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AMEND THE U.S. GRAIN STANDARDS ACT

GOVERNMENT

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HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

FIRST SESSION

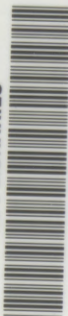
ON

H.R. 6135 and Similar Bills

APRIL 29, 1977

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CONTENTS

H.R. 6135, a bill to amend the United States Grain Standards Act with respect to recordkeeping requirements and supervision fees, and for other purposes.....	Page 2
Report from the U.S. Department of Agriculture.....	16
Report from the U.S. Civil Service Commission.....	18

STATEMENTS

American Farm Bureau Federation.....	175
Brooks, William F., president and general counsel, National Grain Trade Council.....	138
Bruegel, Fred, Jr., Texas Corn Growers Association and Plainview Grain Exchange.....	58
Carbaugh, S. Mason, commissioner, Virginia Department of Agriculture and Commerce.....	33
Carpenter, L. C., vice president, Midcontinent Farmers Association.....	81
Cranor, John M., executive vice president, Kansas Grain and Feed Dealers Association.....	90
Crawford, Ralph J., director, Kansas State Grain Inspection Department.....	84
Curry, John, president, National Corn Growers Association.....	169
Missouri Department of Agriculture.....	101
Danielsen, Holger, division director, Grain Inspection and Weighing, Missouri Department of Agriculture.....	101
Gregg, Joseph B.....	165
Halow, Joseph, executive director, North American Export Grain Association.....	129
Hampton, Joe Neal, general manager, Enid Board of Trade.....	143
Harp, Elbert, executive director, Grain Sorghum Producers Association.....	43
Hart, Woodrow W., executive director, South Texas Cotton and Grain Association, Inc.....	54
Hemmen, Frank J., representing the Texas Grain and Feed Association.....	45
Jefferson, M. W., director, Division of Markets, Virginia Department of Agriculture.....	111
McDonald, Jack, and L. E. Vanderford, director, Memphis Board of Trade.....	94
Mathews, C. G., executive vice president, Fort Worth Grain Exchange.....	60
Meyer, Robert H., Assistant Secretary for Marketing Services, U.S. Department of Agriculture.....	21
North Dakota Grain Dealers Association.....	177
Purcell, Graham, the Board of Trade of Kansas City, Mo., Inc.....	121
Slater, Joseph L., president, National Association of Chief Grain Inspectors of the United States.....	80
Theis, Willis C., chairman, legislative committee, the Board of Trade of Kansas City, Mo., Inc.....	112
Voth, George, executive vice president, Far-Mar-Co., Inc.....	39
Ward, Arlin B., and Floyd W. Smith, Kansas State University.....	126
Weckerly, Norman, chairman, foreign marketing committee, Great Plains Wheat Association.....	123
Wilson, Winston, president, Texas Wheat Producers Association.....	55
Wood, George M., and William J. Keating, on behalf of National Grain and Feed Association.....	75

IV

CORRESPONDENCE

Burris, Don R., general manager, Amarillo Grain Exchange, mailgram of April 27, 1977-----	Page 181
Cole, R. L., executive vice president, Indiana Grain and Feed Association, telegram of April 28, 1977-----	182
Dow, Dennis, secretary to the board of directors, Sioux City Grain Exchange, telegram of April 28, 1977-----	181
Gibbons, Elmer D., president, Association of the American Warehouse Control Officials, letter of April 25, 1977, to Hon. Bob Bergland, Secretary, U.S. Department of Agriculture-----	160
Grimes, H. W., Stockton Elevators, letter of April 5, 1977-----	153
Hanson, Lloyd C., executive vice president, North Dakota Grain Dealers Association, letter of April 12, 1977-----	158
Moore, Randolph P., president, Corpus Christi Grain Exchange, telegram of April 26, 1977-----	180
Moore, Randolph P., president, Corpus Christi Exchange, telegram of April 26, 1977, to Hon. E de la Garza, a Representative in Congress from the State of Texas-----	180
Nolen, Raymond R., executive vice president, Texas Grain and Feed Association, mailgram of April 27, 1977, to Hon. E de la Garza, a Representative in Congress from the State of Texas-----	181
Rohde, Gary E., secretary, Department of Agriculture, State of Wisconsin, letter of April 28, 1977-----	163
Sather, Merrill D., executive vice president, Pacific Northwest Grain Dealers Association, Inc., letter of April 8, 1977-----	155
Scott, John W., master, National Grange, letter of April 26, 1977-----	162
Townsend, Howard C., president, National Association of State Departments of Agriculture, letter of April 28, 1977, to Hon. William C. Wampler, a Representative in Congress from the State of Virginia-----	31
Wofford, Charles W., executive director, Cotton and Grain Producers, mailgram of April 26, 1977, to Hon. E de la Garza, a Representative in Congress from the State of Texas-----	180

AMEND THE U.S. GRAIN STANDARDS ACT

FRIDAY, APRIL 29, 1977

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D.C.

The committee met at 2 p.m., pursuant to notice, in room 1301, Longworth House Office Building, Hon. Thomas S. Foley (chairman of the committee) presiding.

Present: Representatives de la Garza, Baldus, Krebs, Hightower, Bedell, Skelton, Whitley, Thone, Madigan, and Coleman.

Staff present: Fowler C. West, staff director; Robert M. Bor, counsel; Ann Cole, clerk; John C. Baize, and Eugene Moos.

The CHAIRMAN. The Committee on Agriculture will come to order. The committee is meeting to consider the bill, H.R. 6135 to amend the U.S. Grain Standards Act with respect to recordkeeping requirements and supervision fees.

[H.R. 6135 and the reports from the U.S. Department of Agriculture and the U.S. Civil Service Commission follow:]

IN THE HOUSE OF REPRESENTATIVES

APRIL 6, 1977

Mr. FOLEY (for himself, Mr. AKAKA, Mr. HUBBARD, Mrs. BOGGS, Mr. RICHMOND, Mr. VOLKMER, and Mr. WHITLEY) introduced the following bill; which was referred to the Committee on Agriculture

To amend the United States Grain Standards Act with respect to recordkeeping requirements and supervision fees, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled.*

RECORDS

4 SECTION 1. Section 12 (d) of the United States Grain
5 Standards Act (90 Stat. 2882; 7 U.S.C. 87a(d)) is
6 amended by striking out "shall, within the five-year period
7 thereafter, maintain complete and accurate records of pur-
8 chases, sales, transportation, storage, weighing, handling,
9 treating, cleaning, drying, blending, and other processing,
10 and official inspection and official weighing of grain," and

1 inserting in lieu thereof the following: "shall maintain such
 2 complete and accurate records for such period of time as the
 3 Administrator may, by regulation, prescribe for the purpose
 4 of the administration and enforcement of this Act,".

5 SUPERVISION FEES

6 SEC. 2. (a) Section 7(j) of the United States Grain
 7 Standards Act (90 Stat. 2873; 7 U.S.C. 79(j)) is
 8 amended by—

9 (1) striking out "administrative and supervisory
 10 costs" in the second sentence of paragraph (1) and in-
 11 serting in lieu thereof "50 per centum of administrative
 12 and supervisory costs"; and

13 (2) striking out "the estimated costs incurred by
 14 the Service (outside of the Washington office) relating
 15 to direct supervision of official agency personnel" in the
 16 first sentence of paragraph (2) and inserting in lieu
 17 thereof "50 per centum of the estimated costs incurred
 18 by the Service (outside of the Washington office) re-
 19 lating to direct supervision of agency personnel".

20 (b) Section 7A(1) of the United States Grain Stand-
 21 ards Act (90 Stat. 2877; 7 U.S.C. 79a(1)) is amended
 22 by—

23 (1) striking out "administrative and supervisory
 24 costs" in the second sentence of paragraph (1) and

1 inserting in lieu thereof "50 per centum of administra-
2 tive and supervisory costs";

3 (2) striking out "section (7) (j)" in the third
4 sentence of paragraph (1) and inserting in lieu thereof
5 "section 7 (j)"; and

6 (3) striking out "the costs incurred by the Serv-
7 ice (outside of the Washington office)" in the first
8 sentence of paragraph (2) and inserting in lieu thereof
9 "50 per centum of the estimated costs incurred by the
10 Service (outside of the Washington office)".

11 (c) Section 21 of the United States Grain Standards
12 Act of 1976 (90 Stat. 2886) is amended by striking out
13 "those Federal administrative and supervisory costs in-
14 curred within the Service's Washington office or not directly
15 related to the official inspection or the provision of weigh-
16 ing services for grain" and inserting in lieu thereof the
17 following: "those Federal administrative and supervisory
18 costs related to the official inspection or the provision of
19 weighing services for grain which are not required to be
20 covered by fees as provided for in sections 7 (j) and
21 7 (A) (1) of this Act".

22 (d) The provisions of this section shall become effec-
23 tive October 1, 1977.

TECHNICAL AMENDMENTS

SEC. 3. The United States Grain Standards Act (39 Stat. 482-485, as amended; 7 U.S.C. 71, 74-79, 79a and 79b, 84-87, and 87a-87h) is amended as follows:

(a) Section 3 is amended by—

(1) striking out "grain sorghum" in subsection (g) and inserting in lieu thereof "sorghum";

(2) amending subsection (m) to read as follows:

"(m) the term 'official agency' means any State or local governmental agency, or any person, designated by the Administrator pursuant to section 7 of this Act for the conduct of official inspection (other than appeal inspection), or section 7A of this Act for the conduct of official weighing or supervision of weighing (other than appeal weighing) ;";

(3) inserting "for" immediately after "under standards provided" in subsection (x); and

(4) amending subsection (y) to read as follows:

"(y) the term 'supervision of weighing' means such supervision of the grain-weighing process as is determined by the Administrator to be adequate to reasonably assure the integrity and accuracy of the weighing and of certificates which set forth the weight of the grain and such physical inspection of the premises at which the grain weighing is performed as will reason-

1 ably assure that all the grain intended to be weighed has
2 been weighed and discharged into the elevator or con-
3 veyance;”.

4 (b) Section 3A is amended by inserting at the end
5 thereof the following: “The Secretary may delegate author-
6 ity to the Federal Grain Inspection Service to perform
7 related functions for grain and similar commodities and
8 products thereof under other statutes administered by the
9 Department of Agriculture. Notwithstanding any other pro-
10 vision of law, the Secretary is authorized to appoint four
11 individuals to positions at grade 16 of the General Schedule,
12 or above, in the Federal Grain Inspection Service.”.

13 (c) Section 4 (a) is amended by—

14 (1) striking out “grain sorghum” and inserting in
15 lieu thereof “sorghum”;

16 (2) inserting a comma after “equipment calibra-
17 tion and maintenance”; and

18 (3) inserting “or procedures” after “standards”
19 wherever it appears in paragraph (2) and striking out
20 “procedures” after “weight certification”.

21 (d) Section 7 is amended by—

22 (1) designating the third sentence in paragraph

23 (2) of subsection (e) as paragraph (4) of subsection

24 (c) and inserting it at the end of subsection (c) ;

25 (2) amending subsection (f) by—

1 (A) in the first sentence of paragraph (2),
2 inserting "or State delegated authority pursuant to
3 subsection (e) (2) of this section" immediately
4 after "Not more than one official agency", inserting
5 "inspection" immediately before "provisions of this
6 Act", and striking out ", but this paragraph shall
7 not be applicable to prevent any inspection agency
8 from operating in any area in which it was oper-
9 ative on August 15, 1968";

10 (B) striking out "No" in the second sentence
11 of paragraph (2) and inserting in lieu thereof "Ex-
12 cept as authorized by the Administrator, no";

13 (C) designating the second sentence of para-
14 graph (2) as paragraph (3) of subsection (f) ; and

15 (D) designating the third sentence of para-
16 graph (2) as paragraph (4) of subsection (f) ;

17 (3) striking out "subsections (e) and (f)" in
18 paragraph (1) of subsection (g) and inserting in lieu
19 thereof "subsection (f)"; and

20 (4) adding at the end of subsection (i) a new
21 sentence as follows: "All or specified functions of such
22 inspections shall be performed by official inspection per-
23 sonnel employed by the Service or, except for appeals,
24 by persons operating under a contract with the Service."

