the only reason for its existence. As has been pointed out, it is entirely voluntary. Of course, there is some compulsion in that foreign buyers may require a U.S. certificate. The seller may not have too much option in whether or not he makes use of the service but it is between the buyer and the seller as to whether or not the grade standards and the inspection service are to be used. Therefore, if they are not doing the job, they should either be done away with as has been suggested here or there should be a change made so that they are carrying out this objective. So, without any equivocation at all, Mr. Chairman and gentlemen, I would like to say that we certainly subscribe to the objectives that have been expressed. We do differ in our appraisal as to the best way of accomplishing those objectives.

This bill would direct the Department to do two things, (1) establish a separate Rice Inspection Service whose employees would be exclusively engaged in work on standards and inspection for rice and (2) establish an advisory committee of rice producers and millers.

Official rice inspection services have been provided since the 1930's by the Department of Agriculture through the Consumers and Marketing Service's Grain division. This Division also provides official inspection for corn, wheat, soybeans, other grains and related products.

Rice inspection service is provided at 13 locations in the Southern States. There are three locations in Arkansas; four in Louisiana; three in Texas; and one each in Mississippi, Tennessee, and Alabama. The services in the Southern States are performed by about 60 Federal inspectors who are employees of our Grain Division.

Official inspection services for soybeans and other grains are also provided in seven of the 13 locations in the Southern States where rice inspection services are performed. These are Beaumont and Houston, Tex.; Greenville, Miss.; Memphis, Tenn.; Mobile, Ala.; New Orleans, La.; and Stuttgart, Ark. In numerous instances at these seven locations, the same Grain Division employees inspect rice, supervise grain inspections, and perform appeal grain inspections.

Rice inspection services are provided at four locations in California. These are Sacramento, Stockton, San Francisco, and Long Beach. The services are performed by 18 federally-licensed employees of the California Department of Agriculture under a Federal-State cooperative agreement. The employees are supervised by our Grain Division. Official inspection services for other grains are also provided at each of these California locations. In most instances, the same State employees inspect both rice and other grains.

The total amount of rough rice equivalent inspected in fiscal year 1969 was 99 million hundredweight. Of this amount, 82 million hundredweight was inspected in the Southern States and 17 million hundredweight in California.

The estimated total farm value of rice in 1967 was about \$439 million as compared to \$2.2 billion for wheat and soybeans of \$2.4 billion for

the same year. Soybeans and wheat are being grown in increasing amounts in the rice producing areas in the Southern States. It has not been necessary nor desirable to establish separate inspection services for these other major grains.

The 1969 fiscal year expenditures for rice inspection work were about \$1,055,000. The proposed budget for fiscal year 1970 is the same. Enactment of this proposed legislation would increase the staffing needs in the Department of Agriculture for administrative, technical, and clerical personnel and would result in additional costs estimated at more than 50 percent above current costs.

A major portion of the equipment, procedures, and laboratories for the inspection of rice, soybeans, wheat, and corn are very similar. The same equipment is used for sampling; the same divider is used for obtaining representative portions for analysis; the same moisture meter is used in determining the moisture content; the same dockage tester is used in determining the dockage content; and similar hand sieves are used in making factor determinations. The same general inspection procedures are followed and the same laboratory arrangements are used in performing inspections of the commodities.

Limiting Federal inspectors to inspect only rice at Memphis, New Orleans, Houston, and the other multiple-product inspection offices would make it most difficult to utilize fully our employees' time and would result in duplication of offices and equipment. Furthermore, the bill would prohibit the use of the 18 federally licensed State employees who perform the official rice inspection in California and Federal inspectors would have to be hired to replace them.

We question the need for and the desirability of the proposed advisory committee for rice. Matters of importance relating to the development and improvement of standards of quality for rice and rice inspection procedures are discussed both formally and informally with the rice industry. This procedure appears to work satisfactorily. Similar procedures are used satisfactorily for other agricultural commodities, including wheat, soybeans, cotton, and tobacco. These procedures provide channels for the institution of new ideas and suggestions for improvement of the standards and the inspection services.

The Department's position on H.R. 8739 and its companion bill, as expressed in the Secretary's report on the bill, is that the bill should not be passed. No constructive purpose would be served by establishing a separate rice inspection service. The most efficient and effective way to continue the rice inspection services is to leave the responsibility for them in the Grain Division as an integral part of its operations in the Consumer and Marketing Service.

I would like to make three or four additional observations, Mr. Chairman. As I have said, our objective and the objective of the rice industry is identical to have a worthwhile, useful, and dependable service. The matter of cross-utilization of our inspectors is something that we think is highly important. We think it improves their capability rather than impairing their capability. If I might just briefly use peanuts as an example, Mr. Chairman, we have at the peak of the season approximately 1,100 men inspecting peanuts. In the State of Georgia, for example, a large number of them come north from Florida where they have been working for the preceding several months on citrus, including their Federal supervisor, Mr. H. M. Reilly, whom the chair-

man probably knows. These men have been trained to be experts in peanuts as well as on citrus, two very dissimilar commodities, of course. They have to be trained and be experts in any commodity that they are going to examine but they are certainly versatile enough to be able to handle more than one commodity. In the case of peanuts the soundness of the kernel, the plumpness, whether or not it is shriveled, the absence of defects, insect injury, broken kernels, all these are the prime quality factors that are examined in peanuts. Incidentally, they happen to correspond very closely to the quality factors in rice. I personally would have no compunctions at all in saying that we could take a rice inspector, give him proper training, and turn him into a very competent peanut inspector, and vice versa.

We have been told, Mr. Chairman, that there is agreement to make special provision for California. The agreement—the special amendment to be offered for California, I would presume, in effect is going to exempt California. So that the present arrangement in California can be continued, which is a multiple arrangement. Of approximately 25 grain inspectors in California, there are 18 of them who have been trained and qualified as rice inspectors. And of the volume of work in California last year, in addition to the rice inspection which from July 1968 to June 1969 amounted to 16,800,000 hundredweight, these same inspectors inspected and certified 18,176,000 bushels of other grains. This includes wheat, oats, barley, corn, grain sorghums, soybeans, and mixed grains.

If it can be worked satisfactorily in California, as we understand it has and is working satisfactorily, we do not understand why in Texas and Louisiana and Arkansas it cannot also work satisfactorily if you have rice inspection being handled as an integral part of other inspection operations.

Now, the industry spokesmen may cite some past instructions or interpretations from Washington as being their primary criticism and primary basis for requesting separation. I question if any of these examples will be particularly recent. I personally know of none that have occurred this year. We agree entirely with the ricemillers and the rice industry that under no circumstances should there be an instruction issued from Washington, be it a separate service or an integrated service, but under no circumstances should there be an instruction issued from Washington which would change the interpretation of a grade factor without first advising and consulting with the industry concerned.

This is true be it rice, soybeans, corn, tobacco, or what have you.

There were in past years a few instances where unfortunately this mistake was made, where an interpretation was issued without proper advance consultation and advice and review. We have told our friends sitting behind me here that we hope this never happens again. We are going to do our best to see that it never happens again and it has not happened in recent months.

There is one thing that we have said that we have to insist on and that is that we do have uniformity between offices. We cannot have one inspector out of the roughly 80 rice inspectors that we have, we cannot have one inspector doing things one way and another one doing it differently or we cannot have one office out of the 17 offices that we have doing it differently than the others.

Occasionally, we have found this to be the case, where through inadvertence or something or other there have been these differences. We have said that we have to take action then to bring them into line and the people in the rice industry that we have contact with virtually daily agree with us that this needs to be done, but not something that would cause an overall change without advance review and interpretation.

If I might cite just two specific examples in this regard, Mr. Chairman, to pinpoint what I mean.

Two or 3 years ago we did become aware of the fact that the interpretation of the degree of milling, how much of the hull had been removed from the kernel, was being interpreted and applied differently, particularly between southern offices compared with the California offices. We undertook to bring this through the grade standards approach under the Administrative Procedures Act with due notice to everybody concerned and with review of comments. We did undertake to bring this into alinement and this has been done. It was a complex and a controversial matter and is pointed to as one of the examples by some of the people in Washington or Beltsville making decisions that should not have been made.

The other example that I would like to refer to is a more recent one and has to do with roller marks on brown rice. The hard rubber rollers cause a black mark on the rice. In this case there was an instruction issued concerning scoring these marks as damage. A question was raised by the industry as to whether or not each office was doing this the same way. As soon as we learned of this question we immediately rescinded the instruction. We told each of our offices to continue to interpret and apply this exactly as they had been doing until we were able to find out just what had been the past practice. We called key men from all of our important rice offices together in New Orleans, including California men, and reviewed their present interpretation with them and on the basis of the information we had, we issued a uniform interpretation that I think is quite satisfactory to the rice industry and that is being applied on a workable and a uniform basis.

Now, this is the kind of approach we think is needed. If we do not follow this sort of approach we think we are subject to legitimate criticism and we should be criticized. But insofar as having a national system, insofar as having a U.S. certificate that does mean something, that will stand up both here and abroad, recognizing, gentlemen, that practically all of our certification of milled rice is going for export, and as has been stated, 60 percent or more of the rice normally goes for export; these certificates have to mean the same in any country of destination, regardless of whether the rice comes from Texas, Louisiana, or Sacramento.

We have to have national uniformity. Just like meat grading has to be uniform nationally. Or peanut inspection or tobacco inspection or potato inspection or any of the other national inspections that we run, most of them on a fee-supported basis, similar to rice.

This is not unique. We collected a little over a million dollars for rice inspection last year. We collected about \$35 million from our other voluntary grading and inspection operations. Under Federal-State agreement, State departments of agriculture collected approximately another \$30 million for this work last year. In total it is between \$65

and \$70 million of revenue on a fee-supported basis for this type of agricultural commodity inspection.

Even if it were separated, which we think would not help any and would actually harm the service, as long as central direction is provided from some central source, we think that this would not—if the person providing the central direction is not doing his job properly, is not consulting properly, we could still have and should have criticism concerning the type of direction that is being given.

As Mr. Edwards stated, he had no criticism concerning the individual inspectors themselves. He did question the instructions that they had received. We have tried to improve on this by action taken recently where we announced that we have expanded the Board of Appeals and Review here in Washington, by adding a fourth man who will be primarily responsible for the grading of rice, specifically the handling of the final appeal inspections, opinion inspections, and review inspections involving grade changes on rice. And we are appointing Mr. Elton Leje to this position. Mr. Leje is a native from Louisiana, worked long years in rice inspection offices in the South, and prior to coming to Washington, for several years was in charge of rice inspection work at New Orleans.

In addition to this, our New Orleans office has announced within the last few days that Mr. Walter McCrea, who was referred to here earlier this morning but not by name, Mr. Walter McCrea, the Assistant District Supervisor there, will be given full responsibility for the rice inspection in the southern offices. He has had such responsibility but also had some other responsibilities, too.

He is being confined to the rice work and will be expected to see that each of the southern rice offices is doing the job in accordance with the grade standards and in accordance with the interpretations that have been issued concerning the grade standards and each of them is applying these instructions on a uniform and consistent basis.

Mr. McCrea is recognized, I think generally throughout the rice industry, as being a very reliable and competent individual.

In conclusion, Mr. Chairman, I would just like to repeat again that we certainly have the objective of wanting a reliable and dependable and useful set of grade standards and inspection service for rice. Personally, I do not think that we would be opposing this bill if we thought that it would do no harm. Even if we thought it would do no good, we probably would not oppose it. Honestly and sincerely in our opinion, it would do some harm. Therefore, from the point of view of the Department, not from a bureaucratic point of view certainly, I assure you, but from the point of view of the Department in our experience, in operating inspection and grading services, and trying to be very, very cognizant of thinking of the best interests of the industry involved, we somewhat reluctantly but honestly came to the opinion that we have no good alternative course but to register our objections to the bill.

Thank you, Mr. Chairman.

Mr. O'NEAL. Thank you, Mr. Grange. You say you brought some additional matters to us that it is necessary for us to consider in dealing with this legislation. I would like to ask you if you are aware of the change that took place approximately 5 years ago mentioned by Mr. Edwards, some change in the structure of the service or some change in policy that Mr. Edwards referred to that brought on some problems.

Are you aware of this change? Would you tell us what took place 5 years ago?

Mr. GRANGE. Yes. If I might, Mr. Chairman, just let me go way back to the beginning and trace very quickly the development of the rice inspection service.

Rice inspection started in the early 1900's by the industry itself and then somewhat later on at the request, as I understand it of the industry, the States started providing an inspection service and this was continued until the early 1930's when again at the request of the trade, the U.S. Department of Agriculture became involved. At that time a cooperative agreement was entered into between the State of Louisiana and Department of Agriculture to hire and employ rice inspectors on a cooperatively controlled basis.

This system was followed in the Southern States, not in California but in the Southern States, until 1963 which is roughly 5 years ago that Mr. Edwards referred to.

At that time the cooperative agreement was terminated. In effect we directed the inspectors, the Federal supervisors did, and the State of Louisiana was somewhat of a silent partner in the arrangement, and it was concluded mutually between the State and us that it would be desirable to have it changed over to a straight Federal basis and in 1963 it was changed to a straight Federal basis.

Now, at the same time some other changes took place in our grain inspection work and rice is a grain, and, therefore, was included with the other grains.

We had board of review in New Orleans, and in the Northwest, Portland and Chicago. There were three of them. These boards of review reviewed samples like the cotton samples that came into Memphis that you are probably acquainted with, Mr. Chairman. They reviewed samples and provided direction to the individual offices. The New Orleans office handled rice, the Chicago office handled all the grains except for the section west of the Rockies and the Portland office handled both rice and the grains on the West Coast, including the rice in California.

It was concluded by the inspection service administrators at that time that it would be desirable to centralize the Board of Appeal and Review. The Board of Appeal and Review at each of these places was abolished and a central one established, at Beltsville, Md., and this took place back at that time. These are the events, I believe, Mr. Chairman, that have been referred to.

Mr. O'NEAL. On that specific point, at the bottom of page 1 of your prepared statement, you say that in numerous instances at named locations, Beaumont, Houston, et cetera, that these people performed appeal grain inspection.

Now, you do not have appealed rice inspections in those locations any more, I understand. That has all been moved to one location?

Mr. GRANGE. We are in the process under the proposed regulations in the works right now, Mr. Chairman, to standardize the handling of appeals both for rice and the other grains at these locations. At the present time, they would not be handling rice appeals.

Mr. O'NEAL. You are saying that you expect to go back to these seven locations, then, in the plan that you now have.

Mr. GRANGE. Yes.

Mr. O'NEAL. For appeals?

Mr. GRANGE. Yes.

Mr. ABERNETHY. Has this legislation inspired you to go back to those locations?

Mr. GRANGE. No, I do not think so.

Mr. ABERNETHY. What brought it about?

Mr. GRANGE. We proposed before, I think your bill was introduced—I was pausing here trying to get my timing accurate—we proposed last winter some changes in our regulations that apply to rice and certain other commodities and part of the proposal had to do with our handling of appeals. There are some of our appeals procedures that had not been changed for a long time that we felt and the trade—much of this, of course, is on a mutual approach basis; this is the way it should be—we felt were unnecessarily cumbersome and could be updated and improved.

Because of the request from the Rice Millers Association we postponed the effective date of these regulations and reviewed them again. Following a meeting in New Orleans last May, I believe it was, we reissued them in proposed form, a second time, and then following consideration of further comments, we have now reissued them in final form with an effective date sometime shortly.

Mr. ABERNETHY. Thank you.

Mr. O'NEAL. Mr. Grange, do cotton graders ever grade other commodities?

Mr. GRANGE. In cotton all we have for grading, Mr. Chairman, is cotton. We have several varieties and kinds of cotton, of course, and cottonseed.

Mr. O'NEAL. But cotton graders do not grade anything but cotton products, I mean to include cottonseed.

Mr. GRANGE. This is correct.

Mr. O'NEAL. What about tobacco? Do tobacco graders ever grade—

Mr. GRANGE. Oh, yes, Mr. Chairman. In fact, this is one of the things that we are being pushed hard on now for tobacco inspectors, to find other work for them, and we have 400 tobacco inspectors as contrasted with 80 or so in rice. We have quite a number of them now that have been trained and qualified to inspect other products. We have upwards—

Mr. O'NEAL. You mean, some less difficult product. Tobacco would be the more difficult, would it not?

Mr. GRANGE. I am trying to be half-way funny, Mr. Chairman. Our inspectors, and I have to live with all of them, you know, sir, the one grading tobacco thinks that it is the most complex and difficult and the one classing cotton thinks that it is the most difficult, and so on. To me, the ones that have the most degree of subjectivity in a way make them more difficult. I would say that our tobacco grading, cotton classing, and meat grading are the three where we have less in the way of objective measures or visual aides and guides. When we get into other products, grains, and other products, then there is not quite the same degree of subjective determination as there is in the three that I named. For what it is worth, Mr. Chairman—

Mr. O'NEAL. Is this another way of saying you have to spend a lifetime at these three to become efficient?

Mr. GRANGE. In the case of tobacco, Mr. Chairman, our people think that it takes about three full seasons of training before that man would be qualified to work independently.

Mr. O'NEAL. How about cotton? I have always thought cotton was extremely difficult.

Mr. GRANGE. It is. It is. Even just getting staple length that you are speaking of which is just one facet of it. Of course, the next thing is to get the grade and here it is a matter of carrying a mental picture in your head of how much trash, how much discoloration, or whether it is going to be light spotted or what color it would carry. We have trained some cotton classers, Mr. Chairman, by a crash basis of giving them 6 months, 8 hours a day, 5 days a week, of intensive training to class cotton and then run them through a series of tests to see whether or not they have been qualified.

Mr. O'NEAL. I realize we are running out of time and I do not want to go into this too deeply at this point. With reference to the California situation, you say on page 3 that you would have to replace these 18 federally licensed employees. Would you agree that the amendment would not require you to do that now?

Mr. GRANGE. I have not seen the amendment, Mr. Chairman. I would assume that the amendment no matter how it is worded, in effect would exempt California and permit the present arrangement.

Mr. O'NEAL. You have another point to make in connection with that but if you understand it, it would exempt them. All right, sir.

Now at the bottom of page 2 and top of page 3 of your testimony you talk about the additional cost and you say that it would be 50 percent above current cost and you go on at the top of page 3 pointing out that a major portion of the equipment, procedures and laboratories for inspection of rice, soybeans, wheat, corn, is the same equipment.

Did you understand that this bill would require you to use separate laboratories and separate equipment?

Mr. GRANGE. This was our interpretation, yes, Mr. Chairman.

Mr. ABERNETHY. Mr. Chairman, I would like to see that language.

Mr. O'NEAL. Wait just a second. So I can get this off my mind, what did you do 5 years ago? Did you use separate equipment then?

Mr. GRANGE. In many instances we did, Mr. Chairman, yes.

Mr. O'NEAL. All right. Now, would you show us the language that you interpret?

Mr. Abernethy asked you to point out the language which caused you to interpret the bill as requiring you to use different equipment and laboratories, et cetera.

Mr. GRANGE. Well, it was just the general language contained in the first section, Mr. Chairman, saying that it should be completely separate and their duties shall be limited exclusively to these functions.

Mr. O'NEAL. But you would still have access to everything else in the whole Department of Agriculture that you needed in order to perform the work, would you not?

Mr. GRANGE. Mr. Chairman, if it is not the intention of the bill to require it to be physically separated and simply a matter of personnel rather than physical equipment and facilities, then, of course, we would accept your interpretation.

Mr. O'NEAL. Mr. Abernethy's contention and Mr. Edwards too, I understand, is that the purposes of this bill would be accomplished by simple administrative order.

Mr. GRANGE. We agree with that, Mr. Chairman. We agree that the Secretary has the authority—

Mr. O'NEAL. And you could do that.

Mr. GRANGE (continuing). To take this action.

Mr. O'NEAL. Without requiring separate equipment and laboratories, could you not, if you did it by administrative order.

Mr. GRANGE. This would be a possible alternative, Mr. Chairman, yes.

Mr. O'NEAL. I did not want to take up all the time.

Mr. Myers?

Mr. MYERS. Thank you, Mr. Chairman.

Mr. Grange, how long have you been with the Consumer Marketing Service of the Department of Agriculture?

Mr. GRANGE. With the Consumer and Marketing Service and its predecessor agencies, Mr. Myers, I have been there 30 years.