25 (e) Section 7A is amended by—

1 (1) in subsection (b), inserting "at export ele-
2 vators" immediately after "located other than" and in-
3 serting "or official weighing at the request of the oper-
4 ator of such facility," immediately after "provisions of
5 this Act,";

6 (2) amending paragraph (2) of subsection (c)
7 by—

8 (A) in the first sentence, inserting "or super-
9 vision of weighing" immediately after "to delegate
10 authority to perform official weighing", inserting
11 "official weighing or" immediately before "super-
12 vision of weighing, if such agency or person quali-
13 fies", and striking out "number" and inserting in
14 lieu thereof "under";

15 (B) in clause (A) of the second sentence,
16 striking out "at export elevators", and inserting
17 "or supervision of weighing" immediately after
18 "official weighing"; and

19 (C) inserting "official weighing or" immedi-
20 ately before "supervision of weighing" wherever
21 this phrase appears in clause (B) of the second
22 sentence;

23 (3) adding at the end of subsection (d) a new sen-
24 tence as follows: "All or specified functions of such
25 weighing shall be performed by official inspection per-

1 sonnel employed by the Service or, except for appeals,
2 by persons operating under a contract with the Service.”;

3 (4) striking out the second sentence of subsection
4 (e) ;

5 (5) amending subsection (f) by—

6 (A) in clause (2), striking out “employ” and
7 inserting in lieu thereof “permit”, and inserting
8 “and who are approved by the Administrator” im-
9 mediately before “to operate the scales”; and

10 (B) in clause (3), striking out “employees
11 of the facility” and inserting in lieu thereof “per-
12 sons other than official inspection personnel”, and
13 striking out “employees to operate” and inserting
14 in lieu thereof “such persons to operate”;

15 (6) inserting “or local governmental agency”
16 immediately after “No State” in subsection (i) ; and

17 (7) adding at the end of subsection (i) a new
18 sentence as follows: “Not more than one official agency
19 or State delegated authority pursuant to subsection
20 (c) (2) of this section for carrying out the weighing
21 provisions of this Act shall be operative at one time
22 for any geographic area as determined by the Admin-
23 istrator to effectuate the objective stated in section 2
24 of this Act.”.

25 (f) Section 7B is amended by—

1 (1) inserting "for the purpose of official inspection,
2 official weighing, or supervision of weighing" immedi-
3 ately before "of grain located at all grain elevators" in
4 subsection (a) ; and

5 (2) at the end of subsection (a), inserting "Such
6 regulations shall provide for the charging and collection
7 of reasonable fees to cover the estimated costs to the
8 Service incident to the performance of such testing by
9 employees of the Service. Such fees shall be deposited
10 into the fund created by section 7(j) of this Act".

11 (3) inserting "for the purposes of this Act" immedi-
12 ately after "no person shall use" in subsection (c).

13 (g) Section 8 is amended by—

14 (1) amending subsection (a) by—

15 (A) inserting " , other than appeal weighing,"
16 immediately after "supervision of weighing" in
17 clause (1) ;

18 (B) striking out "of grain" in clause (2) (B)
19 and inserting in lieu thereof "(including appeal
20 weighing) of grain in the United States, or of
21 United States grain in Canadian ports"; and

22 (C) in clause (3), inserting "or governmental
23 agency" immediately after "(3) to contract with
24 any person", and striking out "specified sampling
25 and laboratory testing" and inserting in lieu thereof

1 “specified sampling, laboratory testing, and similar
2 technical functions”; and

3 (2) adding at the end of subsection (e) a new sen-
4 tence as follows: “The Administrator may compensate
5 such personnel at any rate within the appropriate grade
6 of the general schedule as he deems necessary without
7 regard to section 5333 of title 5 of the United States
8 Code.”.

9 (h) Section 11 is amended by—

10 (1) inserting “official weighing or” immediately
11 before “supervision of weighing” in paragraph (3) of
12 subsection (b) ;

13 (2) in the first sentence of paragraph (5) of sub-
14 section (b) , inserting “official weighing or” immediately
15 before “supervision of weighing except”, and inserting
16 “director,” immediately before “officer, employee,”; and

17 (3) inserting “or State agency delegated authority
18 under this Act” immediately after “official agency” in
19 subsection (c) .

20 (i) Section 12 is amended by—

21 (1) inserting “, every State agency delegated
22 authority under this Act,” immediately after “official
23 agency” wherever this phrase appears in subsections
24 (a) , (b) , and (c) ; and

25 (2) striking out “delegate authority of this Act”

1 in subsection (c) and inserting in lieu thereof "dele-
2 gated authority under this Act".

3 (j) Section 13 (a) is amended by—

4 (1) inserting " , or that any weighing service under
5 this Act has been performed with respect to grain"
6 immediately before the semicolon at the end of para-
7 graph (6) ;

8 (2) striking out in paragraph (11) "5, 6, 7 (f)
9 (2), 7A, 7B (c), 8, 11, or 12" and inserting in lieu
10 thereof "5; 6; 7 (f) (2), (3), or (4) ; 7A; 7B (c) ;
11 8; 11; 12; or 17A";

12 (3) striking out "testing" in paragraph (12) and
13 inserting in lieu thereof "weighing"; and

14 (4) in paragraph (13), striking out "the grain"
15 and inserting in lieu thereof "grain", and inserting
16 "the" immediately after "observing the loading of".

17 (k) Section 16 is amended by—

18 (1) striking out, in subsection (a), the second
19 sentence and all that follows "or other person;" in the
20 first sentence down through "by the Administrator." and
21 inserting in lieu thereof the following: "and prescribe
22 such rules, regulations, and instructions as the Admin-
23 istrator deems necessary to effectuate the purposes or
24 provisions of this Act. Such regulations may require, as
25 a condition for official inspection or official weighing or

1 supervision of weighing, among other things, (1) that
 2 there be installed specified sampling, handling, weigh-
 3 ing, and monitoring equipment in grain elevators, ware-
 4 houses, and other grain storage or handling facilities,
 5 (2) that approval of the Administrator be obtained
 6 as to the condition of vessels and other carriers or re-
 7 ceptacles for the transporting or storing of grain, and
 8 (3) that persons having a financial interest in the grain
 9 which is to be inspected (or their agents) shall be
 10 afforded an opportunity to observe the weighing, load-
 11 ing, and official inspection thereof, under conditions
 12 prescribed by the Administrator.”; and

13 (2) striking out “additional” in subsection (f).

14 (l) Section 17A is amended by striking out “All per-
 15 sons registered” in paragraph (1) of subsection (b) and
 16 inserting in lieu thereof “All persons required to register”.

17 (m) Section 17B is amended in clause (2) of subsection
 18 (b) by inserting “notwithstanding the provisions of section
 19 812 of the Agricultural Act of 1970, as added by the Agri-
 20 culture and Consumer Protection Act of 1973 (7 U.S.C.
 21 612 (c)-3),” immediately after “(2)” and inserting “notice
 22 of” immediately after “Administrator or the Secretary of”.

23 (n) Section 21 is amended by striking out “SEC. 21”
 24 and inserting in lieu thereof “SEC. 19”.

1 SEC. 4. (a) Section 8 (b) of the United States Grain
2 Standards Act of 1976 (90 Stat. 2874) is amended by—

3 (1) inserting in paragraph (3) “(which may in-
4 clude the application of statistical tolerances for ex-
5 pected variations)” immediately after “error rates of
6 such agencies”;

7 (2) striking out in paragraph (4) eighteen
8 months” and inserting in lieu thereof “thirty months”;
9 and

10 (3) striking out in paragraph (5) “two years” and
11 inserting in lieu thereof “three years”.

12 (b) Section 27 of the United States Grain Standards
13 Act of 1976 (90 Stat. 2889) is amended by—

14 (1) striking out all that follows “SEC. 27.” down
15 through “without a designation under the United States
16 Grain Standards Act, as amended by this Act” and in-
17 serting in lieu thereof the following: “This Act shall
18 become effective thirty days after enactment hereof; and
19 thereafter no State or other agency or person shall pro-
20 vide official inspection or official weighing or supervision
21 of weighing under the United States Grain Standards
22 Act, as amended by this Act, at an export port location
23 without a delegation of authority or other authorization
24 under such amended Act, and no agency or person shall

1 provide official inspection service or official weighing or
2 supervision of weighing under such amended Act in any
3 other area without a designation or other authorization
4 under such amended Act”;

5 (2) inserting “or other authorization under such
6 Act” immediately after “may continue to operate in that
7 area without a delegation or designation”; and

8 (3) striking out “and export elevators located at
9 export port locations” in clause (3).



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

April 28, 1977

Honorable Thomas S. Foley
Chairman, Committee on Agriculture
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

We appreciate this opportunity to respond to your request for comments on H.R. 6135, a bill "To amend the United States Grain Standards Act with respect to recordkeeping requirements and supervision fees, and for other purposes."

The Department is supportive of legislation designed to improve the implementation of the recently amended U.S. Grain Standards Act, including the recordkeeping and the technical amendment provisions in H.R. 6135, but recommends against the enactment of the provisions that would finance from appropriated funds 50 percent of the field-based supervision costs.

Enactment of section 2 of this bill, changing from a full user fee to a 50 percent appropriated basis the Federal costs for the supervision of Federal, State, or private inspection and weighing agencies, would result in an increase in annual appropriations of this Department approximating \$7.96 million annually--\$4.70 million for inspection and \$3.26 million for weighing.

We believe, as a matter of principle and practice, that 100 percent of the field-based supervision costs should be financed by user fees. Our belief is based on the experience that (1) user fees can be quickly adjusted to maintain a sufficient staff to assure uniformity of grade interpretations and adequate policing of official inspection, weighing, and related grain handling activities; (2) official inspection and weighing services for grain are performed only at the request of an applicant (usually a buyer or seller) and for the applicant's benefit; (3) the Federal supervision fees are at a nominal level and will have, at most, a very nominal economic impact on growers' prices (The fees are 8/100 of a cent per bushel for *inspection supervision* at all locations serviced by delegated and designated agencies and approximately the same for the supervision of original and appeal inspections performed by Federal employees. The fees are 3.5/100 of a cent per bushel for *weighing supervision* at export locations serviced by delegated agencies, substantially the same at other locations serviced by designated agencies, and

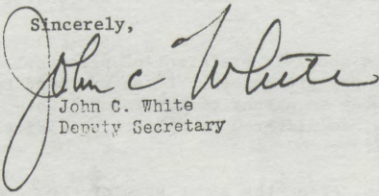
Honorable Thomas S. Foley

substantially the same for the supervision of original and appeal weighings performed by Federal employees.); (4) the user fee system is "operative" in that the fees have been and are being collected by the Federal Grain Inspection Service wherever the Service is providing original inspection and weighing functions, and are being assessed and collected by most of the delegated and designated agencies; and (5) user fees are an approved method of financing Federal supervision costs in other grading programs administered by the Department--meat, fruits and vegetables, rice, and other agricultural commodities. In view of the above reasons, the Department does not find the 50/50 funding provision acceptable. In recognition of the initial expansion of our supervisory force and the additional training and start-up costs that will be incurred, we believe such costs could be appropriately financed from appropriated funds. It has been proposed that the Federal costs of supervision for delegated and designated agencies for fiscal year 1977 be entirely financed from appropriated funds and that thereafter the costs should be financed by user fees. The Department supports the proposal.

In accordance with the provisions of Public Law 91-190, Section 102(2)(C), enactment of this legislation would have no significant impact on the quality of the environment.

The Office of Management and Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,



John C. White
Deputy Secretary



UNITED STATES CIVIL SERVICE COMMISSION

WASHINGTON, D.C. 20415

CHAIRMAN

April 28, 1977

Honorable Thomas S. Foley
 Chairman, House Committee on Agriculture
 House of Representatives
 Washington, D.C. 20515

Dear Mr. Chairman:

This is a voluntary report expressing the Commission's concern over a provision of S. 1051, "To amend the United States Grain Standards Act with respect to recordkeeping requirements and supervision fees, and to establish an advisory committee to provide advice to the Administrator of the Federal Grain Inspection Service, and for other purposes," and H.R. 6135, "To amend the United States Grain Standards Act with respect to recordkeeping requirements and supervision fees, and for other purposes."

Section 4(f)(2) of S. 1051 and section 3(g)(2) of H.R. 6135 would amend section 8, subsection (e) of the United States Grain Standards Act by adding the statement: "The Administrator may compensate such personnel at any rate within the appropriate grade of the general schedule as he deems necessary without regard to section 5333 of title 5 of the United States Code."

The Commission urges the deletion of a specific preferential personnel provision which provides for rates of pay greater than those provided to others who become Federal employees when an agency of the Federal Government assumes a function previously administered by a State, political subdivision authority, or private sector.

Under present law, pay of employees is set at the first step of the grade at which the position is established. Thereafter, advancement to steps 2 through 10 is effected as the employee meets the required periods of service. It is anticipated that S. 1051 and H.R. 6135 will permit establishment of inspectors' salaries in some cases well above the first step of the grade.

This benefit of entering Federal service at steps beyond the entry level is not, and has not been, available to other employees in situations wherein the Federal Government has assumed a function previously performed by a State. The assumption by the Federal Government of the meat and poultry inspection function, previously carried out by individual States, represents a case in point. Upon request by a State, the Federal Government is now assuming this responsibility and to date, 24 State programs have been assumed. Those former State inspectors who have entered Federal employment have received the initial step of the appropriate grade of the inspector position.

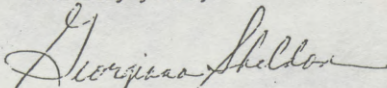
We are opposed to the provision of these bills which would accord a special entitlement to employees being converted beyond those which are normally provided in such actions as authorized by regulations. Further, this action could result in additional, unwarranted costs to the Federal Government if employees are brought into the Federal service at steps in grade beyond the entry level. In addition, the establishment of pay rates in the proposed manner could result in wide disparities reflecting regional differences. This would directly thwart the objective of equitable pay for employees. Moreover, in this instance, the problem is further compounded by the fact that some inspectors are employees of private firms with which the States have contracted for grain inspection service.

For the foregoing reasons, the Civil Service Commission opposes enactment of the provision of S.1051 and H.R. 6135 cited in paragraph 2 of this letter and urges that this preferential personnel provision be deleted.

The Office of Management and Budget advised that from the standpoint of the Administration's program, there is no objection to the submission of this report.

By direction of the Commission:

Sincerely yours,


Acting Chairman

The CHAIRMAN. We are happy to welcome our first witness this afternoon, the distinguished Assistant Secretary for Marketing Services of the USDA, Mr. Bob Meyer. Mr. Meyer will be accompanied by Jerry Hill, Mr. Manley, and Mr. Galliart.

Mr. Meyer, I think this is your first appearance before the Agriculture Committee in your new responsibility. On behalf of the committee, we congratulate you on that appointment and we hope this will be the first of many appearances for you before us.

Mr. MEYER. Thank you, Mr. Chairman.

The CHAIRMAN. Without objection, your statement and addendum will be included in its entirety in the record.

[The prepared statement submitted by Mr. Meyer follows:]

Statement of
Robert H. Meyer, Assistant Secretary
for Marketing Services
United States Department of Agriculture

Mr. Chairman and Members of the Committee:

We appreciate this opportunity to appear before your Committee today to present the Department's views on legislation to amend the U.S. Grain Standards Act. We welcome your concern and interest in developing amendments to improve the recordkeeping requirements of the Act and to provide certain technical improvements in the Act.

The Department is supportive of the provisions in H.R. 5604 and H.R. 6135 that would improve the recordkeeping provisions of the Act. It will not be our intent to place unnecessary recordkeeping requirements on grain elevators or merchandisers. However, we must maintain the flexibility to require records necessary to accomplish the purposes of the Act.

The Department is generally supportive of the provisions in the bills that pertain to technical improvements. Most of the provisions are needed for the effective implementation and administration of the Act.

The Department recommends against the enactment of the provisions that would finance with appropriated funds all or part of the field-based supervision cost. We believe, as a matter of principle and practice, that all field-based costs should be financed by user fees. This belief is based on the experience that user fees can be more quickly adjusted to make needed changes in staffing to assure uniformity of grade interpretations and adequate policing of official inspection, weighing, and related grain handling activities. Official inspection and weighing services for grain are performed only at the request of an applicant (usually a buyer or seller) and for the applicant's benefit. It is fitting and proper that the person that benefits from the service should finance the cost of the service. This is true even in those instances where inspection and weighing at certain locations are mandated by the Act.

The Federal supervision fees are at a nominal level and will have, at most, a very nominal economic impact on growers' prices. The fees for inspection supervision are 8/100 of a cent per bushel and the fees for weighing supervision are 3.5/100 of a cent per bushel at export port locations, and substantially the same at other locations.

The user fee system is "operative" in that the fees have been and are being collected by the Federal Grain Inspection Service wherever the Service is providing original inspection and weighing functions. The fees are also being assessed and collected by most of the delegated and designated agencies. Further, user fees are an approved method of financing Federal supervision costs of other grading programs administered by the Department, including meat, poultry, fruits and vegetables, dairy, and rice.

For the above reasons, the Department does not favor either a 100 percent or a 50-50 funding via appropriation of the Federal supervision cost. In recognition of the initial expansion of our supervisory force and the additional training and start-up costs that have been and will be incurred, we believe it is proper that such costs be financed as an interim measure from appropriated funds.

It has been proposed in the fiscal year 1977 Supplemental Appropriation Bill (H.R. 4877) recently approved by the Congress that the Federal cost of supervision be entirely financed from appropriated funds for fiscal year 1977. This is an interim measure to finance training and other start-up costs. The Department supports this legislation which provides a total of \$12.7 million for the Federal Grain Inspection Service for FY 1977 (\$1.4 million for salaries and expenses, and \$11.3 million for inspection and weighing services). For FY 1978 and thereafter, the Department reiterates its support for the provisions of P.L. 94-582 providing 100 percent user fee funding for Federal supervision of grain inspection and weighing.

The Department supports the provision in H.R. 6135 that authorizes the Secretary to delegate to the Federal Grain Inspection Service authority to perform related functions for grain and similar commodities under other statutes administered by the Department of Agriculture. The Service is currently performing inspection and grading services under the Agricultural Marketing Act of 1946 and it is our desire that it continue to perform these assigned functions and that the Secretary be given authority to assign it similar functions as the need arises.

We are also supportive of the proposed change in H.R. 6135 in the reporting dates for the study of grain inspection and weighing procedures and management practices. The "30 month" and "3 year" dates will provide needed time for the Department and the General Accounting Office to make meaningful studies at interior locations and submit their required reports and recommendations to the Congress.

The Department objects to the provision in H.R. 5604 for the establishment of an advisory committee. Our objection is premised on the fact that we now confer regularly, both informally and formally, with interested industry groups including producers, merchandisers, warehousemen, processors, and exporters in promulgating changes in the grain standards and regulations promulgated under the Act. Also the Department now has under review the functions and use of all advisory committees to determine those which will be continued or dismantled. To add to the proliferation of advisory committees through the enactment of legislation at a time when the utility of all such committees is under review would seriously erode executive responsibility, as well as add additional costs to program operations. We, therefore, recommend against enactment of this provision.

The Department also objects to the provision in H.R. 5604 that would prohibit showing the percentage of dark, hard, and vitreous kernels in hard red winter wheat. Our objection is based, in large part, on the negative impact that the prohibition could have on the export sale of

hard red winter wheat. Further, the promulgation of grain standards and the establishment of inspection procedures require technical expertise and have been delegated to the Department. To legislate such matters would seriously erode executive responsibility. We, therefore, strongly recommend against enactment of this provision.

Enactment of H.R. 5604 would require appropriated funds of approximately \$15.92 million annually--\$9.40 million for inspection and \$6.52 million for weighing, plus the cost of an advisory committee. This is in addition to the \$13.60 million of appropriated funds for Washington-based costs, or a total of \$29.52 million appropriated monies.

Enactment of H.R. 6135 would require appropriated funds of approximately \$7.96 million annually--\$4.70 million for inspection and \$3.26 million for weighing. This is in addition to the \$13.60 million of appropriated funds for Washington-based costs, or a total of \$21.56 million appropriated monies.

I have provided, for use of the Committee, an addendum to my testimony summarizing the major provisions of H.R. 5604 (which is identical to the bill S. 1051 passed by the Senate March 30, 1977) and H.R. 6135, and the Department's position relative to these amendments.

Mr. Chairman, this concludes my statement. I and my colleagues will be glad to respond to any questions the Committee may have.

(THE ADDENDUM FOLLOWS:)

Summary of Major Provisions in H.R. 5604 and H.R. 6135

<u>Change</u>	<u>In 5604</u>	<u>In 6135</u>	<u>USDA's Position</u>
1. Modify the recordkeeping requirements to require that elevator operators and warehousemen keep such records as the Administrator may prescribe	yes	yes	support
2. Establish an advisory committee	yes	no	oppose
3. Finance all supervision costs via appropriated funds	yes	no	oppose field-based portion
4. Finance 50 percent of the field-based and all headquarters-based supervision costs via appropriated funds	no	yes	oppose field-based portion
5. Redefine "supervision of weighing" as a class of weighing	yes	yes	prefer wording in H.R. 6135
6. Authorize the Secretary to delegate to FGIS authority to perform related functions for grain and similar commodities and products thereof under other statutes administered by the USDA	no	yes	support
7. Provide for exceptions by Administrator to prohibition against inspection grain that was sampled in another inspection area	yes	yes	support
8. Authorize use of employees of Canadian Government in the inspection and weighing of U.S. grain being exported through Canadian ports	yes	yes	support
9. Authorize "official weighing" as a class of weighing, on a permissive basis, at locations other than export port locations	yes	yes	support
10. Authorize assessing and collecting fees for the testing of official inspection and weighing equipment	no	yes	support

<u>Change</u>	<u>In 5604</u>	<u>In 6135</u>	<u>USDA's Position</u>
11. Prohibit more than one weighing agency from being operative in one market at one time	yes	yes	support
12. Authorize the hiring of licensees by FGIS at any rate within the appropriate grade	yes	yes	defer to C.S.C.
13. Provide that a failure to register as required shall be a violation of the Act and grounds for denial of service	yes	yes	support
14. Authorize the Secretary to report cancellations of export contracts to the Congress notwithstanding the provisions of Sec. 812 of the Agricultural Act of 1970	no	yes	support
15. Provide 30 months, instead of 18, for the studies of inspection and weighing procedures, and 3 years, instead of 2, for reporting to Congress	no	yes	support
16. Prohibit a false representation that grain has been weighed under the Act	yes	yes	support
17. Provide that supervised weighing certificates are prima facie evidence of the truth of the contents of the certificates	yes	no	support
18. Prohibit showing the percentage of dark, hard, and vitreous kernels in hard red winter wheat	yes	no	oppose
19. Miscellaneous editorial changes	yes	yes	support

Mr. MEYER. Mr. Chairman, this concludes my statement. I, and my colleagues, David Mangum, Acting Deputy Administrator for Management, FGIS; and John Chernauskas, Director, Office of General Counsel, will be glad to respond to any questions the committee may have.

Mr. Chairman, we would like to respond to questions at this point so that we could be excused.

The CHAIRMAN. Thank you very much, Mr. Meyer. I thought we would present questions to the Department at this time so you may be excused.

We appreciate your statement. I think the addendum is also very useful, setting out very clearly the various features of the bill and the Department's position. It is rather innovative from the standpoint of departmental reports and testimony. I find it very useful.

Are there any questions?

Mr. Hightower?

Mr. HIGHTOWER. Thank you, Mr. Chairman.

As I understood your statement, Mr. Meyer, you said that user fees are an approved method of financing Federal supervision costs of other grading programs, including meat. Is that right?

It was my understanding that the meat inspection program is fully federally funded.

Mr. MEYER. Meat grading is federally funded, pardon me. Let me say again that meat grading is voluntary and inspection mandatory. Meat grading being voluntary is called for by the user. It is not required, but I believe the figure is something like 70 percent of the meat in this country is federally graded and 30 percent is privately graded. There is no Government involvement in that.

Mr. HIGHTOWER. Yes, but I am talking about the Federal inspection, the inspection made by Federal inspectors at packing houses.

Mr. MEYER. In the case of meat inspection, they are inspecting for wholesomeness in relation to food, the wholesomeness in food which makes us talk about apples and oranges.

Mr. HIGHTOWER. But this is a Federal inspection.

What type of Federal inspection of meat is not federally funded?

Mr. MEYER. The grading is not federally funded.

Mr. HIGHTOWER. Does the Department of Agriculture decide what the fees are for the grading and impose those fees?

Mr. MEYER. I believe they do.

Mr. HIGHTOWER. These are fees that are imposed by Agriculture and they are paid by the consumers or by the packer?

Mr. MEYER. That is correct.

Mr. HIGHTOWER. I was misinformed by that, or I do not have all the information I need.

You also say that your objection to an advisory committee is based on the premise that you now confer regularly.

Let me comment on that. My understanding of a lot of these meetings is that they are called and the other people are called in and invited to have a seat and listen to what the Department's position is, and that is it. That is not what we have in mind when we are talking about an advisory committee.

Where the Department just says, "This is it and we have come up with our ideas about it and we invite you here to listen to them," that is not what we mean by an advisory committee. That is not conferring.

Mr. MEYER. I understand that. I would like to comment.

Mr. HIGHTOWER. Certainly.

Mr. MEYER. I have been here approximately 90 days so far.

Mr. HIGHTOWER. We have great hopes for the future, but I am talking about the past.

Mr. MEYER. I am talking about now. I want you to know that probably in the area of 25 percent of my time so far has been spent meeting and talking and conferring with people, processors, grain elevators, and farmers and responding to them in groups and individually and maintaining the phone calls that I answer. I answer the farmers' phone calls first and the people out in the field.

I feel that the advisory committee that I have is much more informative and helpful to me than one that might be structured of 20 people.

Mr. HIGHTOWER. I encourage you in that and ask you to but I think some of the experiences of our feed and grain people is that they have been invited to come here, but not invited to come and comment, or at least, not feel that their comments are getting through in the way they should.

I certainly hope that under the new administration that would not continue.

I have one further thing. You say that the cost of \$13.6 million of appropriated funds are Washington-based costs. That staggers me.

Are we saying that we are going to spend \$13.6 million a year in Washington supervision of the FGIS?

Mr. MEYER. May I defer to one of my colleagues?

Mr. MANGUM. Mr. Hightower, we have made a careful assessment of the needs of the staff here in Washington, and we came up with the figure of \$13-odd million. That is based on a known need, specific requirements of legislation, and the known needs of the day-by-day operation of an operation of this size.

Mr. HIGHTOWER. I would like this committee to address itself as to what aspect of the legislation is requiring that kind of an operation.

My reaction when I saw that was the same as I got from my dad when I told him I needed something. He corrected me and said that I wanted it, and that is not what I needed.

To say that it is going to take \$13.6 million in Washington-based costs to administer this, then I think we really need to redo the program in some way.

Mr. MANGUM. We would be happy to review it item-by-item and line-by-line every requirement that we have listed.

Mr. HIGHTOWER. This is just for the FGIS?

Mr. MANGUM. Yes; we are talking about a program of approximately 2,700 Federal people and 4,000 State and private people. We are talking about a program with 6,000 people involved.