Mr. MYERS. Then you are completely familiar with what I may call the evolution, the change in this present policy and procedure that you spoke of earlier.

Mr. GRANGE. To some extent, Mr. Myers. I have changed jobs as I have worked in the Department, and so it has been since 1961 that I have had responsibility in general for all commodity grading and inspection operations. So really, my own personal involvement has been since 1961 in this field.

Mr. MYERS. Now, are there any precedents for this? Are there wheat inspectors that only inspect wheat or corn inspectors that only inspect corn or bean inspectors that only inspect soybeans? Are there other inspectors that only inspect one commodity? You mentioned tobacco, training to get them changed into some other things. What is the precedent on this bill?

Mr. GRANGE. Mr. Myers, we have some men qualified only on corn. Until they are trained and qualified on wheat, then their license card will limit them to the inspection of corn. So right at this time the answer to your question would be "yes," we would have some men on our payroll who are qualified only to inspect corn but we have no intention by edict of limiting them to corn.

Second, Mr. Myers, there are certain places in the country where there is nothing else to inspect, and so men in those locations as long as they stayed there would be limited to what was available.

In the case of rice, for example, in some of our offices, like Lake Charles and others, there is nothing but rice there, and so the men assigned to those offices are not involved in the inspection of any other grain.

Mr. MYERS. Do the corn inspectors as well as the rice inspectors, work year-round? What do they do if there is a slack period?

Mr. GRANGE. This is correct. We have not in the case of grain inspectors gone in for seasonal employment as we have in cotton and tobacco, for example, and some others. In the matter of utilizing their time, both week by week as well as because of seasonal fluctuations, at Houston, New Orleans, or many of the other places, it just makes all the sense in the world if you can train and supervise your men properly to be able to make use of them and not have them specialize completely in just one of the commodities. Particularly if you are going to use common offices and common equipment and this sort of thing, you are going to have the men right there at that same spot, you see.

Mr. MYERS. What about meat inspectors? Are there inspectors who just inspect cattle? I know there are many killing floors that kill cat-

tle, hogs, lambs, all at the same time. Does the inspector inspect just one of the meats?

Mr. GRANGE. No, sir. We do not have meat inspectors limited to one species. They are trained and qualified to inspect all types of species. In fact, we are now in the process of cross training our meat and poultry inspectors so that we are able to get fuller utilization, as the circumstances permit, of their capabilities.

Mr. MYERS. The same inspector inspects both.

I am interested in the certificate of grading of other grains. Are they accepted as, for instance, corn or beans, or wheat, are they accepted in their natural markets per se without samples or are they accepted on boards of trade, grain exchanges without samples?

Mr. GRANGE. Well, there is quite a difference, Mr. Myers, as I am sure you know, between sales for export and sales domestically.

Mr. MYERS. Do you both have one—

Mr. GRANGE. Yes.

Mr. MYERS. On domestic sales I guess more times than not there is going to be some types of examination of a sample or personal examination of the lot by some representative of the buyer, even though they may have a U.S. certificate on the lot.

Mr. GRANGE. This varies by localities. It varies some by grain. I believe there are more soybeans, for example, that would be traded exclusively on the basis of the Government certificate than there would be wheat.

Now, in the case of exports, Mr. Myers, you will find a good part of the time the trade will be made exclusively on the basis of the Government grade and the Government certificate. This is true also of rice.

I might just add, sir, that one of the reasons for our being as active as we have been in the last 3 or 4 years in making sure to the best of our ability that we did have uniform interpretation and application of our rice standards was because of complaints from the foreign buyers, and this is where our work is done. We are not working for the rice millers on their domestic sales. It is on the foreign sales under Public Law 480 or their dollar sales.

Mr. MYERS. There have been disputes, then.

Mr. GRANGE. There have been complaints and during the last 12 months or so we have had less complaints than we have had in several years.

Mr. MYERS. Have there been more complaints percentagewise in rice than there have been in other grains?

Mr. GRANGE. Insofar as exports are concerned, I think the answer percentagewise would be yes.

Mr. MYERS. Then there is reason for alarm, for concern, by the industry.

Mr. GRANGE. I did not understand, sir.

Mr. MYERS. Well, they have got to sell it after they raise it and they have a valid argument here in this bill that there have been complaints. If they have had problems coming back to them that there are more of them in rice than other grains, then they have a very valid reason for wanting this bill.

Mr. GRANGE. Well, Mr. Myers, I stated to my knowledge that we have had less complaints on rice from the foreign buyers during the last 12 months than we have had before that time. We think we are in

pretty good shape. We think actually that we have good communication and understanding with the rice industry, if you want me to give you my own view and the view of my cohorts.

Mr. MYERS. They do not seem to say this.

Mr. GRANGE. I realize that. That is why I am offering this for what it is worth as an observation, and a real honest observation. As I stated, and I cited a couple of examples, we know we have not been perfect and we know that there have been some mistakes made in the past. We know that as we nationalized the rice inspection service we did run into discrepancies among offices. I could cite you some of the same discrepancies that we ran into on corn and wheat and some of the steps we took to correct them, you see. But we think that this, hopefully, is behind us.

Mr. MYERS. Well, one more thing. Congressman Edwards stated, as I understand it, he is completely satisfied with the local inspectors down there doing their job. He thought they were doing a good job and here they are willing to make a concession to the California situation where they have inspectors out there, I guess supervisors, too.

How are disputes handled or differences in grading or any problems associated with this, how do you handle California differently than you do New Orleans or other areas? Why are they willing to except California and not the rest?

Mr. GRANGE. That beats me, Mr. Myers.

Mr. MYERS. You mean, you handle both of them just alike?

Mr. GRANGE. Yes, sir.

Mr. MYERS. What about a dispute in California? Does it come to Beltsville to be resolved?

Mr. GRANGE. Yes, sir. If it is of a certain nature. All disputes do not come to Beltsville but the same kind of disputes out in Sacramento on rice comes to Beltsville the same as from New Orleans.

Mr. MYERS. Do the inspectors out in California follow exactly the same procedures recommended by Beltsville as they do down in New Orleans and the South?

Mr. GRANGE. I hope they do, Mr. Myers.

Mr. MYERS. The guidelines are the same.

Mr. GRANGE. Yes.

Mr. MYERS. Well, just one more observation here. The 12 supervisors used. Now, are they paid by the rice industry? Is that right? Are these supervisors paid by the rice industry and relate only to rice alone and not other grains?

Mr. GRANGE. I do not know, Mr. Myers. I would have to see a list of the 12 in order to identify the source.

Mr. MYERS. You are not familiar with the figure.

Mr. GRANGE. I have not heard that before. We made up a list while we were sitting back there listening but I am not sure the list we wrote down would be the proper one.

Mr. MYERS. OK. I think we all want to hear the next witness.

Mr. O'NEAL. Mr. Mizell?

Mr. MIZELL. I would like to pursue the thought the gentleman was on just for a moment. I will not take but just a minute.

Do you think the little bit—the move you made by appointing a gentleman just to look at the rice inspection and also the rearranging of the office in New Orleans to where to have a gentleman there that will

be—his main job will be to look after the rice, do you think that this would resolve some of the differences between the rice growers and the inspectors?

Mr. GRANGE. Yes, Mr. Mizell. I think it would. The question would be whether it goes far enough. There is no question about it, it would resolve some of the problems and some of the difficulties that have been cited.

Mr. MIZELL. Would this, then, bring the New Orleans office in line with what is working satisfactorily in California? Do you have the same setup in California that would be similar to this one in New Orleans?

Mr. GRANGE. No. In the case of California, of course, we have not encountered this kind of criticism.

Now, we had problems with California concerning degree of milling, for example, in the same way we did in the South but the Californians did not attribute the difficulty we had in resolving this question, they did not attribute that to some 12 men in Washington or the board or something. Apparently, it was attributed to a technical product factor where there had been some discrepancies in interpretation and application that had to be ironed out, and it would not have mattered whether you had one man responsible for it or 12 or 40 men responsible for it. You still have to go through the chore, of course, of getting a uniform, and a satisfactory system of inspection and grading.

Mr. MIZELL. But you do think that the procedure that you followed as far as rearranging the New Orleans office, and so forth, will resolve some of the problems that the men are having.

Mr. GRANGE. Yes; we do, and I would like to underscore, though, the recognition on our part that in addition to that, there has to be the understanding and the communication between those of us who are in the job of trying to provide inspection service and the industry that we are serving. If we do not have that, it does not matter what sort of organization arrangement we have. It is not going to do the job properly.

Mr. MIZELL. One other question, Mr. Chairman, then I will cease.

The grades that are set for rice, are these set in conjunction with the growers as well as with the millers and with the Department of Agriculture?

Mr. GRANGE. Yes, sir. Yes.

Mr. MIZELL. And so it is just a matter of the evaluation of these different grades to get the certificate. And it seems that the complaint is that they are not receiving the proper grade at the proper time.

Mr. GRANGE. The official grade, of course, we do consult with every interested party. Everybody who wishes to consult is consulted. We have to by law. Congress has taken care of that. This is a substantive rule and we have to whether we want to or not.

Now, Mr. Mizell, when you issue a grade, let me give you an example. We say it shall be a sound kernel of rice. Then you have a question at what point is it not a sound kernel. There is the matter of interpretations within the grade where we legally would not have to consult before we issued instructions to our men as to how it should be interpreted and what I stated earlier was that we have said, and we are doing the best that we know how, that we are never, never going to issue an interpretation that would result in some kind of a new or dif-

ferent application of the grade standards to our men without first advising and consulting the rice industry. To my knowledge, our record in this regard for the last several months has been good and it is our intention to keep it that way.

Mr. MIZELL. Thank you.

Mr. O'NEAL. Mr. Grange, do you get more appeals from California or Louisiana on a ratio of inspections made?

Mr. GRANGE. I do not have that with me, Mr. Chairman. I could supply some figures for the record.

Mr. O'NEAL. Do you have any feeling as to whether you get more complaints from one section than the other?

Mr. MYERS. Mr. Chairman, may I recommend that he make that part of the record?

Mr. O'NEAL. Well, could you get the figures and—

Mr. GRANGE. Yes, Mr. Chairman.

Mr. O'NEAL (continuing). And put them in perspective so we can understand the ratio to the number of growers or number of inspections that are made or something.

Mr. GRANGE. Yes, we will be glad to.

Mr. O'NEAL. How they vary between California and the other sections of the country.

Mr. GRANGE. We would be glad to, Mr. Chairman.

(The information referred to above as to the volume of inspections in terms of hundredweight of rough rice and the appeal inspections in terms of numbers of inspections, follows:)

OFFICIAL LOT INSPECTIONS OF RICE¹

Fiscal year	1,000 hundredweight		Number of appeal inspections	
	Southern States	California	Southern States	California
1969.....	81,990	16,803	2 15	0
1968.....	87,767	18,318	0	0
1967.....	93,730	17,527	2	0
1966.....	81,152	13,652	0	0
1965.....	79,104	13,307	0	0

¹ Includes rough, brown, and milled rice, expressed in rough rice equivalent.

² Results of appeal inspections: 9 inspector's grade sustained by Board of Appeals and Review. 5 inspector's grade raised by Board of Appeals and Review. 1 inspector's grade lowered by Board of Appeals and Review

Mr. O'NEAL. One more question. Now, you have had a similar sort of problem in connection with red meat and poultry in the past, have you not? Was not there some effort made a few years ago to on your part unify the red meat and poultry inspections and were not there some objections to it and was not it resolved within the Department some way so that you could keep them separate at the inspection level and yet keep them unified at the top?

Mr. GRANGE. There was some measure of similarities, Mr. Chairman, yes. It would be a matter of opinion, I guess, as to how great the similarity is.

Mr. O'NEAL. Could you do the same thing with rice and other grains?

Mr. GRANGE. From a theoretical point of view, of course, there is no question but what you could have a separate rice inspection branch within the Grain Division or a separate rice division within the De-

partment of Agriculture or separate rice division within the Consumer and Marketing Service.

Mr. O'NEAL. Is not that what this bill is aimed at doing?

Mr. GRANGE. Yes, sir.

Mr. O'NEAL. And you could do it. You just do not want to do it.

Mr. GRANGE. We oppose it, Mr. Chairman, yes, on the grounds—

Mr. O'NEAL. Because of the grounds you have already outlined in your testimony here today.

Mr. GRANGE. Yes.

Mr. O'NEAL. Thank you.

Mr. ABERNETHY. Mr. Chairman, may I ask a couple of questions? I hate to delay this.

Mr. Grange, do you know of anyone in the rice producing industry among those States represented here today who oppose this?

Mr. GRANGE. I would not know of anyone.

Mr. ABERNETHY. You do not know of anyone. You have not had any communication from any rice producer or miller in these States saying they oppose this bill, have you?

Mr. GRANGE. We have not had any communication in either direction, Mr. Abernethy.

Mr. ABERNETHY. I did not ask you that. I asked you if you knew anybody that opposed it.

Mr. GRANGE. No, sir.

Mr. ABERNETHY. You certainly cannot say you had no communication in either direction because these people have personally communicated with you about it, have they not? In support of this objective?

Mr. GRANGE. The only conversation I personally have had has been with Mr. Gaines since your bill was introduced.

Mr. ABERNETHY. That is right. So, you have had communication in support of the matter.

Mr. GRANGE. Yes.

Mr. ABERNETHY. That is right. Now, if you came in my store and selected a brown suit and you say I want that brown suit, then I say, "No, Mr. Grange, this suit will do you harm, you should not have this brown suit, you must take this blue suit," what would you do about it?

Mr. GRANGE. I would probably take my business some place else.

Mr. ABERNETHY. That is exactly it and that is what these people would do if they could, but unfortunately, they have the heel of Government on their neck and they cannot.

What harm is this going to do them? You stated in your testimony a minute ago that, and I made a note of it, this would do them harm. What harm would it do them?

Mr. GRANGE. We think, Mr. Abernethy, to use New Orleans, as an example, that having a good well trained force of men in New Orleans that have been checked out and qualified on rice as well as soybeans, as well as wheat, as well as grain sorghums that are coming through the Port of New Orleans, that actually that man is a better man by having that kind of training and experience than if we had them cut up into compartments and that this man could only do grain sorghums, another man rice only, another man corn only. This is why we think it would do harm.

Mr. ABERNETHY. You think it would do harm but not one of them agrees with you. There is not a single human being associated with

the rice growing and milling industry represented here this morning that feels it would do him any harm but you think it would. Is that not the situation?

Mr. GRANGE. I have not heard the testimony, Mr. Abernethy.

Mr. ABERNETHY. Well, you know what the situation is. We just said you have had no communication against it. They are all here wanting it. Why do you not give it to them? Why do you not give it to them? It will not cost you anything, will it?

Mr. GRANGE. Well, it would cost more money.

Mr. ABERNETHY. To whom? I did not ask for more money. I asked if it would cost you, the Department. Would it cost the Government anything?

Mr. GRANGE. It would not cost any more in appropriated funds.

Mr. ABERNETHY. Not a dime. Let us just answer the question, would it cost the Government anything?

Mr. GRANGE. It would become part of our budget, yes. It would increase the Department's budget, yes.

Mr. ABERNETHY. Would it cost the Department any money?

Mr. GRANGE. No. That was my answer. No more in appropriated funds.

Mr. ABERNETHY. Just answer the question. Do not dodge it. That is all I am trying to get you to do. It will not cost the Government a dime. You said you have already advised with these people and therefore you are against the advisory committee. Do I understand the Department does not have any commodity advisory committees? Are you saying that to be a fact?

Mr. GRANGE. We have research advisory committees. We do not have a committee formally established of this nature, Mr. Abernethy.

Mr. ABERNETHY. What is wrong with them? It will not cost you anything, will it?

Mr. GRANGE. We would be very glad to have such advisory committee set up. Our objection to the advisory committee was just that we see no reason for an act of Congress in this regard.

Mr. ABERNETHY. Well, you did object to it. You stated that it was unnecessary and you testified against it, did you not?

Mr. GRANGE. Yes, an act of Congress.

Mr. ABERNETHY. As an act of Congress. And you said that you do advise with them, is that right?

Mr. GRANGE. Yes.

Mr. ABERNETHY. When did you last advise with them?

Mr. GRANGE. The last contact that our grain division has had has been within the last 2 or 3 weeks.

Mr. ABERNETHY. Who in the rice industry representing these States did you counsel with about some of these problems or any problem incidental to the rice industry? Who and when?

Mr. GRANGE. The last one on a major scale, Mr. Abernethy, was the meeting I referred to a little earlier in New Orleans when we had representatives from the rice industry of the Southern States as well as California that we met with, concerning the regulations that we were in the process of issuing. We have had a number of meetings, Mr.—

Mr. ABERNETHY. With all deference and I do not say this to belittle the Department or you or Mr. Lennartson or others down there that I know well, but this just appears to me to be a typical Govern-

ment paternalistic attitude—that the Government knows better what is best for these people than they know what is best for themselves. That is the way it appears.

Here is an industry. It is a good industry. They have gotten themselves out of their surplus problem. They are cooperating with their program. They are trying to do a good first class job to provide the American people and the export people with a good first class product. They are endeavoring to put the consumer in a position that he can depend upon the grading of this commodity. They are all for it and everybody is for it except you folks in the Department. Really this just amazes me. It really amazes me that you do not say, "Well, we will go along."

Mr. GRANGE. I appreciate your statement, sir, and as I said—

Mr. ABERNETHY. I wonder if you really do.

Mr. GRANGE. I think so, yes, and as I said, we came to this conclusion reluctantly, that we could in all honesty only take this position that we are taking and perhaps we are stressing too much trying to get proper utilization of manpower. We are still under the Economy Act of 1968. We could not go under—

Mr. MYERS. Stay with it.

Mr. GRANGE. We could not go out and hire more men. We have manpower ceilings. We treat these trust funds in exactly the same way as we do our appropriated funds. We try to see that we are running as efficient and economical and effective service as we know how.

Mr. ABERNETHY. I am for that. There is no criticism.

Mr. GRANGE. All right. Let us say the hair goes with the hide.

Mr. ABERNETHY. I do not think you can brush this off by saying the hair goes with the hide. These are reputable people. They have a reputable organization.

Mr. GRANGE. I am speaking of our attitude, sir. I did not mean to imply that as far as the industry. But from our point of view the easy thing, no question about it, the easy thing would be to say we have no objections, you see, but trying to do your job and looking at it based on our knowledge of inspection work and based on what we hope is an honest appraisal of our shortcomings and our good points, et cetera, we just think that it will not accomplish anything constructive and if if anything, it may do harm rather than do good.

May I just say one more thing? We may have some differences of opinion with representatives of the rice industry but I do not think, sir, with maybe one or two exceptions, it has been through any lack of communication or meetings with them, either here in Washington where we have had a good number that I personally have participated in both here on the Hill as well as over at the Department, as well as in New Orleans and other places. We do have a good working arrangement with the association and with the rice industry. We may have differences of view but it is not because we are not talking to each other.

Mr. ABERNETHY. Well, do you think that you—the Department stands alone here. There is no one here in the rice industry supporting the Department. You stand alone. You do not have a sole standing by your side associated with this industry saying, "Mr. Grange, you are right. We go along."

Mr. GRANGE. Except California wants to be let out.

Mr. ABERNETHY. Those are not actually—they are so-called State inspectors, are they not?

Mr. MYERS. Would the gentleman yield?

Mr. ABERNETHY. Yes.

Mr. MYERS. I usually agree with the gentleman about his paternalistic government. I could not agree with you more. But I think his analogy might be a little bit out of context this morning because I think it was wrong, the blue suit, brown suit issue, because I do not think there is a buyer here in the room that is going to ultimately end up with that rice product that is going to pass it on to anybody else. The analogy you use, the end result buyer who is going in to buy the brown suit, we do not have any consumers out here to testify this morning that are going to do the last buying if they have a choice about paying 29 cents for a box of rice or 27 cents. So, I think your analogy is not quite accurate.

These are all salesmen out here. They are making the suit and making brown suits because that is all we are going to make.

Mr. ABERNETHY. That was not my point. My point is that we have a paternalistic witness here associated with Government who is telling a group of people who want something who know the industry, who are in the industry, who produce the rice, that they in Government, who do not know too much about it, know more about what they need than they do. That is the way it appears to me.