So, when you say that we are going to—

Mr. HIGHTOWER. Maybe I misunderstood what the Washington-based cost is. You are including in the Washington-based cost all of the field people all over the country and not just the Washington staff. Is that correct?

Mr. MANGUM. We are talking about the administration of the national program here in Washington. That is \$13 million and approximately 400 people are required to administer a program of over 6,000 people in the field.

Mr. HIGHTOWER. I still am not sure I understand. Are we talking about the costs of these 400 people, or are we talking about all of the costs in the \$13 million?

Mr. MANGUM. I am afraid I did not follow that.

Mr. HIGHTOWER. Are we talking about the field people as well as the 400 Washington people, or are we talking about the Washington people?

Mr. MANGUM. Just the Washington-based people. We are talking about the headquarter staff and the four program divisions and the three support divisions that are necessary to field an organization of this size.

Mr. MEYER. If I might comment on this, as you know, we do not have a permanent administrator as such in the FGIS at this time. A name has gone forward as a designated nominee. I want to assure you of one thing.

Everything that has transpired up to date, including these figures—maybe there is an error here when we talk about \$13 million for Washington-based costs—but I could not tell you right now whether we would even have a portion of this in Washington. I am not sure whether it will even be headquartered in Washington. That is the place for it to be headquartered, but I am not sure whether we are going to have 400 people or 200 people or 600 people.

But one thing that I want to assure you of is this: Everything that has been estimated is going to be thoroughly looked into by fresh faces with a fresh approach to this in order to be sure that every penny that goes into this are only those pennies that are required.

Also, I might add that as part of the \$13.6 million, we have all the functions that came from the grain division, in addition to the FGIS. They were transferred over and are not part of it, such as the research and the grain standards, et cetera, which is not in those areas that people commonly think of as FGIS, but are now a function of it. It is broader than just what we are thinking of in terms of inspection and weighing.

Mr. HIGHTOWER. I just think from a practical standpoint in my district that I would have a hard time selling the Panhandle wheat farmer that it costs \$13 million for 400 people to administer a program that he has some doubt about, whether they really need it that badly or not, and whether it is going to be an improvement over his own situation.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Thone?

Mr. THONE. I will be very brief. I will ask one question.

I would like to address it to Mr. Galliat.

Dave, I think you were here when we started all this reform here and simplification, so to speak. From the very first there was strong feeling that we had to do something at the export stations. As you remember, I think I took about as hard a line on that as any member on this committee. Then we got into conference and we had all kinds of trouble with Brother Clark over there from Iowa and some others,

although he was the strongest exponent of complete federalization of this whole system.

But, Mr. Galliard, let me ask you this. I assume this is in the law here. I am sure it is.

Did we ever assume that when we were passing our legislation over here, that we were going to require all the grain elevators in America to keep these records for 5 years regarding purchase, sale, transportation, storage, et cetera, of all the grain they were handling in those country elevators?

Mr. GALLIART. I do not think that was ever the assumption. I think it was a matter of not fully understanding the drafted language covering recordkeeping.

But you did address, on more than one occasion, the need for certain records, but not in the detail that was expressed in the legislation.

Mr. THONE. It is the one thing that all Members of Congress that we are hearing about in our congressional districts—the additional Federal regulation and Federal paperwork. I would go on and on. But I agree with you that this was never our intention.

I think I speak for every member of the committee, at least on the House side.

Chairman Foley was extremely active in this. I am sure he is his best witness. He can talk for himself. He does very well at that. But it just gets back, Dave, that these people out home are feeling that they come along with a better mousetrap and the Government invents a better mouse. They are sick and tired of all this. They are sick and tired of the regulations out of Washington.

Excuse me, you had another comment?

Mr. GALLIART. Mr. Thone, we fully support the change in legislation on the recordkeeping provision as has been suggested by the House.

Mr. THONE. That has your full support?

Mr. GALLIART. Yes.

Mr. THONE. Mr. Chairman, in conclusion, Mr. Wampler cannot be here this afternoon. He is on the House floor. There is a strip mining bill.

He asked if we would put in the record at this point a statement from the President of the National Association of State Departments of Agriculture in which they strongly support this corrective legislation.

This letter is signed by Mr. Howard C. Townsend, who is the president of the National Association of State Departments of Agriculture and the accompanying testimony on it is from Mr. S. Mason Carbaugh, who is a commissioner of the Virginia Department of Agriculture.

I would like to have unanimous consent that those two be included in the record.

Mr. Sebelius had to be in Kansas today. He had testimony of Mr. George Voth, who is executive vice president of FAR-MAR-CO, Inc., and I would ask unanimous consent that this testimony also be included in the record.

The CHAIRMAN. Without objection, so ordered.

[The material referred to above follows:]

The National Association of State Departments of Agriculture

WASHINGTON OFFICE: 1616 H Street, N.W. ■ Washington, D.C. 20006 ■ Phone (202) 628-1566
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April 28, 1977

Honorable William C. Wampler
 House of Representatives
 Washington, D. C. 20515

Dear Mr. Wampler:

On February 3, 1977, S. Mason Carbaugh, Commissioner of the Virginia Department of Agriculture and Commerce, presented the views of our Association to the Senate Subcommittee on Agricultural Production, Marketing and Stabilization of Prices regarding problems states are encountering with the implementation of the U.S. Grains Standards Act of 1976.

Our concern then and our concern now is the totally unreasonable supervision fees and high administrative costs that are being pursued by the new Federal Grain Inspection Service. We are also concerned about the questionable need for establishing five regional administrative offices with the addition of literally hundreds of people on the federal payroll. It appears to us that this would be supervision on top of supervision which we feel is totally unnecessary.

We recognize the need for uniform grain inspection and weighing programs for the United States and worked with the Congress last year to develop reasonable legislation. We understand too the need for reasonable federal supervision in such a program. We also understand that the excessive costs of the proposed supervision and administrative programs proposed by FGIS will ultimately be borne by the person least able to stand additional bureaucratic pressures -- the American farmer.

The National Association of State Departments of Agriculture recommends the following:

Honorable William C. Wampler
April 28, 1977
Page 2

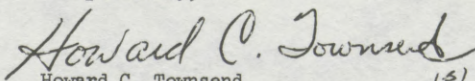
- (1) That administrative costs wherever performed and the supervision costs be paid totally from federally appropriated funds;
- (2) That an Advisory Committee be appointed consisting of representatives from organizations of farmers, grain dealers, processors, grain exporters, State Departments of Agriculture, chief grain inspectors, and others to work with the Federal Grain Inspection Service in preparing operational organization, grading and weighing regulations and changes in standards and other changes that affect the U.S. grain industry; and
- (3) That Item 1.2 (d) of the new standards be changed to relieve applicants of inspection from record surveillance for five years by the Federal Grain Inspection Service.

It is our understanding that H.R. 5604, a bill introduced by Representative Keith Sebelius, would establish the points that we supported in our February 3, 1977 testimony before the Senate Subcommittee and which we support now.

In view of the foregoing we recommend that H.R. 5604 be supported by the Committee and we further endorse the testimony that will be given today by the Virginia Department of Agriculture which supports the views of our Association.

I would appreciate your reading this into the record of the hearing on April 29th.

Respectfully,


Howard C. Townsend
President

mt

STATEMENT BY
S. MASON CARBAUGH, COMMISSIONER
VIRGINIA DEPARTMENT OF AGRICULTURE
AND COMMERCE
BEFORE THE
HOUSE AGRICULTURE COMMITTEE
ON APRIL 29, 1977

Mr. Chairman, Members of the Committee:

My name is M. W. Jefferson, Director of the Division of Markets, presenting this statement on behalf of S. Mason Carbaugh, Commissioner of Agriculture and Commerce of the Commonwealth of Virginia. My address is 203 North Governor Street, Richmond, Virginia 23219

I am pleased to have this opportunity to make recommendations for your consideration in reviewing the United States Grain Standards Act of 1976.

I appeared before the House Agriculture Committee on September 24, 1975, when the U. S. Grain Standards Act was being considered. At that time, I made definite recommendations and expressed to the committee the fine working relationship we had enjoyed with the United States Department of Agriculture over the years. This working relationship has continued and exists today.

Mr. Chairman, the Virginia Department of Agriculture and Commerce has had in effect a grain inspection and weighing program in Virginia since 1938. Weighing at export facilities has been on a 100 percent supervision basis, with all grain weighed. Under previous grain standards acts, we have provided initial inspections, with the personnel of the USDA providing the supervision of the act and serving as a referee when differences were experienced. The supervision and administration costs incurred by the USDA were paid from appropriated funds.

Under the new Act of 1976, our state has met the requirements that permit us to continue the inspection in the state. We are now providing both export and inland inspection and weighing services. In order to continue

and meet the requirements of the new Act, we must pay for not only the Federal Grain Inspection Service (FGIS) Supervision costs but also the FGIS administrative costs of the new Act. We are very much concerned over the size of the proposed administrative staff that is being added by the FGIS.

On November 24, 1976, at a meeting in Atlanta, Georgia, members of the FGIS outlined the organization to be used for the carrying out of the new Act. At this meeting, four divisions were proposed. At the Atlanta meeting, the supervision cost for grain inspection in Virginia was set at \$114,632.00.

On December 10, 1976, at a meeting in Norfolk, Virginia, we were informed that the grain inspection supervision cost by the FGIS after the deletion of one inland point would be \$95,308.32. We were further informed that the weighing supervision cost would be \$39,369.00, for a total of \$134,677.32 annually.

A letter of December 29, 1976, notified our Department that a fee of 80 cents per 1,000 bushels of grain inspected would be charged for the FGIS supervision. When applying this to the 1975-76 (fiscal year) volume of grain inspected in Virginia, this will amount to \$305,600.00. The December 29 letter also notified our Department that 35 cents per 1,000 bushels would be charged for weighing supervision at some future date. When applying this cost to grain weighed in 1975-76 (fiscal year), this would amount to \$133,000.00. The total FGIS supervision costs of Virginia would be \$438,600.00 annually. We feel that such costs for supervision of our present ongoing state grain inspection is ridiculous. Our 1975-76 (fiscal year) state inspection and weighing costs for our total program were \$1,029,000.00. The proposed FGIS

supervision costs for both inspection and weighing would be an addition of \$438,000.00, or an increase of 43 percent of our total cost. This added cost will provide no additional services to the grain industry of Virginia.

Some time since the December meeting in Norfolk, the FGIS has added three new divisions to its administrative organization. Prior to this expansion, we could not understand the need for five regional administrative offices, with an estimated twenty-two staff positions at each regional office. The FGIS estimated costs in a January 4, 1977, news release was stated to be about \$54 million. On January 18, 1977, we were told the cost had risen to \$58-\$59 million. When will the FGIS administration and supervision costs stabilize?

In my judgement, any additional cost to Virginia's grain inspection and weighing services, as well as the nation's, will be passed back to the grain farmer and will have an adverse impact on the prices the farmer receives. Contrary to some news releases coming out of USDA, any way you look at it, it is a cost of production and marketing and the U. S. does not control world market prices. The American farmer cannot continue to absorb such an additional bureaucratic cost.

Mr. Chairman, we are making the following recommendations for your consideration:

1. That administrative costs wherever performed and the supervision costs be paid from appropriated funds.

Rationale

Historically, supervision of official grain inspection programs (state and private) has been paid from appropriated funds.

Federal supervision of these programs is for the benefit of the

general public of this country whereby these programs are maintained on a uniform nationwide basis. Such supervision provides for uniform standards in the grade of the product offered in the world trade. This supervision must be maintained to protect our domestic and world markets. Grain has been one of our major agricultural commodities offered in the world trade and, as you know, agricultural products have amounted to approximately \$22 billion in the world trade market, thus making a major contribution to a favorable balance of trade. Supervision costs should not be borne by the American grain farmer, but should be shared by the general citizenry of this nation.

2. That an advisory committee be appointed consisting of representatives from organizations of farmers, grain dealers, processors, grain exporters, State Departments of Agriculture, Chief Grain Inspectors and others to work with the FGIS in preparing operational organizations, grading and weighing regulations, changes in standards and other changes that affect the U. S. grain industry.

Rationale

Tremendous knowledge and experience can be gained from the people in this nation who have worked through many years of producing, handling, processing, grading, weighing and marketing grain. This vast knowledge should not go untapped. It is our sincere hope that through the use of a working committee our total grain program--intrastate, interstate and international--can be greatly improved.

3. That item 12d of the new standards be changed to relieve applicants of inspections from record surveillance for five years by the FGIS.

Rationale

This item has been discussed with the Federal Grain Inspection Service and it is felt that certain handlers of grain should not be subject to the present provision of the law. In view of the fact that the FGIS and most of our state grain inspection agencies feel that a change should be made, we are recommending that it be considered. It is our sincere opinion that it would not have any major effect on our programs.

In summary, Mr. Chairman, my main concern is to place the cost of supervision of our Federal Grain Inspection Program where it justifiably belongs--administration and supervision costs from appropriated funds; inspection costs from the grain industry on a fee basis. Checks and balances should be established in this program through the method of appropriating supervision funds, and by the establishment of an advisory committee to utilize the vast knowledge now available from farmers and private industry, as well as state government officials. In view of this position, we are recommending that the provisions of Bill H. R. 5604 be supported by this committee.



FAR-MAR-CO., INC.