One more point. Now, you say you think you have a good relationship. Do you think that the Department turning them down, with this costing the Government and the taxpayer not 1 dime and with a complete unification within the industry, that they feel this will help them—do you think that is going to contribute to a good healthy relationship between the Department and these people?

Mr. GRANGE. I hope it does not impair our working relationship.

Mr. ABERNETHY. So do I. But how would it do anything else?

Thank you, Mr. Chairman.

Mr. O'NEAL. Thank you, Mr. Grange.

Our problem is very obvious. The House is now in session. I realize that we have nine other witnesses on the list for today and they have come a long way and have not been heard. For this I certainly apologize.

On the other hand, I feel that we have gotten through to the meat of the coconut here by intensive questioning of the proponents of the bill and Mr. Grange. I think it is best that I simply ask the other nine witnesses how many of them would like to be heard in person or how many of them would be content to simply insert their testimony in the record.

All of those who would like to simply place their testimony in the record at this point and not take the stand orally would you raise your hands? If you would instead of raising your hand, get up and call your name, please, so that we might check it off.

Mr. DELAHOUSAYE. John Delahoussaye, Mississippi Rice Growers Association.

Mr. O'NEAL. No. 6. Thank you, sir.

(Mr. Delahoussaye's statement follows:)

STATEMENT OF JOHN B. DELAHOUSAYE, GENERAL MANAGER, MISSISSIPPI RICE GROWERS ASSOCIATION, CLEVELAND, MISS.

Mr. Chairman, members of the committee, my name is John B. Delahoussaye. I am general manager of the Mississippi Rice Growers Association, with headquarters in Cleveland, Miss.

The Mississippi Rice Growers Association is the marketing association of the Mississippi rice producers and as such is the only State rice organization, through which our State's rice producers can express their views.

The membership of the Mississippi Rice Growers Association wholeheartedly and unanimously supports H.R. 8739. That bill is designed to improve the rice inspection of the U.S. Department of Agriculture.

We agree with the purposes and principals established by the Agricultural Marketing Act of 1946. However, we do not concur with the policies adopted in the administration of the act. Until about five years ago, rice inspection in the Southern States was administered in an office in New Orleans, by a specialist whose job was to supervise the operation of all the local rice inspection offices and to maintain uniformity between these offices. This system worked well for Mississippi, we were supplied with competent rice specialists. In cases where a controversy arose on a decision they had rendered it was subject to review by a highly qualified Board of Review. The result of this system was a very uniform grading procedure in each section of our Southern rice producing area. We are in a fringe area of the rice producing belt and are subject to being supplied with grain inspectors who are not specialists in the inspection of rice and since the inspection of rice is of such a complex nature anyone who is not a rice specialist can hardly interpret our rice standards. The failure to have a uniform interpretation of our standards results in a grave hardship to our rice producers. In view of the above we feel that passage of H.R. 8739 would result in improved rice inspection for our state at no additional cost to the Department.

Mr. BROUSSARD. Charles Broussard, president, National Rice Growers Association.

Mr. O'NEAL. No. 7. Thank you.

(Mr. Broussard's statement follows:)

STATEMENT OF CHARLES E. BROUSSARD, PRESIDENT AND ED KRIELOW, VICE
PRESIDENT, NATIONAL RICE GROWERS ASSOCIATION

Mr. Chairman, Members of the Subcommittee. My name is Charles E. Broussard. I am President of the National Rice Growers Association, a rice producer association representing the rice producers of Southwest Louisiana, which produces 25% of all the rice grown in this Nation.

Rice inspection as it is involved with the rice farmer affects his income, his planning and sales. When a farmer harvests his rice and stores it in his bins he has many problems to contend with; meeting his credit obligation, loans, and the harvesting of additional rice because very few have the storage capacity to store his entire crop at one time. He needs to sell rice in order to make room for more rice. The farmer then goes to an independent sales organization and to the Federal Inspection Service to grade his rice. There is often a 25¢ to 75¢ difference in the value of the same rice as appraised by the sales organization and the government inspectors, which leaves the farmer in a state of indecision as to whether he should sell his rice at this time.

The backbone of the price support program are the Federal Grading Certificates issued by the government inspectors. They establish and set the loan value of the rice at which the farmer obtains his money, in most cases in the fall of the year. At takeover date, April 30, the rice is again graded and in many cases the inspector changes the grade. When the change is to a lower grade the farmer often has to borrow money to pay the difference of the loan.

Our organization strongly urges you to support these bills.

Mr. GOFF. Robert Goff, vice president, Riviana Foods, Inc.

Mr. O'NEAL. No. 10.

(Mr. Goff's statement follows:)

STATEMENT OF ROBERT B. GOFF, VICE PRESIDENT, RIVIANA FOODS INC.,
HOUSTON, TEXAS

Mr. Chairman and Distinguished Members of the Committee. My name is Robert B. Goff. I am Vice President of Riviana Foods Inc., Houston, Texas, a diversified food company, with rice processing and distribution as its major business.

I am appearing here as Chairman of the Grade Standards Committee of the Rice Miller's Association. This is a Committee that is made up of representatives of rice grower cooperatives and rice milling companies in the Southern States.

It is a Committee that has been functioning for many years. I have been on the Committee for over ten years.

Until a few years ago, our Committee had an excellent working relationship with the Rice Inspection Service. We met periodically with people who understood rice inspection, and understood the rice industry. There were some problems, but nothing compared to what we have gone through the past five or six years.

The past few years have been chaotic. It seems that over the past few years, members of the Committee have spent nearly as much time in dealing with problems of rice inspection as with running their own business. My Grade Standards file is one of the thickest files in my cabinet.

This is not right. Rice inspection should be a smoothly functioning service to the buyer and the seller. The rice inspection service should promote understanding and confidence in rice trading. It did this for many years. As an official of a company that is one of the largest users of the service, I can assure you it was an excellent service for many years.

I can also assure you it has created lots of trouble and many problems the past five or six years. It has deteriorated so badly that many companies use the service only where they must use it in order to obtain export subsidy or to ship rice under Public Law 480. They do not voluntarily use the service for very many shipments.

The things we want in a rice inspection are few and simple. We want uniformity of inspection between all areas. We want consistency in the interpretation of standards—we don't want it to be one thing today, and another tomorrow.

We believe these objectives can be achieved under H.R. 8739 and H.R. 11525. Thank you for your kind attention.

Mr. BAILEY. Ronald Bailey, general manager, Producers Rice Cooperative.

Mr. O'NEAL. No. 12.

(Mr. Bailey's statement follows:)

STATEMENT OF RONALD BAILEY, GENERAL MANAGER, PRODUCERS RICE COOPERATIVE, STUTTGART, ARK.

Mr. Chairman and members of the committee. My name is Ronald Bailey. I am General Manager of Producers Rice Mill, Stuttgart, Arkansas, a rice growers cooperative, made up of rice producers in Arkansas. This farmer owned and farmer controlled organization operates rice milling, drying and storage facilities in Arkansas.

Producers Rice Cooperative firmly supports H.R. 8739 and H.R. 11525.

The testimony of my colleagues, clearly shows the problems and the discontent of rice producers, rice millers, and rice buyers, with the present rice inspection system of the Department of Agriculture.

As a producing and milling organization, we have suffered all the problems that have been brought out here today.

We are living testimony to the frustration of trying to utilize a Government rice inspection service that is dominated and operated by grain specialists who don't understand our business. I can assure you, it is not a pleasant experience.

I don't believe there is any doubt of the source of our problems. They are at the administrative level in Washington, D.C., and New Orleans, Louisiana, and at the Grain Board of Review and Appeals in Beltsville, Maryland.

The well trained rice inspectors in the field could do an excellent job, under good leadership and direction.

The rice industry is united in Support of H.R. 8739 and H.R. 11525. In addition to The Rice Millers' Association, the following producer organizations support these Bills:

- The American Rice Growers Association
- The Arkansas Rice Growers Cooperative Association
- Mississippi Rice Growers Association
- Producers Rice Cooperative
- National Rice Growers Association
- Louisiana Farm Bureau Federation
- Rice Growers Association of California

These organizations combined represent well over 75 percent of rice producers in the United States.

We urge that you give our industry the kind of rice inspection service that we need, we want, and are willing to pay for—a specialized efficient service.

Thank you for considering our problem.

Mr. KNOLL. W. L. Knoll, sales manager, Arkansas Rice Growers Cooperative Association.

Mr. O'NEAL. No. 5.

(Mr. Knoll's statement follows:)

STATEMENT BY WILLIAM L. KNOLL, SALES MANAGER, ARKANSAS RICE GROWERS COOPERATIVE ASSOCIATION, STUTTGART, ARK.

I am William L. Knoll. My home is in Stuttgart, Arkansas. I am Sales Manager for the Arkansas Rice Growers Cooperative Association. I am also serving this year as President of The Rice Millers' Association.

The Arkansas Rice Growers Association is engaged in the business of handling, processing and marketing about 55 percent of Arkansas's rice production.

The Arkansas Rice Growers Association heartily endorses H.R. 8739. We also heartily endorse the statement presented by Mr. J. P. Gaines, Executive Vice-President of The Rice Millers' Association.

We and our farmer members have repeatedly been the victims of misinterpretation in grading standards and procedures by the Grain Board of Review and Appeals in Beltsville, Maryland.

We can understand mistakes by any person or agency, but we can not understand why any governmental agency would allow such costly mistakes to be made over and over again without ever doing anything about it.

We have on numerous occasions explained to administrative officials in Consumer and Marketing Service the seriousness of the problem, but nobody seems to listen or to do anything about it.

We hope that Congress will listen and do something to straighten out the tragic situation that has developed in the rice inspection service.

The producers and millers are paying for this service, and they deserve a service that will help in building markets for our rice and that will produce stability and equity in our domestic industry.

I could name over a dozen serious and costly incidents affecting our cooperative that have come up over the past three years. However, we don't believe anything would be gained by dragging out the old problems. I hope you will believe me when I say the problem has not been exaggerated by any of the people speaking here today.

Under the present setup, rice growers and millers are never certain from day to day as to where they stand under the rice standards. The present setup is costing the industry both money and customers. It is far past time that it is changed. We ask your help in enactment of H.R. 8739 so that we can return the rice inspection service to a useful and constructive operation for the rice industry. Thank you very much.

Mr. HARDEE. H. G. Hardee, rice producer, Louisiana Farm Bureau Federation.

Mr. O'NEAL. No. 9.

(Mr. Hardee's statement follows:)

STATEMENT OF H. G. HARDEE, JR., THIRD VICE PRESIDENT, LOUISIANA FARM BUREAU FEDERATION, GUEYDAN, LA.

Mr. Chairman and members of the committee. My name is H. G. Hardee, Jr. I am third vice-president of Louisiana Farm Bureau Federation and am a rice producer from Gueydan, Louisiana. I appreciate the opportunity to appear before you.

I appear in support of H.R. 8739 on behalf of our rice producer members in every rice producing parish of Louisiana.

I am going to make a very brief statement. I assure you that I am no expert in the field of rice inspection, but I am convinced that something is drastically wrong with the present rice inspection service.

Our producers and millers have completely lost confidence in the rice inspection service—so much so that producers will sell rice below support price rather than take a chance on getting fouled up with the Rice Inspection Service in determining grade and quality in the take-over of the rice by C.C.C.

It seems to me that what has happened to our rice inspection service in the last few years is *over centralization*, with a resultant loss of understanding of the problem of the people they serve—the producer, the miller, and the consumer.

The industry has made every effort to work out these problems administratively and has been completely unsuccessful.

A look at the Rice Inspection Service as it was formerly operated clearly shows that it was satisfactory to the producer, the miller, and the consumer.

A look at the present operation will show that it is operating to the disadvantage of the producer, the miller, and the consumer.

Mr. Chairman and Members of the Committee, having made every other effort possible to improve this situation and having failed, there is nowhere else to turn but to our elected representatives in the Congress. We ask for your help, and hope that you will report favorably on H.R. 8739.

Thank you.

Mr. FREELAND. Robert Freeland, executive vice president, California Rice Growers Association.

Mr. O'NEAL. No. 11.

(Mr. Freeland's statement follows:)

STATEMENT OF ROBERT W. FREELAND, EXECUTIVE VICE PRESIDENT, RICE GROWERS ASSOCIATION OF CALIFORNIA

Mr. Chairman and members of the committee. My name is Robert W. Freeland. I am Executive Vice President of Rice Growers Association of California. Rice Growers Association of California is a rice milling and marketing cooperative whose members produce over 55 percent of the rice grown in the State of California. In making this statement, I am also representing Farmers' Rice Cooperative, another cooperative in the State of California, and two commercial rice milling organizations, Pacific International Rice Mills, Inc., and the C. E. Grasjean Rice Milling Company. Together, our four organizations mill and market approximately 90 percent of the rice produced in the State of California.

The organizations that I am representing generally agree with the statement made to this Committee by Mr. J. P. Gaines of The Rice Millers' Association, and we are sympathetic with the problems which he has enumerated to you, that have arisen concerning rice inspection, particularly in the Southern States.

In California, the California Department of Agriculture performs the rice inspection services under a cooperative federal-state rice inspection arrangement. We have not, in California, encountered very many of the problems that have been mentioned to you in the previous statements. Generally, we are very satisfied with the rice inspection service as it is presently being performed under the joint federal-state cooperative agreement. The bill, as it is presently written, would not allow the present arrangement as it exists in California. We are, therefore, conditioning our support of this bill upon the bill being amended to allow the California situation to remain unchanged.

We are proposing that the bill be amended as follows: on page 1, line 5, immediately after the word "employees", insert the wording "or their cooperating agencies"; on page 2, line 4, immediately following the word "Agriculture", insert the wording "or their cooperating agencies"; and, also on page 2, line 4, after the word "and", insert the word "except for employees of cooperating agencies".

This amendment has the approval of the California Department of Agriculture.

If this amendment is included in the final bill, we fully support its passage.

Thank you.

A BILL TO IMPROVE RICE INSPECTION

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that the Agricultural Marketing Act of 1946, as amended, is amended by adding the following new section:

"Sec. 209. The Secretary of Agriculture shall carry out his responsibilities under subsections (c) and (h) of section 203 above with respect to rice through a Rice Inspection Service established by him within the Department of Agriculture. The head of such Service and those employees or their cooperating agencies who are responsible for or engaged in the development of grades or standards of quality for rice or in the inspection and certification of the grades and qualities of rice, or in making decisions on appeals or objections filed by the rice trade, shall be qualified specialists in rice and employees of the Department of Agriculture or their cooperating agencies, and except for employees of cooperating agencies, their duties shall be limited exclusively to those functions that are important to the implementation of

the purposes of the Rice Inspection Service. The head of the Rice Inspection Service shall have a rank and status not less than the rank and status of the heads of other commodity inspection units in the Department of Agriculture.

"To assist in implementing the provisions * * *

Mr. O'NEAL. Is that all? Now, is Mr. Ralph Newman present?

Mr. NEWMAN. Yes, sir.

Mr. O'NEAL. Would you like to testify?

Mr. NEWMAN. Well, sir, I, of course, do not want to pose any problems here. There are a couple of points that—

Mr. O'NEAL. Just keep your seat a second.

Mr. GAINES, would you like to testify personally?

Mr. GAINES. Mr. Chairman, I would like to emphasize a couple of points.

Mr. ABERNETHY. He lives here in Washington.

Mr. O'NEAL. I know he does. I would like to call Mr. Newman to the stand, please, sir, and we will hear from you.

STATEMENT OF RALPH S. NEWMAN, ASSISTANT TO THE EXECUTIVE VICE PRESIDENT, AMERICAN RICE GROWERS' COOPERATIVE ASSOCIATION, LAKE CHARLES, LA.

Mr. NEWMAN. Mr. Chairman, in the interest of time I will skip over the introduction and all of these other routine things and I think that my statement is fairly complete. I would not after hearing the testimony this morning, change anything, in my statement.

Mr. O'NEAL. Without objection, your statement will be admitted in the record at this point.

Now, if you will just go ahead with anything else that you have on your mind.

Mr. NEWMAN. Yes, sir. Well, the Department has made several references to California and I think just on a point of clarification that we should point out that substantially the southern rice industry is structured considerably different from the way it is in California in that we have, we might say, completely arm's length transactions between all segments of the industry. In other words, the producer sells his rice to a mill which he does not own. The mill then sells its rice to an exporter in which they have no interest, and so on down the line, whereas the California industry as I am familiar with it is an almost completely integrated industry from the producer through the milling process.

Therefore, to us the grading procedure becomes much more critical in that it is the only fair way that we have at each one of these increments for buyers and sellers where we have constantly exchanging ownership.

Mr. O'NEAL. You mean, under the integrated system there is a point at which the seller and the buyer are the same person?

Mr. NEWMAN. That is correct. In other words, in California as I understand their situation, when a producer delivers rice to the rice mill he is virtually delivering it to his own rice mill and so his own organization grades his rice for him, whereas in the organization I represent which happens to handle about 20 percent of the rice produced in the United States, we do not have any rice mills and we deal with some 28 different rice mills. And this grading thing and standardization of grading to us is a very critical item and as I give some refer-

ence to in my statement, we simply do not have the standardization. I do not think it is because the people in the field are not competent to do this. I place the blame squarely upon the administration of these people for allowing this to happen and as I pointed out also in my statement, sir, we have been in this business for 50 years. We have been in the rice grading business for many, many years and we see this daily. And I could spend the next 2 days giving you specific examples of problems I think are due solely to the lack of understanding at the administrative levels in the grading service in conjunction with the rice in the Department of Agriculture.

Mr. O'NEAL. Thank you.

Any questions?

Mr. MYERS. No questions.

Mr. O'NEAL. All right. If you will come down and let Mr. Gaines come forward.

(Mr. Newman's full statement follows:)

STATEMENT OF RALPH S. NEWMAN, ASSISTANT TO THE EXECUTIVE VICE PRESIDENT, AMERICAN RICE GROWERS COOPERATIVE ASSOCIATION, LAKE CHARLES, LA.

Mr. Chairman and members of the committee. My name is Ralph S. Newman, Jr. I am Assistant to the Executive Vice President of American Rice Growers Cooperative Association with headquarters in Lake Charles, Louisiana, I am also General Manager of American Rice, Inc., with headquarters in Houston, Texas.

Both of these organizations are farmer cooperative organizations which service rice farmers of Louisiana and Texas.

Last year American Rice Growers Association marketed over 17 million cwt of rice through its 25 Sales Offices in the two states. It, and its predecessor organizations, have been intimately involved in the grading and marketing of rice for its 2,400 farmer members for over 50 years.

For over 30 years, American Rice Growers Cooperative Association provided the only rough rice grading service available for producers. In fact, our head rough rice grader retired on January 1st of this year after more than 50 years of continuous service on our payroll as a rough rice grader, excepting some 8 months of military service during World War I.

American Rice, Inc., the second organization, was established this year in Houston, Texas, specifically to provide an adequate rough rice grading service for rice producers. We have spent some \$40,000.00 in equipping this laboratory, have staffed it with two expert rough rice graders and seven top-flight technicians and provided it with a budget of some \$60,000.00 per year. We believe that our members, rice producers who produce and sell this 17 million cwt of rice, worth in excess of \$85,000,000.00 are entitled to know as much about the quality and value of the product they sell as the buyers with whom they are dealing. All of the buyers are experts, their proficiency comes from experience and from the incentive of economic competition in the market place.

Our organizations heartily support HR 8739.

Before it was consolidated with other committees, our Executive Vice President, George B. Blair, served for eight (8) years on the U.S. Department of Agriculture Rice Research Advisory Committee—two (2) years as its Chairman. For every one of the eight (8) years he served, and for a number of years of which he has personal knowledge but was not on the committee, top priority was given to research to establish an objective method of grading rice. The method still has not been developed. Only experienced and specialized graders it appears can do the job adequately and to the degree of preciseness required by the nature of the product, its processing technique and the market.

So far as the U.S.D.A. grain inspection service for rough rice is concerned it is now used only for determining price supports on a particular lot of rice. No one in the commercial trade uses it for any other purpose. I think it is significant that this is the only grain produced in the United States of any economic significance of which this is true. The resulting restrictions this places on orderly commerce are burdensome and costly.

There are some seventeen (17) major factors and many subfactors that determine the commercial value of a lot of rice. These apply to each of the eight (8) or so distinct varieties of rice that our growers produce.