P.O. Box 1667 / 1600 N. Lorraine / Hutchinson, Kansas 67501 / Telephone 316 663-6861 / Cable FARMCO

Testimony of George Voth
Executive Vice President, FAR-MAR-CO, Inc.

Grain Inspection Hearings
on H.R. 6135

House Committee on Agriculture

April 29, 1977

Mr. Chairman, I am George Voth, Executive Vice President of FAR-MAR-CO, Inc., a regional grain marketing cooperative based in Hutchinson, Kansas. I also serve as Chairman of the Advisory Commission of the State Grain Inspection Department of Kansas.

FAR-MAR-CO is directly owned by more than 600 local cooperatives, which, in turn, are owned by 250,000 grain producers in the Midwest and Plains region of the United States. We serve cooperatives in all of Kansas and Nebraska and portions of the States adjoining them.

As their regional marketing cooperative, it is FAR-MAR-CO's job to represent these producers in the best way possible in order to improve the marketing of their grain.

It is with that objective in mind that I am pleased to present our views on H.R. 6135, "to amend the United States Grain Standards Act with respect to record-keeping requirements and supervision fees, and for other purposes."

FAR-MAR-CO strongly believes in the need for an effective grain inspection system. It is essential to our domestic and international trade in grain products, and our farmer members have a large stake in this important segment of our country's trade.

We are aware of the problems which led to the substantial overhaul of the Grain Standards Act last year. The abuses which were uncovered in port areas required drastic action to maintain the integrity of the U.S. grain trade. As often happens in such cases, however, a certain amount of overkill resulted.

The serious problems were at the ports. To my knowledge, there never were any problems uncovered at interior points that could not be corrected within the framework of the existing system. Yet, serious efforts were made to federalize the service and to destroy the effective relationships that had been built up over many years among Federal, State and private inspection agencies.

Fortunately, the move to complete federalization was not successful. However, we have experienced a significant increase in Federal involvement and in Federal costs. Our experience has been that Federal inspection causes delays which add additional hidden costs to the direct administrative and supervisory costs associated with the Federal program.

The changes proposed in H.R. 6135 are designed to correct deficiencies brought to the attention of the Congress since the new Act became effective. This type of surveillance and prompt attention to the need for corrective action is commendable.

In general, we support the proposed changes, but feel that they do not go far enough. The 1976 Act, in addition to tightening supervision at port areas where the need for such additional supervision had been amply demonstrated, resulted in a comparable increase in supervision at interior points and country elevators where no such need existed. This imposed both a physical and a financial burden on inland markets and inspection points. H.R. 6135 would ease the financial burden to a degree, but would not lift the physical burden of increased supervision imposed by the 1976 Act, which in our judgment was not warranted by the facts of the situation.

H.R. 6135 would require that 50 percent of administrative and supervisory costs be paid from appropriated funds, with the additional 50 percent coming from inspection fees. We believe that 100 percent of these "overhead" costs should be paid from appropriated funds, as they were prior to the 1976 Act. Thus, H.R. 6135 is a move in the right direction, but it does not go far enough.

The 1976 Act was passed because the public interest demanded it. In all other mandatory food inspection programs administered by the Federal government, supervisory and administrative costs are paid from appropriated funds, in recognition of the substantial public interest served by such programs. We prefer the

50 percent Federal funding provided in H.R. 6135 to the "no Federal funding" provision of the 1976 Act. However, we recommend that Congress take the additional step of providing full funding of supervisory and administrative costs of grain inspection, as prevailed prior to the passage of the 1976 Act.

We fully support the recordkeeping amendment contained in H.R. 6135. It has been generally acknowledged that the recordkeeping requirements of the 1976 Act are unrealistic as applied to inland terminals and country elevators. Yet, the Act makes no distinction between such facilities and the giant port elevators with respect to recordkeeping requirements. The proposed amendment will enable the Administrator of the grain inspection program to design different recordkeeping rules to meet the needs of different types of facilities. This flexibility is needed in a program of this complexity and magnitude.

We recommend that the Committee add an additional provision for the establishment of an Advisory Committee to assist the Administrator during the first year or two of the program. Such a Committee, composed of farmers, consumers and representatives of various segments of the grain trade, could provide invaluable assistance in assuring that regulations and inspection procedures are realistic and carried out in the most effective manner. Such assistance would be particularly helpful in implementing the new provisions of the 1976 Act. A termination date could be placed on the life of the Committee, so that it would not extend beyond the period of greatest need.

Mr. Chairman, we commend you for your consideration of these important issues, and urge prompt action to correct the deficiencies in the present law which have been documented before your Committee.

We appreciate the opportunity to present our views to you.

The CHAIRMAN. Are there any other questions?

If not, Mr. Secretary, we thank you very much, and your colleagues as well. We look forward to seeing you on other occasions.

Without objection, the Assistant Secretary and the Department witnesses will be excused at this point.

The Chair is advised that there are a number of witnesses who have pressures of airplane schedules. We would like to try to accommodate as much as possible those who are in that situation.

Mr. HIGHTOWER. Mr. Chairman, I have several witnesses who do have a problem of airplane schedules. They would like to combine their appearance. I am not trying to run ahead of anybody else.

We can get six of our people up here if it meets with the approval of the chairman.

The CHAIRMAN. Without objection, would you like to call the names of those witnesses?

Mr. HIGHTOWER. Yes; we will call Mr. Frank Hemmen, Mr. Woodrow Hart, Mr. Fred Bruegel, Mr. C. G. Mathews, and Mr. Winston Wilson.

If you gentlemen will come to the table, please. As I understood it, you would like to combine your testimony.

Mr. Elbert Harp is also listed on our list of witnesses with the Grain Sorghum Producers. Mr. Harp was here earlier today, but was called back to Texas and has handed to me a prepared statement. I would like, Mr. Chairman, to ask permission to introduce it.

The CHAIRMAN. Without objection, Mr. Harp's statement will be included at this point.

[The prepared statement submitted by Mr. Harp follows:]

STATEMENT OF GRAIN SORGHUM PRODUCERS ASSOCIATION, PRESENTED
BY ELBERT HARP

Mr. Chairman and members of the committee, I am Elbert Harp, executive director of Grain Sorghum Producers Association, which is headquartered in Lubbock, Texas. The membership of our organization is scattered throughout the major grain sorghum production area of the United States.

Our association appreciates the opportunity of appearing before you today to express our concern about the developments resulting from the passage of the Grain Inspection Act of 1975. The Grain Sorghum Producers Association was opposed to passage of that act. We felt it would only make the inspection system more costly and complicated and not deal with the real problem we have experienced in the exporting and trading of grain through the last several years, and that is dishonesty.

We believe the only real change that needed to be passed into the law was a check-and-balance system to spotcheck enough of the grain inspectors and impose severe penalties for those who were caught misrepresenting the grades and weights for their own personal benefit or for their company. But instead, an expensive system of grading was instigated under Federal inspectors. We feel this new law will (1) increase the cost of grading and inspections and (2) will slow the movement of grain through ports, terminals and even local grain elevators. All of this will increase the handling of grain substantially and certainly slow down the movement and flow of grain.

There are some who would say that the ultimate consumers are the people who will pay for the additional cost. This is a fallacy. The international grain trade is very competitive and these additional costs on U.S. grain will be a disadvantage when competing with grain from other countries that do not have such costs. Since the quality of the grain will not be improved, the consumers in the international grain business will not pay for these extra costs. Consequently, the only other alternative is that these fees will be reversed and taken

out of the price paid to the producers. In this light we are quite concerned and opposed to the new grain inspection system. We know that our farmers are going to be the ones paying the bill. With the depressed prices and hard economic conditions that farmers are now facing, they do not need these additional burdens.

We believe that the grading system we had was adequate, and for the most part, our foreign buyers were receiving the grade they had purchased. There is no doubt, however, that considerable dishonesty was taking place under that system, and measures, such as strict penalties, should be taken to see that this does not happen again. We do not believe the new system will stop dishonesty.

In regards to the conflict of interest between the private grain exchanges, who operate under the supervision of USDA, compared to a strictly federalized inspection program on inland grain grading, we do not believe that there is any real problem. As long as the grain exchanges are owned and operated by both grain buyers and sellers, there should not be any conflict of interest.

Under the present operation of grain exchanges anyone has the right to appeal.

To date the Lubbock Grain Exchange has graded 5,162 samples of grain for 1977. Only 14 have been appealed and of those only 2 were changed. We believe this is a record that would be hard to beat under any law or method of operation. In 1976 the Lubbock Grain Exchange graded 20,000 samples with an even smaller percentage of appeals.

Mr. Chairman, the Grain Sorghum Producers Association encourages you to look at all the data that will be presented to you and take immediate measures to correct the problems of higher inspection fees and the bottlenecks of shipping grain that will result with the new inspection law.

If your committee does not see fit to recommend to the Congress that these laws be changed, then we recommend that the additional inspection costs be considered in "public interest" and that the U.S. Government pay all costs required by the law so that it will not add to the burdens of the American producers.

It is my pleasure to appear before you today, and I will be pleased to answer any questions which you may have regarding this matter.

Mr. HIGHTOWER. Mr. Chairman, this is Mr. Frank Hemmen.

The CHAIRMAN. Welcome, and please proceed.

[The prepared statement submitted by Mr. Hemmen follows:]

STATEMENT OF FRANK HEMMEN
TEXAS GRAIN AND FEED ASSOCIATION

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I AM FRANK J. HEMMEN, REPRESENTING THE TEXAS GRAIN AND FEED ASSOCIATION, AN ASSOCIATION OF OVER 1275 MEMBERS WORKING IN THE AREAS OF GRAIN HANDLING, FEED MANUFACTURING AND ALLIED INDUSTRIES. I AM APPEARING HERE TODAY IN BEHALF OF THE PRIVATE GRAIN EXCHANGES LOCATED IN TEXAS AND TO TESTIFY ON HOUSE BILLS HR 6135 AND HR 3369 TO AMEND THE U.S. GRAIN STANDARDS ACT OF 1976. OUR ASSOCIATION IS PLEASED TO HAVE THIS OPPORTUNITY.

THE INTENSE CONCERN OF THE AGRICULTURAL COMMUNITY THAT PROMPTED RECENT MEETINGS AND THESE HEARINGS IS BASICALLY FOUNDED IN THE BELIEF THAT THE U.S. GRAIN STANDARDS ACT OF 1976, AS IMPLEMENTED BY THE FEDERAL GRAIN INSPECTION SERVICE IS NOT IN THE INTENT OF CONGRESS NOR THE LAW AS ENACTED. THE TIMETABLE UNDER WHICH THE FGIS WAS FORCED TO OPERATE PLACED THEM IN A LESS THAN ENVIABLE POSITION. WE ARE PLEASED THAT THE FGIS HAS STATED ITS WELCOME TO THE INPUT OF INDUSTRY AND FURTHER GUIDELINES FROM CONGRESS AS TO THE SCOPE AND DIRECTION OF THEIR EFFORTS.

HISTORY

OUR ASSOCIATION IS SURE THAT EVERYONE IN THIS ROOM SHARES THE VERY HAPPY FEELINGS OF THE FIVE HOUSTON GRAIN INSPECTORS WHO WERE CLEARED OF ALL CHARGES MADE IN APRIL OF 1974 AND WHO NOW HAVE HAD THEIR LICENSES TO INSPECT GRAIN RESTORED TO THEM. IT WAS A DIFFICULT TWO YEARS FOR THE MEN DURING WHICH THEY COULD NEITHER PLY THEIR TRADE NOR COME TO TRIAL. THEIR CLEARING WAS ALSO A HAPPY OCCASSION FOR THE SOUTHWEST GRAIN TRADE BECAUSE INDICTMENT OF THESE MEN IN TEXAS IN SOME WAY INDICATED A LINK OF THE TEXAS GULF COAST WITH THE WRONG DOING DISCOVERED IN THE MISSISSIPPI RIVER SYSTEM. WHILE OUR ASSOCIATION CONTINUES TO FEEL

THAT THE COASTAL GRAIN INSPECTION POINTS FROM BROWNSVILLE TO PORT ARTHUR HAVE BEEN GUILTY OF NO MISDEEDS WE ARE REALISTS AS WELL. BECAUSE OF THE MASSIVE AMOUNT OF PUBLICITY GIVEN TO QUESTIONABLE EXPORT PRACTICES ON OTHER PARTS OF THE NATIONS'S COASTLINE, IT WAS ACCEPTED THAT FEDERAL INSPECTIONS AT EXPORT POINTS HAD TO BE ACCEPTED AS INEVITABLE. THE INVOLVEMENT OF GRAIN INSPECTION SERVICES ON ALL COASTS OF THE UNITED STATES AND NOT JUST THE MISSISSIPPI RIVER AREA WAS CONSIDERED OVERREACTION BY SOME IN THE AGRICULTURAL COMMUNITY, BUT ACCEPTED. OUR MEMBERSHIP, AND INDEED THE ENTIRE AGRICULTURAL COMMUNITY WAS SHOCKED HOWEVER, WHEN THE FIRST ACT OF IMPLEMENTATION OF THE LAW BY FGIS, WAS TO INVOLVE EVERY INTERIOR INSPECTION POINT IN THE UNITED STATES IN ONE WAY OR ANOTHER.

COST.

BASED ON SOME COST OF OPERATING BASIS, A CHARGE OF .80 CENTS PER 1000 BUSHELS INSPECTED WAS IMPOSED ON THE INTERIOR GRAIN EXCHANGES. THE GRAIN EXCHANGE CONTINUES TO PERFORM THE INSPECTING, SAMPLING AND OTHER FUNCTION. THEREFORE, THE CHARGE IMPOSED BY THE FGIS HAS BEEN REFERRED TO BY SOME AS A "ROYALTY" FOR THE USE OF THE TRADEMARK "OFFICIAL" ON THE CERTIFICATES. TO BRING THIS INTO PERSPECTIVE; THE GRAIN EXCHANGE WILL SAMPLE AND INSPECT A JUMBO HOPPER CAR OF GRAIN IN SOME CASES FOR \$6.00 PER CAR. THE CHECK OFF TO FGIS ON THAT CAR WOULD BE \$2.40. ANOTHER ILLUSTRATION OF ENORMOUS COST IS AT THE SEABOARD WHERE ESTIMATES OF FGIS WEIGHT SUPERVISORS ALONE NEEDED PER ELEVATOR RANGE FROM 8 TO 13 FOR EXAMPLE; IN THE CASE OF THE USE OF ONLY 9 IF WE ASSUME AN ELEVATOR WORKS 100 HOURS PER WEEK, AS MANY HAVE FOR PROLONGED PERIODS SINCE 1972, THIS WOULD BE CALCULATED AS 20 HOURS PER DAY 5 DAYS PER WEEK. THERE WOULD BE 40 HOURS STRAIGHT TIME AND 60 HOURS OVERTIME.

9 WEIGHT WATCHERS X 40 = 360 HRS STRAIGHT TIME
9 WEIGHT WATCHERS X 60 = 540 HRS OVERTIME

BASIS FGIS ANNOUNCED CONTRACT SERVICE FEES OF \$16.00/HR STRAIGHT TIME AND \$20.00/HR OVERTIME WE SEE THE FOLLOWING COST

360 STRAIGHT HOURS X \$16.00 =	\$ 6,760.00
540 OVERTIME HOURS X \$20.00 =	10,800.00
WEEKLY COST	26,560.00

OR A STAGGERING ANNUAL COST OF \$ 1,381,120. FOR WEIGHT WATCHING AT ONE LOCATION. OUR ASSOCIATION IS SURE THE FGIS CONSIDERS THE MOST EFFICIENT USE OF PEOPLE TO CARRY OUT THE INTENT OF THE LAW AT THE LEAST COST TO THE TAXPAYERS. ONE TEXAS GULF ELEVATOR WAS ADVISED TO PREPARE 25 PARKING PLACES FOR GOVERNMENT EMPLOYEES. ONCE AGAIN, THE LAW LEFT THE FGIS WITH A DIFFICULT TASK. THE LAW STATES THAT THE BUREAU OUTSIDE WASHINGTON WILL BE SUPPORTED BY FEES. FUNDING FOR THE BUREAU IN WASHINGTON WOULD COME FROM APPROPRIATED FUNDS. THIS UNUSUAL PORTION OF THE LAW, WE ARE SURE, FORCED THE INSTITUTION OF THOSE FEES BASED ON PER/1000 BUSHELS INSPECTED AND WEIGHED. WE WOULD RECOMMEND CONSIDERATION OF FUNDING BY CONGRESS WITH THE BUILT IN CONTROL OF THE SIZE OF THE BUREAU BY WAY OF CONTROLLING THE SIZE OF THE APPROPRIATION.

IN A PRESS RELEASE THE FIRST WEEK OF JANUARY THE FGIS STATED "ALL FEES FOR FEDERAL GRAIN INSPECTIONS AND WEIGHING SERVICES ARE CHARGED TO BUYERS OR SELLERS WHO USE THE SERVICE, WHETHER AT EXPORT MARKETS, WHERE INSPECTION AND WEIGHING ARE ESSENTIALLY MANDATORY UNDER THE NEW LAW, OR AT DOMESTIC MARKETS, WHERE INSPECTION REMAINS VOLUNTARY". THIS STATEMENT IS NOT COMPATIBLE WITH THE ACTUAL CUSTOMS OF GRAIN TRADING. IN ANY GRAIN TRADE THE SELLER HAS TO PROVE TO THE BUYER DELIVERY OF THE QUALITY AND QUANTITY SOLD, WHETHER IT BE A BOBTAIL TRUCK, SEMI-TRAILER TRUCK, RAILCAR, BARGE OR BOAT LOAD. WHEN GRAIN MOVES FROM THE COUNTRY ELEVATOR AND INTO COMMERCIAL MARKETING CHANNELS THE BURDEN OF QUALITY AND QUANTITY BEING THE SAME AS CONTRACTED IS THE RESPONSIBILITY OF THE SELLER. GRADING AND WEIGHING COSTS THEN ACCRUE BACK TO EACH SELLER, AND ULTIMATELY TO THE FARMER AT THE COUNTRY ORIGINATION POINT. THE FARMER IS BY NATURE A SELLER OF GRAIN.

RECORD KEEPING

WE WILL NOT BELABOR THIS POINT BECAUSE WE BELIEVE IT IS ALREADY OBVIOUS TO THE IMPLEMENTORS OF THE ACT THAT THIS SECTION 12(D) OF THE GRAIN STANDARDS ACT OF 1976 IS NOT WORKABLE AND AMENDMENTS ARE OFFERED IN BILLS HR 6135 AND HR 3369 REQUIRING EVERY COUNTRY ELEVATOR THAT OBTAINS AN

"OFFICIAL" GRADE DURING THE YEAR TO KEEP RECORDS ON ELEVEN DIFFERENT FUNCTIONS WITHIN THE COUNTRY ELEVATOR, IMPOSES AN IMPONDERABLE BURDEN. THE COUNTRY ELEVATOR IS REQUIRED TO HANDLE ALL PRODUCTS THE FARMER CHOOSES TO MARKET, WITH A TREMENDOUS AMOUNT MOVING IN A BRIEF PERIOD AT HARVEST TIME. VARYING QUALITIES OF GRAIN HAVE TO BE PROPERLY BINNED SO THAT ALL PRODUCTS CAN EVENTUALLY BE BLENDED IN THE SYSTEM INTO A FINAL GOOD UNIFORM PRODUCT. GRAINS SUCH AS CORN, FOR INSTANCE, ARE PARTICULARLY DELICATE IN THIS AREA OF THE GRAIN MARKETING SYSTEM. THIS HARVESTED PRODUCT MUST IMMEDIATELY BEGIN THE PROCESS OF DRYING AND SCREENING IN ORDER TO MAKE IT A MARKETABLE PRODUCT. THE COUNTRY ELEVATOR INITIATES THE MOVEMENT INTO THE GRAIN HANDLING SYSTEM WHICH, THRU FURTHER CLEANING, CONDITIONING AND BLENDING OF THE VARYING QUALITIES, ETC., PRODUCES A STANDARD HIGH QUALITY PRODUCT INTO DOMESTIC AND EXPORT MARKETS. THE OPINION HAS BEEN EXPRESSED THAT SECTION 12(D) OF THE U.S. GRAIN STANDARD ACT OF 1976 WOULD PUT A NEEDLESS BURDEN ON THE COUNTRY ELEVATOR AND HINDER ECONOMIC AND EFFICIENT PERFORMANCE OF THE PRIMARY TASKS OF THE COUNTRY ELEVATOR. ALL THE REQUIREMENTS OF SECTION 12(D) WOULD NOT EXPLAIN THE SOURCES OF SHORTAGES AND OVERAGES IF THIS WAS ITS PURPOSE. THE PRESENT RECORDS KEPT BY COUNTRY ELEVATORS ARE SUFFICIENT TO DISPLAY SHORTAGES THRU THEFT. THE NORMAL SHRINKS AND GAINS IN THE HANDLING OF GRAIN WOULD NOT BE EXPLAINED BY THESE ADDITIONAL RECORDS. FOR EXAMPLE, WE ALL KNOW THAT GRAIN IS POROUS AND WILL TAKE ON, OR RELEASE, MOISTURE UNDER CERTAIN CONDITIONS. THIS ABILITY TO RELEASE MOISTURE MAKES THE DRYING PROCESS POSSIBLE. THIS DRYING PROCESS KEEPS THE MOISTURE IN THE GRAIN LOW ENOUGH TO PREVENT SPROUTING. FOR PURPOSES OF THIS ILLUSTRATION LET US LIKEN A BIN OF CORN, WHEAT OR GRAIN SORGHUMS TO A SPONGE. IF A SPONGE IS PLACED IN A DRY ARID WESTERN PART OF OUR STATE OF TEXAS IT WILL WEIGH LESS THAN IF PLACED ON OUR HUMID COASTAL PLAINS. IF THAT SPONGE IS DIVIDED BY THE STANDARD BUSHEL ESTIMATE OF 56 POUNDS IN THE CASE OF FEED GRAINS OR 60 POUNDS IN THE CASE OF WHEAT, THERE WILL BE MORE BUSHEL PRODUCED BY THE WEIGHT OF THE SPONGE ON THE COAST AND THERE WOULD BE LESS BUSHEL IN THE

IN THE SPONGE IN THE ARID AREAS OF WEST TEXAS. THE SAME FACTS HOLD TRUE FOR GRAIN--IF THE MOISTURE INCREASES OR DECREASES SO DO THE BUSHEL. THIS FACT OF NATURE FOR INSTANCE WOULD NOT BE EXPLAINED BY THE INTRICACIES OF SECTION 12(D). THERE WOULD, HOWEVER, BE AN ENORMOUS NUMBER OF MAN HOURS REQUIRED IN THE KEEPING OF SUCH RECORDS AND ANOTHER BURDEN OF COST WOULD BE PLACED ON OUR AGRICULTURAL PRODUCTION AND DISTRIBUTION SYSTEM; A PRODUCTION AND DISTRIBUTION SYSTEM THAT IS THE ENVY OF THE WORLD.

POTENTIAL CONFLICT OF INTEREST

THE PROVISIONS OF THIS SECTION OF THE ACT PRODUCE THE MOST VIVID THREAT TO OUR INTERIOR GRAIN INSPECTING SYSTEM. AS RECENTLY AS MONDAY, JANUARY 24, 1977 THE ACTING ADMINISTRATOR OF FGIS ADVISED ONE OF OUR TEXAS INTERIOR EXCHANGES THAT IN HIS VIEW AND INTERPRETATION OF THE LAW, THERE EXISTED A "BLACK AND WHITE" SITUATION OF CONFLICT OF INTEREST. THE EXCHANGE COULD NOT SURVIVE. WE DO NOT BELIEVE THAT THIS WAS THE INTENT OF CONGRESS, AND WE OFFER THE FOLLOWING IN DEFENSE OF OUR INTERIOR INSPECTION POINTS IN TEXAS.

1. HISTORY. THESE EXCHANGES HAVE OPERATED HONESTLY WITHOUT SCANDAL OR TAINT OF ACCUSATION FOR 50 YEARS OR MORE.
2. CHECKS AND BALANCES. IT IS NATURAL IN THE FORMATION OF THESE EXCHANGES THAT THE FOUNDERS WOULD BE GRAIN FIRMS FROM A GIVEN AREA WHO DESIRED A THIRD PARTY OPINION OF THE QUALITY OF GRAIN TRADED IN THAT AREA. IT IS NOT LOGICAL THAT THE LOCAL CAR DEALERS, FOR INSTANCE, WOULD FORM A GRAIN EXCHANGE, HENCE THE "NATURE OF THE TRADE" OWNERSHIP IS NATURAL. THIS SYSTEM IS EFFICIENT, ACCEPTABLE TO ALL SEGMENTS FROM PRODUCERS TO USERS, AND IT DELIVERS GRAIN TO THE MARKET IN TIMELY AND ORDERLY FASHION. IT IS IMPORTANT TO KEEP IN MIND THAT BUYERS AND SELLERS OF GRAIN ARE REPRESENTED IN THIS OWNERSHIP.
3. THESE EXCHANGES IN THE INTERIOR DO NOT OPERATE IN A VACUUM. AFTER A CAR, TRUCK OR BARGE IS INSPECTED AT THESE INTERIOR POINTS THE GRAIN IS MOVED TO DOMESTIC FEED MILLS, DOMESTIC FLOUR MILLS,

GRAIN TERMINALS AND OTHER KNOWLEDGABLE RECEIVERS. IF, FOR INSTANCE, A PARTICULAR LOCATION SHOWED A BETTER GRADE CONSISTANTLY FOR THEIR SHIPPERS THAT OWNED STOCKS THAN THE RECEIVERS FOUND TO BE THE FACT, THEN THAT SHIPPING POINT WOULD NO LONGER BE ACCEPTABLE TO THE BUYERS. THIS IS A CHECK. IN SUCH A CASE CERTAINLY SUPERVISION WOULD COME INTO PLAY AS IT PROPERLY SHOULD.