Some of these factors—color, odor, chalk, general appearance, damage and peck—can only be estimated by subjective observation and only experience can make for consistency.

Actually, as grading of rice by the grain inspection service is now performed, about all we get from a government certificate is a milling estimate, total yield, total head rice estimate and a number to indicate grade. Enumeration of most of the other factors has been eliminated unless there is a glaring deficiency. We attribute this to the fact that only an experienced specialist can make these determinations and distinctions with an adequate degree of accuracy. In fact, within the last two (2) years, the grading service has even eliminated variety determination since they admit that present inspectors cannot distinguish between varieties. Now we have only long, medium or short grain indicated despite the production of some five (5) long grain, three (3) medium grain and a leading short grain variety, each with substantially different characteristics, market values and processing technique.

Adequate rice inspection service is essential to rice producers. The expensive grading laboratory we have established this year, we think, is the best and most accurate in existence but it has no official status. It is a service to producers in terms of the commercial market.

As I am sure most of you realize, price support available to rice producers also tends to act as a price ceiling. Rice producers, therefore, with support prices as the alternative to the commercial market, use government loan values as the measuring stick for commercial market prices.

When inadequate or erroneous price support values are computed, based on a grade certificate, the producer is adversely affected. He either places his rice under loan, based on the inaccurate certificate information, and ultimately delivers to Commodity Credit Corporation or he accepts too low a price in the market place.

Just last week one of our producers at Beaumont, Texas had a lot of rice graded at a government grading office. The results differed substantially from the findings our laboratory had given him. He sent another portion of the identical sample to another USDA grading office and their grade certificate changed his loan value to 40¢ per cwt. This amounted to about \$12.00 per acre on his crop. With a crop as poor as the one this year, this can easily represent all of his profit. This is not an isolated instance but is illustrative of what often happens throughout the rice area.

It is seldom that the Congress has an opportunity to pass legislation providing government services that do not necessitate congressional appropriations. This is one of those opportunities. The rice grading service is self-supporting, or at least it was when maintained as a separate specialized service. No one that I know of in the industry objects to paying for the cost of this service. What they do object to is paying for a specialized service that directly and materially affects their income and then finding that they are not getting what they paid for.

We know from our long experience that a highly competent and specialized personnel are needed to adequately and correctly grade rice. Of the many employees of our organizations, we consider that only two (2) can do an expert job of grading rice. Of the about 300 employees in our two state sales operations, none claim to be expert rice graders and probably not more than 20 will consider themselves as reasonably competent.

At the risk of over emphasis, we say again that only experienced, specialized graders who are examining lot after lot of rice, day after day, can do an adequate job in this field, and then only with the close cooperation of an industry coordinating these results with the actual outturn in commercial applications.

This is the intent of HR 8739. We urge its enactment.

Thank you.

Mr. O'NEAL. J. P. Gaines, Rice Millers Association, here in Washington, D.C. Glad to have you, Mr. Gaines.

STATEMENT OF J. P. GAINES, EXECUTIVE VICE PRESIDENT, THE RICE MILLERS ASSOCIATION

Mr. GAINES. Mr. Chairman, members of the committee, we believe that our fine Congressman from Mississippi, Mr. Abernethy, and Mr. Edwards from Louisiana, plus the questioning from this committee have brought out the basic problem that we face, but there are a few

things I would like to emphasize and just take a few minutes of your time, if I may.

I have a prepared statement—

Mr. O'NEAL. You heard these bells calling us to a rollcall. Your prepared statement will be inserted in the record at this point. If you will, go ahead with your other comments, keeping in mind that we have to go answer the roll.

Mr. GAINES. Thank you very much, sir.

Let me point out that the people here today represent over 75 percent, it might be much more than that, of the rice growers in the United States. They represent virtually all of the rice mills in the United States, and they all are solidly behind this bill.

The only amendment that has been suggested has been by our California friends who want an amendment which would exempt them from Federal inspectors handling their inspections in the State of California. It is presently being handled by State inspectors. We have concurred in the amendments and agreed on some language we would like to submit for the record but the California group concurs with all the other features of the bill.

Mr. O'NEAL. You are prepared to do so at this point?

Mr. GAINES. Yes. I have it right here.

Mr. O'NEAL. I do not think it is necessary to bring it up here but I would like to hear it and I am sure the others present would like to hear it. So, if you will, read it.

Mr. GAINES. The amendment is in the form of addition of a few words in the act. In section 209 of the act, the California industry has requested that it read:

"The head of such service and those employees or their cooperating agencies", which allow the State agencies to make the inspections. Those four words added to section 209 of the act which would just permit their State agencies to make the inspection in California.

Mr. O'NEAL. Where would they be added?

Mr. KNEBEL. At the end of line 9, page 1, of the bill.

Mr. GAINES. No, line 5, middle of line 5 of the bill. I think you have the first agreement that we had reached with the California group and they have come in and we discussed a different way.

Mr. KNEBEL. You do not have the bill, sir. The bill is 8739. What he is asking you is where it goes in the bill.

Mr. O'NEAL. Where in the bill would your language be added?

Mr. GAINES. Section 209 in the—

Mr. O'NEAL. The whole bill is section 209.

Mr. KNEBEL. It is at the end of line 9 on the first page.

Mr. MYERS. The head of such service and those employees.

Mr. GAINES. Yes. Or their cooperating agencies.

Mr. O'NEAL. Right after the word "employees"?

Mr. KNEBEL. Yes, sir.

Mr. O'NEAL. All right. That is what I wanted to know. Does that complete the amendment?

Mr. GAINES. Then on page 2 of the bill, on line 4, after the Department of Agriculture, we wanted to add "or their cooperating agencies," and then immediately after "and" on that same line, "except for employees of cooperating agencies."

Mr. O'NEAL. All right.

Mr. GAINES. Those are the only words that we wish to add to this.

Mr. O'NEAL. All right. Thank you, sir.
(Mr. Gaines' full statement follows:)

STATEMENT OF J. P. GAINES, EXECUTIVE VICE-PRESIDENT, THE RICE MILLERS' ASSOCIATION

Mr. Chairman, Members of the Committee. My name is J. P. Gaines. I am Executive Vice-President of The Rice Millers' Association, with headquarters in Washington, D.C.

The Rice Millers' Association is the trade association of the nation's rice milling industry. Our membership, which includes both rice grower cooperatives and independent rice milling firms, processes 98% of the rice produced in the Southern USA. For the information of the Committee, we have attached to this statement a list of the members of The Rice Millers' Association.¹

The membership of The Rice Millers' Association wholeheartedly and unanimously supports H.R. 8739 and H.R. 11525.

H.R. 8739 and H.R. 11525 are designed to improve the rice inspection service of the U.S. Department of Agriculture. We believe that before these hearings are concluded, you will agree that improvement is essential if the rice inspection service is to provide a constructive and useful service to the producer, miller, and buyer of United States rice.

We have come to Congress to seek relief from problems in rice inspection only as a last resort. The rice industry has been trying for much of the past three years to obtain administrative remedy to the serious problems we have in our rice inspection service. At one time or another, discussions have been held with various officials of the Grain Division of the Consumer & Marketing Service; with the Director of the Grain Division of C & MS; with the Deputy Administrator of C & MS; and with the Administrator of C & MS. Apparently, however, somewhere at a high level, decisions have been made about the administration of rice inspection, and everybody has closed his mind to any discussion of it and has justified all mistakes and problems that have been brought out.

Section 203-h of the Agricultural Marketing Act of 1946 authorizes the Secretary of Agriculture under such rules and regulations as he may subscribe "To inspect, certify, and identify the classes, quality, and condition of agricultural products when shipped or received in interstate commerce * * * Rice is inspected under authority of that Act.

The Act authorizes assessment and collection of such fees as will be reasonable to cover cost of the services rendered entirely from fees paid by growers, millers, and exporters. No taxpayer funds are used. The Act also provides that no person shall be required to use the service authorized by the Act. Use of the rice inspection service is voluntary. One of the major purposes of the Act as stated in the legislation is to "Improve and facilitate the marketing and distribution of agricultural products."

We concur with the purposes and principles established by the Act.

However, we do not concur with policies adopted in the administration of the Act. To state our grievance in a nutshell, we feel that the Department of Agriculture has become more concerned with organizational charts, lines of authority, and centralization of administrative power in Washington than in the operation of a highly competent, efficient, and useful service for the rice industry. We shall try to briefly explain this statement.

Under the organizational structure that has existed in the Department of Agriculture for several years, the Grain Division of the Consumer & Marketing Service is charged with the inspection and certification of rice. Until a few years ago, the inspection of rice and administrative decisions in connection with rice inspection were handled almost altogether by rice specialists—by people who had extensive experience with rice and the rice industry, and who were experts at their profession. A few years ago—it is hard to tell exactly when—a decision was made to do away with specialization in rice inspection and to bring rice inspection under a system of generalized grain inspection.

That decision brought turmoil in the inspection system for rice. It has produced a deterioration and inconsistency in the quality and competency of the rice inspection and certification. It is that decision and steps that have been taken to implement it that is the basis for our grievance.

Here are some of the steps that have been taken under that decision:

¹ In files of the committee.

1. Until about five years ago, rice inspection in the Southern States was administered in an office in New Orleans, by a specialist whose job was to supervise the operations of all the local rice inspection offices and to maintain uniformity between them. That the specialist did his job well. He performed his duties with great efficiency, and his office was allowed to operate with a great deal of autonomy.

A few years ago a Grain Director was dispatched from Washington and placed in command of rice inspection service in the Southern area. The rice specialist who had handled the job so well was stripped of authority and was made a sort of glorified office clerk. The job he was doing with a small, well qualified staff was replaced by a larger grain bureaucracy of higher paid personnel in New Orleans, supplemented by a Grain Board of Review and Appeals in Beltsville, Maryland. None of the people who were added to the staff in New Orleans had any knowledge of rice nor any experience with rice.

2. As a corollary step, it was decided that authority for review of the day-to-day samples of inspections of local offices should be conveyed from the well trained New Orleans rice staff to a Grain Board of Review and Appeals, which is located in Beltsville, Maryland.

That Board was given authority to make all interpretations of the rice grade standards as well as to review and pass on the inspections of the local offices. That Board, from its inception, was dominated by grain inspectors who had only a limited knowledge of rice inspection but who had unlimited authority over the whole rice inspection service.