THE ACT AS WRITTEN PERMITS A STRANGE ALTERNATIVE AS INTERPRETED BY FGIS. THE BROAD OWNERSHIP MAY, ACCORDING TO FGIS, LIQUIDATE ITS OWNERSHIP TO THE CHIEF INSPECTOR LEAVING, IN OUR OPINION, A SITUATION THAT IS FRAUGHT WITH DANGER OF POTENTIAL CORRUPTION IN THE FUTURE. THERE ARE DEFINITE PROBLEMS OF SUCCESSION HERE. WHAT HAPPENS AFTER THIS ONE OWNER GOES? THERE IS THE OBVIOUS POTENTIAL CONFLICT OF ONE MAN WHO MIGHT POSSIBLY BE INFLUENCED IN THE FUTURE. WE DO NOT BELIEVE THAT IT WAS THE INTENT OF CONGRESS TO DESTROY THE TIME PROVEN INTERIOR INSPECTION SYSTEM OF THE UNITED STATES. WE URGE THAT WAIVERS IF NECESSARY REGARDING ALLEDGED CONFLICT OF INTEREST ARE JUSTIFIED FOR INTERIOR EXCHANGES. IF THE CONGRESS FEELS A COMMITTEE IS THE ONLY WAY TO HANDLE THIS IMPORTANT MATTER SO BE IT. WE DO SUBMIT HOWEVER, THAT TO PRESERVE OUR MARKETING SYSTEM, GUIDELINES FOR WAIVERS SHOULD COME FROM CONGRESS TO THE ADMINISTRATOR. THIS ISSUE IS SO IMPORTANT TO US IN TEXAS, TENNESSEE, IOWA, ETC., THAT WE FEEL IT WARRANTS SPECIFIC ATTENTION RATHER THAN DELEGATION AS PART OF THE AGENDA OF AN ADVISORY COMMITTEE. WITH YOUR PERMISSION WE OFFER THE FOLLOWING AMENDMENT TO THE BILL SETTING THE FOLLOWING CRITERIA FOR THE BOARDS OF TRADE AND GRAIN EXCHANGES:

THAT THE BOARD OF DIRECTORS OR THE MANAGING BODY OF THE INSPECTION SERVICE BE COMPOSED OF A BALANCE OF IDENTIFIABLE BUYERS AND SELLERS; SECONDLY, THAT CHAMBERS OF COMMERCE BE GOVERNED BY AN AUTONOMOUS COMMITTEE NOT CONTAINING ANY MEMBERS OF THE GRAIN TRADE IN A GIVEN AREA, THIRDLY, ANY OTHER CRITERIA ESTABLISHED BY THE ADMINISTRATOR.

ALTERNATIVES

WE HAVE ADDRESSED OURSELVES TO THE COST IN THE FEES TO THE FARMERS AND OTHER SEGMENTS OF THE GRAIN COMMUNITY FOR USE OF THE TERM "OFFICIAL". IN CASES WHERE FGIS ACTUALLY DOES THE INSPECTION AND SAMPLING AT THE SEABOARD, HOWEVER, COSTS TRULY SKYROCKET. IN ADDITION TO THE HIGH COST OF THE SYSTEM, THERE IS CONCERN THAT THE FEDERAL INSPECTION SYSTEM WILL NOT LEND ITSELF TO THE FLEXIBILITY NECESSARY TO HANDLE HARVEST PRESSURES NOR HIGH STRESS SITUATIONS OF MOVEMENTS IN TIMES OF INCREASED FOREIGN TRADE. AT EXPORT POINTS THE ACT ADDRESSES ITSELF TO MANDATORY INBOUND WEIGHTS AND OUTBOUND WEIGHTS AND OUTBOUND GRADE BY FGIS. THE ACT IS PERMISSIVE REGARDING INBOUND GRADE AT EXPORT. THIS ALLOWS THE ALTERNATIVE TO THE FARMER OF PAYING \$4.00 PER TRUCK LOAD FOR A GRADE CERTIFICATE ISSUED BY AN INSPECTOR OTHER THAN FGIS. EACH ELEVATOR AT EXPORT LOCATION WOULD PROVIDE SUCH SERVICE. THE FARMER CAN, OF COURSE, GET FGIS INSPECTION FOR \$12.00 TO \$14.00 PER TRUCK LOAD. THESE RATES ARE AS PER USDA FGIS NOTICE 4. NOW WE WOULD LIKE TO OFFER A SECOND AMENDMENT TO THE ACT. AND THIS HAS TO DO WITH THE FACT³ THAT SINCE THESE FEES ARE MANDATORY, THAT BY VIRTUE OF THE FACT OF THEIR BEING MANDATORY, THAT THEY BE PAID BY THE FEDERAL GOVERNMENT.⁴ WE OFFER THIS VERY HUMBLY FOR YOUR CONSIDERATION. TO THE GRAIN PRODUCING AND HANDLING COMMUNITY THE HONEST OPINION OF THE INSPECTOR IS MOST IMPORTANT. THE TRADEMARK "OFFICIAL" DOES NOT ALTER THE INTEGRITY OF THE MAN. GRAIN INSPECTION IS A SKILL OF JUDGEMENT. A PERSON WHO HAS INSPECTED GRAIN FOR TWENTY YEARS DEVELOPS A SPEED AND ACCURACY NATURAL TO THAT LENGTH OF EXPERIENCE. SUCH COSTS VARIANCES AS DESCRIBED WILL CAUSE THE GRAIN PRODUCER TO CONSIDER ALTERNATIVES TO FGIS GRADES AT EXPORT, JUST AS ACCURATE, WITHOUT SUCH EXPENSE. WE WOULD URGE A THIRD AMENDMENT⁵ TO ALLOW THE EXISTING COASTAL EXCHANGES TO CONDUCT OFFICIAL INSPECTION UNDER THE SUPERVISION OF THE FGIS IF THE PRESENTLY FRANCHISED INSPECTION AGENCY SO CHOOSES.⁶ THIS WOULD ALSO REDUCE COSTS TO FARMERS AND ALLOW SPEED AND ACCURACY OF GRADES TO FACILITATE MOVEMENT OF GRAIN AT TIMES OF STRESS SUCH AS HARVEST.

CONCLUSION

AT THE GENERAL CONVENTION OF THE TEXAS GRAIN AND FEED ASSOCIATION IN EL PASO, TEXAS, APRIL 10, 1976, THERE WERE ELEVEN RESOLUTIONS ADOPTED BEFORE THE GENERAL CONVENTION. AMONG THEM WAS A RESOLUTION OF APPRECIATION TO THE PRESIDENT OF THE UNITED STATES FOR HIS ADDRESS TO OUR CONVENTION. I WOULD QUOTE HERE FROM A MOST IMPORTANT RESOLUTION, NO. IV.

GRAIN GRADING AND INSPECTION LEGISLATION

"WHEREAS THE GRAIN INDUSTRY IN THE UNITED STATES DURING THE PAST YEAR HAS RECEIVED A "BLACK EYE", BECAUSE A FEW GRAIN INSPECTION AGENCIES LOCATED PRIMARILY IN ONE GULF PORT AREA HAVE NOT PROPERLY PERFORMED THEIR RESPONSIBILITIES,

AND WHEREAS THE GRAIN TRADE MUST REGAIN THE CONFIDENCE OF FOREIGN GRAIN CUSTOMERS WHO BUY A VERY LARGE PERCENT OF U.S. FARM PRODUCTION.

AND WHEREAS IT IS OUR FIRM BELIEF THAT THIS CANNOT BE ACCOMPLISHED BY TURNING OVER MORE OF OUR BUSINESS TO BIG GOVERNMENT IN WASHINGTON,

THEREFORE BE IT RESOLVED THAT THIS CONVENTION OF THE TEXAS GRAIN AND FEED ASSOCIATION DOES OPPOSE THE HUMPHREY/CLARK SENATE BILL 3055 WHICH WOULD FEDERALIZE THE U.S. GRAIN INSPECTION SYSTEM,

AND THAT THIS CONVENTION DOES GIVE SUPPORT TO THAT PORTION OF HOUSE BILL 12572 CALLING FOR GREATER PENALTIES FOR THOSE WHO BREAK THE LAW, AND STRONGER DEPARTMENT OF AGRICULTURE SUPERVISION TO INSURE PROPER WEIGHING AND GRADING OF GRAIN." THIS POSITION WAS REAFFIRMED BY RESOLUTION AT CONVENTION IN HOUSTON, TEXAS APRIL 16, 1977 HENCE OUR OPINIONS AS AN ASSOCIATION ARE UNCHANGED FROM THIS STATEMENT. THE TERM OVERREACTION HAS BEEN USED AND WE CONSIDER IT ACCURATE. WE DO NOT BELIEVE THAT IT WAS THE INTENT OF CONGRESS TO TAKE OVER OR ALTER DRASTICALLY THE INTERIOR INSPECTION SYSTEM AND EFFICIENT GRAIN MARKETING SYSTEM WITHIN THE UNITED STATES. IT HAS BEEN SUGGESTED BY SOME THAT ADVISORY COMMITTEES OF INDUSTRY PERSONNEL SUCH AS USED BY THE COMMODITY FUTURES TRADING COMMISSION AT ITS INCEPTION WOULD BE OF VALUE TO THE FGIS. POSSIBLY SO, BUT WE ARE

AWARE OF CONGRESS EFFORTS TO STREAMLINE AND ELIMINATE VARIOUS SELECT, ADVISORY, ETC. COMMITTEES. IT IS OUR OPINION THAT BASED ON TESTIMONY THIS YEAR THAT CLEAR AMENDMENTS AND DIRECTIONS CAN COME DIRECTLY FROM CONGRESS.

THE FGIS HAS STATED THAT ADDITIONAL PERSONNEL NEEDS FOR SAMPLING AND INSPECTING GRAIN JUST AT THE SEABOARD WOULD BE 2,800 PEOPLE. AT THE TIME TAKEOVER STARTED THERE WERE 2,500 PEOPLE INVOLVED IN THE ENTIRE GRAIN INSPECTION SYSTEM IN BOTH THE INTERIOR AND AT THE SEACOAST. THIS ANNOUNCED INTENTION OF THE FGIS PER NEWS RELEASED INFORMATION TO BUILD A STAFF OF 2,800 PEOPLE IN THE FIELD PROMPTS NATURAL QUESTIONS AS TO THEIR INTENTIONS TO RESTRICT THEIR ACTIVITIES TO THE SEABOARD.

OTHER NATIONS MAY HAVE THE ABILITY TO PRODUCE AUTOMOBILES MORE CHEAPLY THAN WE ARE ABLE TO PRODUCE THEM, ANOTHER NATION MAY BE ABLE TO PRODUCE WATCH MOVEMENTS, OR OTHER ITEMS AT LESS COST THAN WE, BUT NO NATION IN THE WORLD HAS THE ABILITY TO PRODUCE AND DISTRIBUTE GRAIN FROM AREAS OF SURPLUS TO AREAS OF DEFICIT, WITH THE LOW COST AND THE HIGH EFFICIENCY, THAT WE HAVE IN THE UNITED STATES OF AMERICA.

TEXAS GRAIN AND FEED ASSOCIATION FEELS THAT A NEEDLESS BUREAUCRACY SHOULD NOT BE IMPOSED ON THIS SYSTEM. IMPOSITION OF ITS BURDEN IN AREAS OF THE SYSTEM THAT HAVE NOT CONDUCTED THEMSELVES IN A MANNER THAT WOULD WARRENT SUCH IMPOSITION, SHOULD BE PREVENTED BY THE CONGRESS. LET US NOT DESTROY EFFICIENT MOVEMENT OF AGRICULTURAL PRODUCTS WITHIN THE UNITED STATES.

THIS EFFICIENCY HELPS TO HOLD DOWN CONSUMER PRODUCT COSTS AND AIDS IN THE FIGHT ON INFLATION. EFFICIENT EXPORTS OF AGRICULTURAL PRODUCTS ARE THE PRIME SOURCE OF REVENUE IN OFFSETTING OUR FOREIGN BALANCE OF PAYMENT AGAINST OIL IMPORTS. THE TEXAS GRAIN AND FEED ASSOCIATION IS SURE THAT IT IS NOT THE INTENT OF CONGRESS TO IMPOSE A NEEDLESS OR UNWARRANTED BURDEN OF BUREAUCRACY ON THE FARMERS OF THE UNITED STATES AND THE DISTRIBUTION SYSTEM.

Mr. HIGHTOWER [acting chairman]. Thank you, Mr. Hemmen. We would like the other witnesses to limit their remarks to 5 minutes. We will have this apply to the other witnesses later on this afternoon.

Mr. Hart?

**STATEMENT OF WOODROW W. HART, EXECUTIVE DIRECTOR,
SOUTH TEXAS COTTON AND GRAIN ASSOCIATION, INC.**

Mr. HART. Mr. Chairman, my name is Woodrow W. Hart. I am the executive director of South Texas Cotton and Grain Association, a producer organization along the gulf coast and inland including the winter garden area. Our organization is composed of approximately 7,500 members in 20 counties.

Since the enactment of the Grain Standards Act of 1976, we have had ample opportunity to study its effects as we see it up to this time. We have spent much time with officials of FGIS in an attempt to make an honest appraisal of producing and selling grain with FGIS supervision, weighing and grading of grain. Almost all of our crop goes into the export market.

Under the present law, all costs must go back to the producer. Grading and weighing costs at the export location will be multiplied several times over previous costs. There is no incentive to keep costs from soaring. FGIS will do the hiring and the producer will pay the bill. If this law was passed in the public interest, then the Government should pay the costs.