The results of the operations at that Board have been nothing short of catastrophic. Its weird decisions time after time have sent the rice industry and its customers into turmoil.

It has made decisions that have allowed large shipments of sub-quality rice to go to some very important customers of USA rice, and despite exhaustive efforts of the industry to regain the confidence of these customers, some are still reluctant to buy USA rice.

The Grain Board of Review and Appeals has also made decisions which have sharply tightened interpretations of the standards, and these decisions have frequently come in the midst of large shipments which could not be changed. You can imagine the cost and grief inflicted on the shippers involved.

These changes in interpretations, which have been made without consultation or discussion with the industry, have produced a perpetual state of apprehension in the rice trade, leaving the industry wondering each day where the axe will next fall.

We can document these charges if it is necessary; however, we feel that no useful purpose would be served by it. It is something that is done; and rather than criticize the past, we are seeking to improve the future. I think the fact that a representative delegation from the rice industry has come here today to support H.R. 8739 and H.R. 11525 is proof enough that something is seriously wrong.

3. A third step that has been taken is to try to put an end to the practice of specialization among rice inspection personnel and to pressure rice inspectors to become grain inspectors. The pressure is in the form of discrimination in rank and grade against personnel that are rice specialists.

This has served to place grain inspectors rather than rice specialists into administrative positions in the rice inspection service.

As this policy is further implemented, it can do nothing but reduce the quality and competency of rice inspectors. The pressures to end specialization in rice are thus enormous. We don't see any signs that the Consumer & Marketing Service has any intention of modifying this trend.

It might be asked why it is so important to have rice inspected by specialists. The answer is that the determination of the quality of rice is an exceedingly complex operation; it requires a person who is trained and operates continuously with rice.

Let me illustrate the complexity of rice inspection:

1. There are three general types of rice; namely, long grain, medium grain, and short grain. This is not difficult to determine. However, within these classifications there are numerous varieties, and it takes an expert to distinguish between varieties.

2. Each type of rice is subject to be inspected in several forms; namely, rough, brown, milled whole grain, and milled broken grain. The inspection of any one of these forms involves more determinations than is made in inspection of beans, or wheat, or corn, or any other grain we can think of.

3. For each form there are six grades.

4. For each grade there are numerous quality factors. For example, milled rice is inspected for degree of milling, and it takes an expert who works with rice every day to differentiate between well milled, reasonably well milled, or lightly milled rice.

Rice also must be inspected for color, for amount of chalkiness, for amount of seed, for number of defects, for amount of kernel damage and discoloration, for amount of broken rice present, the amount of each size category of broken rice (viz. second heads, screenings, and brewers), whether the broken are short, medium, or long grain rice, and moisture content.

A given lot of rice may be subjected to over twenty different quality determinations from the time it leaves the farm until it is shipped to the consumer.

These determinations are all necessary factors in judging the quality of rice, as they are related to cooking quality and general appearance of the product.

Most of these determinations are subjective, requiring the judgment of an expert.

I have been in the rice business eighteen years, and I have had constant contact with rice, but I could not begin to establish a grade for rice. Very few people at the management level of rice mills can do that. The rice miller employs experts for this job, and these experts stay with it continuously as a part of a mill's quality control program.

The grading of rice is thus far more complex and much different than inspection of other grains, and requires a more expert person than does the grading of any other grain. There are as many functions involved in grading rice as in most of the other grains combined.

The rice industry has on numerous occasions made complaints about the trend of things in the rice inspection service. There have been promises that improvements would be made but the improvements have been minor and few.

Most of the improvements have come since these hearings were announced, but the improvements that have been made do not change the basic problem, and we doubt that they represent anything more than a temporary pause in the goal of de-specialization.

To re-establish the rice inspection service to an efficient and competent basis, we feel that the following steps are essential:

1. It will be necessary to discontinue the effort to make grain inspectors out of rice inspectors, and rice inspectors out of grain inspectors.

2. It will be necessary to discontinue discriminations in grade and pay level for rice inspectors.

3. Make rice inspectors at all levels independent of supervision by general grain personnel. We see no objection to sharing of office space and facilities, but we do object to grain personnel having any operational authority over rice personnel.

4. Installation of a rice supervisor in the Southern States, to be located in New Orleans, and to have an equivalent rank and pay as the grain supervisor for the New Orleans district and to be independent of the grain supervisor.

5. Installation of a Rice Board of Review and Appeals in the Southern States, to be located in New Orleans, to review inspection samples submitted by local offices and to handle complaints from the trade in the Southern States. This Board desirably should be composed of the supervisor in the Southern States and two rice specialists of his staff.

6. Some arrangement satisfactory to the California industry might well be installed in Sacramento for the California rice inspection service.

7. Have a rice unit in Washington, D.C., managed by a rice specialist, composed of a director and about two technicians, functions of which to be: (a) maintain uniformity and corollate inspections between the South and California; (b) write regulations and standards; (c) develop and promote research for the improvement of rice inspection, and (d) to serve as a board of final review on appeals of decisions made at district offices in New Orleans and Sacramento.

The Grain Division of Consumer & Marketing Service contends that a separate, specialized rice inspection service such as we propose would be excessively costly. In our opinion, the rice inspection service could be operated at a lower cost than is presently the case, under a specialized setup which we propose.

There are presently numerous people in the Grain Division of the Consumer & Marketing Service that have administrative authority over rice and whose services, no doubt, are partly charged to the rice account. We would propose that all those people be eliminated from any work functions involving rice. If this is done, we can't possibly see how the cost of operating a rice inspection service would be increased.

We are of the opinion that we are presently being required to bear an excessive administrative burden, out of proportion with the needs of the rice industry. We believe an objective audit of the accounting practices and charges against the rice inspection service would show this to be the case.

In any event, even if costs would be increased—and we firmly feel that they would not—the rice industry is willing and agreeable to paying the costs that are necessary in order to have a competent, efficient and specialized rice inspection operation. We are willing to pay higher fees for such a service, if necessary.

We are not requesting in any manner that the Federal Treasury or the taxpayer share any of the burden of rice inspection.

We hope the Congress will pass H.R. 8739. Something needs to be done. Inasmuch as use of the rice inspection service is voluntary, the rice industry is steadily reducing its use of the service. This is not helping anybody.

In closing, I want to make note of the fact that the California industry operates under a cooperative Federal-State rice inspection arrangement. Representatives of the California industry feel that present wording of H.R. 8739 and H.R. 11525 might force the elimination of the California arrangement. I understand that representatives of the California industry will propose an amendment that would assure this will not happen. That amendment has been discussed with us, and we concur with it.

Thank you for your kind attention.

Mr. O'NEAL. Are there any questions?

Mr. MIZELL. I do have a couple of questions I would like to ask.

At the time this bill was proposed, were you aware of the changes by the Department of Agriculture trying to solve some of the difficulties?

Mr. GAINES. No, sir. The changes—

Mr. MIZELL. You were not aware—

Mr. GAINES. The changes made, and there have been some minor improvements made, have come since the bill was introduced in the Congress but the changes do not go far enough to satisfy the objections which we have raised to the inspection.

Mr. MIZELL. And to go back to the amendments offered by the State of California insofar as they are not the same standards, do not the same standards of grading apply in California that apply in the other parts of the ricegrowing country?

Mr. GAINES. Yes, sir.

Mr. MIZELL. The same standards do apply.

Mr. GAINES. The California industry would not be exempt from the standards or the administrative procedures in Washington and these are the procedures we are trying to change.

Mr. MIZELL. One other question. How important is the export market to the ricegrower?

Mr. GAINES. We export two-thirds of our commodity, Mr. Mizell. So, it is extremely important to us. It is our lifeblood, the export market is.

Mr. MIZELL. To make the changes as proposed by the bill and testified to by Mr. Grange, of the Department of Agriculture, there would be an increased cost likely here and since there is an increased cost factor, how would this influence your market on the world market?

Mr. GAINES. Mr. Mizell, somebody would have to get a pencil and show me how this would increase cost. I do not believe it would.

Mr. MIZELL. How close is your price with the price on the world market right now?

Mr. GAINES. Our prices are on the high side. We have trouble meeting the competition.

Mr. MIZELL. All right. Would this not increase those costs, then?

Mr. GAINES. No, sir; I do not think so. Not at all. What we are asking, Mr. Mizell, is that the qualified, the trained people that are now

available on the staff of the Department of Agriculture be put in charge of running the rice inspection of the Department of Agriculture. They were once in charge and they have been taken out, and we do not see that it would add anybody to the staff. We do not think it would add anything to the facilities. We do not object to sharing facilities and office space but we do not want people who are not qualified to be administering rice inspection.

Mr. MIZELL. Well, Mr. Grange testified that the same men who are inspecting rice are inspecting corn, sorghum, and soybeans in the same area and under this legislation it would set up a department where your men just inspected rice, and this being the case, there would have to be some additional employees hired in order to do this. So if you do, then it stands to reason you will have an increased cost factor.

Mr. GAINES. There are only a few in that category yet. They are trying to change them all that way. On the other hand, there are some corn people, wheat people inspecting rice. Let us let these people go back to inspecting corn and wheat and let our rice people stay and inspect rice. Our trouble in Southern States is not so much at the field level. We have some excellent inspectors at the field level. The problem is at the administrative level, and the Board of Review and Appeals. The people who are grain specialists have taken charge, make the interpretation, and this is the key thing. This is a subjective operation. They make the interpretations, pass them down to the local people and the local people have to do what they are told.

Mr. MIZELL. Inspecting rice also.

Mr. GAINES. Inspecting rice also, yes, sir.

Mr. MIZELL. So, if we set up a new division we have got to have new employees. Let us suppose there is an increased cost factor. Would this not affect your markets? The world market I am speaking of.

Mr. GAINES. Very, very little, sir. The cost of inspection is less than one-tenth of a cent or something like that on a pound of rice. So, it is a very minor thing in total cost of our rice.

Mr. MIZELL. And you would not anticipate this going up if you set up a separate division?

Mr. GAINES. I do not see how it could.

Mr. MIZELL. Thank you.

Mr. O'NEAL. I want to again thank everybody for their patience. The subcommittee will stand adjourned, subject to the call of the Chair.

(Whereupon, at 12:30 p.m., the subcommittee was adjourned, subject to the call of the Chair.)

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