Adequate supervision must still be maintained to assure honest grading and weighing.

We urge that the law be amended to give relief from the user fee. The term conflict of interest should be redefined so that grain exchanges that have operated without scandal could remain in operation with a balance requirement between buyers and sellers.

We, as producers of grain for export, have more at stake under this law than any other segment of agriculture. We are interested in honest weights and grades, but we also know that we must remain competitive, if we are to continue growing grain. The Grain Standards Act of 1976 will add to the cost of production and will solve almost none of the problems that have occurred in the grain industry in recent years.

I have yet to find one man who is a producer who approves of the Grain Standards Act as it was passed by the last Congress.

We would certainly like to see the present exchanges operate under good supervision and some kind of new program. The reason for that is that we do not believe that any problem has been removed from the grain industry. Every temptation that is common to man under the old program is common to man under the new program.

A man can still take a bribe under the new system. He can fall to that type of temptation.

Really, the only thing that we are definitely opposed to is the cost of the program. It would not be competitive. Eventually the customer will lose. The consumer will be at a disadvantage. The producer will be at a disadvantage.

We are certainly asking that the Federal Government pick up a portion, or all of the cost of the program, which is required.

Thank you, Mr. Chairman.

Mr. HIGHTOWER. Thank you, Mr. Hart, now we will hear from Mr. Wilson.

STATEMENT OF WINSTON WILSON, PRESIDENT, TEXAS WHEAT PRODUCERS ASSOCIATION

Mr. WILSON. Mr. Chairman and honorable committee members: My name is Winston Wilson. I am the president of Texas Wheat Producers Association, a voluntary membership commodity organization serving wheat producers throughout Texas. Additionally, I am a member of the Texas Wheat Producers Board (commission), which assesses one-half cent per bushel on wheat produced in a 34-county commercial wheat producing area of the State in order to expand research, market development, and related services which might enhance the value of their crop and improve their grain income.

While being professionals in production and preferably focusing their attention to matters between their own fences, wheat producers historically have shown an interest in and supported activities which would improve their product or respond to the interest of consumers at home and abroad, as evidenced by their support to develop and acceptance of improved varieties and hybrids, response to quality-improvement farming and fertility practices, investment in quality-maintenance on-farm and cooperative storage facilities—or customer loyalty to private firms making similar investments, as well as the support of self-help research, education and market development activities such as already mentioned.

Texas is not a major wheat producing State. Yet, it usually ranks from 6 to 10 in annual production and has exceeded 100 million bushels each of the past 2 years. Due to its proximity to the ports, freight rate structure toward domestic mills and to the types and qualities produced, virtually all of the production moves into commercial trade channels making it subject to official inspection and grading with over 90 percent moving into the export market as compared to 50 to 75 percent nationally.

Texas wheat producers were appalled—as were members of this committee—at the shadow cast on quality of U.S. grains by the now infamous “scandals” at certain east gulf export points. They personally, morally, and through requests for legislative action, supported the identifying and prosecution of the offenders and strengthening of the private inspection service and the Federal supervision of it to correct and prevent recurrence of such abuse and laxity. Texas wheat producers were similarly appalled at the realization that the bill passed by Congress and signed by the President and as now being interpreted, not only moved to correct the identified situations, but virtually wiped out or drastically altered the entire system of inland as well as export inspection and supervision system—which as farmers know and Members of the Senate pointed out on the floor during discussion of the Grain Inspection Reform Act last session—has for the most part operated technically correct, and financially sound as well as time and cost efficient. There are six inland official grain inspection agencies and four at principal export points, some of each providing services

at other than headquarter locations in Texas. None of these have ever been accused of any lax inspection or misgrading of grain. As an example, the Amarillo Grain Exchange, in my headquarters city, is a major inland exchange handling thousands of samples representing more than 50 million bushels of grain annually. Reportedly, there is request for grade appeal on less than 1 percent of these samples and of those appeals, less than 10 percent result in a grade change. A record of accuracy exceeding 99 $\frac{9}{10}$ percent. Yet, it, and others like it, in effect stand indicted and fined to the extent that they too are now federalized unless exempted, and in any case will be charged 80 cents per thousand bushels for increased supervision; these charges of course being passed back to the producer in terms of lower prices for his grain.

It first appears that 80 cents per bushel on 100 million bushel Texas crop would result in increased fees of \$80,000. It is more typical for the grain to be inspected at least three times en route from the country to export market—sold by the local elevator to an exporter on “point of origin” grades, inspected and graded on receipt at the export terminal and inspected and graded en route to the shipping vessel. These 80 cents per thousand announced supervision charges become more like \$2.40 to \$3 per thousand bushels charges when the impact reaches the producer—or in Texas \$240,000 to \$300,000.

This review of established producer interest in producing and marketing quality wheat with the added assurance that the domestic and foreign buyer “gets what he orders and pays for,” along with the established record of service of private operated inland inspection agencies, including those inspecting grain going into export houses, leads us to some specific recommendations for new legislation, or new interpretation of current legislation dealing with the Federal Grain Inspection Service.

The Federal Grain Inspection Service should be “federally funded” whether supervision or inspection. Much concern has been expressed by some Members of Congress about possible conflicts of interest by “user firms” jointly owning the grain inspection exchanges. I know of no stronger reason for these exchanges to be impartial in their grading than when one of their members is the seller and another is the buyer, as is the situation in most instances. Producers are more concerned about “Federal” supervision being done by an employee of the Government supervising an exchange which collects and pays fees on which he must depend on to pay his “Federal” salary and benefits, as required by the current law. This is conflict of interest in the highest order. Further, if it is good for the country to have grain inspected in domestic and international commerce—and I believe that this committee thinks that it is or you would not be meeting today—then it follows that the “country” should pay for it as it does other services determined to be in the public interest. Accordingly, producers appeal to you individually, as members of this committee and to the Congress, to legislatively reject the recently enacted fee system and return to partially federally funded service. The fee system—where the fee in effect is passed back to the producer—smacks of being “taxation without representation”, for at no point does the producer have an opportunity for advice, consent or review of the inspection service he is paying for or as to the level of or use of the funds the fee generates.

The Federal Grain Inspection Service should be administered in such a manner as to perform only the supervision services which were being successfully carried out under provisions of its predecessor through the Grain Standards Act at all inspection points except from the export house to the vessel where the current law provides for it performing the actual inspection. This would achieve the objective of the current law—the integrity of the Federal Government behind the issuance of grade certificates to a foreign customer. This would allow the producers to benefit from the economics, speed and proven accuracy of the competitive private system developed through the years.

In conclusion, Texas wheat producers are interested in the integrity of the U.S. grain grades and grading and strongly support the identity and prosecution of individuals and/or firms that violate this trust when they are supervising or inspecting grain grading. Producers are concerned about and shocked with the fee system that is evolving and foresee the opportunity for abuse and conflict of interest in such a scheme. Accordingly, this committee is respectfully requested to:

One. Repeal the fee system for inspection and weighing in favor of a Federal program with equal shares of appropriated funds and fees assessed users of inspection services.

Two. Direct that the administration of the program fully utilize the present private grain inspection service and limit supervision to immediate past levels, except as the law provides, when situations arise dictating otherwise.

Three. Direct that Federal inspection be limited only to inspection from export houses, not into them or at any other inland point.

Four. Establish that more joint ownership of a bona fide grain exchange for the purpose of inspecting members' grain does not in itself constitute a "conflict of interest" unless proven otherwise, and that if otherwise meeting qualifications, be exempt from becoming a Federal inspection point.

I would like to make a few observations on the wheat producers view of the system as it existed and as it applied to the new Grain Inspection Act and our feelings about it.

The Texas wheat producers have had little quarrel with the system which existed through the years. It served us very well and of equal importance it has been an economical system.

In this case we are particularly concerned about our inland grain exchange as discussed earlier. We would much prefer that the existing exchanges, that is, that inland exchanges, be left pretty much intact and that the rules concerning conflict of interest be liberalized as much as possible.

We do not feel that it has been a real problem of conflict of interest in these areas since most of the parties involved and the ownership of the exchange has been both buyers and sellers. As far as the farmer's view is concerned, they are happy with the situation as it has been.

We are concerned about what we consider to be unnecessary increases in cost of inspection in weighing and supervision. Ultimately all costs of inspection and weighing do go back to producers. They are passed back through the grain trading system to the country ele-

vator, and, in turn, he adds this to his margin and ultimately comes out of our pockets as producers.

Therefore, we are very much in favor of the use of appropriated funds for these unnecessary increases in inspection and weighing fees.

We feel that we did not have that much of a problem with the previous program.

If the Congress is going to change the program around in order to take care of some problems in other areas, then we certainly should not bear the expense.

As discussed by Mr. Hemmen earlier, the increase in cost has been substantial. We would, therefore, be very much in favor of the use of at least a portion, if not a total part, of the appropriated funds for these cost increases.

In summary, I would say that we are very concerned about keeping our inland exchanges and the operation as much as it has been in the past because we feel they have done a good job and it has served us well and it has been a fairly low-cost operation.

Mr. Chairman, thank you and the committee for holding these hearings demonstrating your interest in a sound grain grading system to facilitate the domestic and foreign marketing of U.S. grains.

Mr. HIGHTOWER. Thank you, Mr. Wilson.

Mr. Bruegel?

STATEMENT OF FRED BRUEGEL, JR., TEXAS CORN GROWERS ASSOCIATION AND PLAINVIEW GRAIN EXCHANGE

Mr. BRUEGEL. Thank you, Mr. Chairman. I am Fred Bruegel, Jr., of Dimmitt, Tex. I am a farmer, country elevator operator, and a member of the Plainview Grain Inspection and Weighing Service, Inc. I am pleased to have this opportunity to appear here today.

The laws as originally proposed in support of FGIS were disappointing to everyone connected with the grain business, from producer to consumer. We felt that the Congress had acted in haste to provide a grain inspection law.

As a result, a complicated, stringent bill was passed that was near impossible to live with. Because of the abuses of a very small minority of grain merchants, the trade recognized that something was going to be done by Congress to attempt to correct these abuses.

It is our opinion that this committee has been very diligent in writing laws that hopefully will protect people in all areas of buying and selling grain. For this diligence and understanding, we are grateful.

In reviewing the various bills which have been proposed to amend the U.S. Grain Standards Act, we find value in all of them.

Four amendments that we see as most important at this time are as follows:

One, supervision fee. As you are well aware, the cost of administering this program could become astronomical. This is an unproven program and to arbitrarily set a fee that seems adequate now may prove to be inadequate 1 or 2 years from now.

It is a known fact that whatever the cost incurred in this program will be passed back to the original owner of the grain—the producer. At the present time this is a cost, regardless of the amount, the farmer can ill afford.

We, therefore, recommend that the supervision fee be 100 percent appropriated.

Second, recordkeeping. We feel that the burdensome recordkeeping required is beyond any reasonable system now used by the majority of grain dealers. In keeping with President Carter's request to limit burdensome paperwork and "Government redtape," we believe that present recordkeeping systems employed by the majority of grain dealers should be adequate.

Third, conflict of interest. There is no doubt that acts of dishonesty and gross abuse have existed in the past and there will continue to be similar problems in the future. People can still be bought at a price and this includes people employed by the Government. Let us correct the problem but not throw out the whole system.

What you are seeking is proper safeguards. I maintain that in the case of the grain exchanges with which I am familiar, we have these safeguards. We have USDA licensed inspectors supervised by Federal inspectors, who, in turn, are supervised by a Federal appeal and review board.

Four, advisory committee. We strongly support the idea of having a group of people, both in Government and in private industry, knowledgeable in all aspects of grain merchandising who will convene on occasions, at least during the first 2 years of FGIS.

We feel that both Government and industry would benefit by arriving at the best workable solutions to problems that will surface during the startup period of FGIS.

Like Mr. Hemmen, I was shocked to hear Mr. Meyers of USDA comment that 6,000 USDA people would be involved in FGIS. This compares with 2,500 people in the entire United States that operate the private exchanges and board of trade.

We have heard figures from 2,000 to 3,000 to 4,000—and each time we get with a group of USDA people, the number continuously goes up. Now it is up to 6,000 people.

In closing, I would like to say that as far as the inland grain exchanges are concerned, we have a system that has been tried and proven for 25 to 75 years and this system functions very well. Operational costs are held to a minimum, service is efficient and everyone in the trade, from the producer to the consumer, benefits.

It is our sincere hope that the regulations of the FGIS can be amended so that this economical and excellent service can be maintained.

Thank you, Mr. Chairman.

Mr. HIGHTOWER. We will now hear from Mr. C. G. Mathews.

[The prepared statement submitted by Mr. Mathews follows:]

STATEMENT OF C. G. MATHEWS
EXECUTIVE VICE PRESIDENT, FT. WORTH GRAIN EXCHANGE

My name is C. G. Mathews. I have been the General Manager of the Fort Worth Grain Exchange since May 1963. I have no financial interest in the grain, feed or milling industry, transportation for hire or storage. I have managerial oversight and responsibility for the day to day services of the Exchange in all facets of operation.

I appeared before the House Agriculture Committee in hearings September 23, 1975 on H.R. 7442, 8347 and 8764. At that hearing I outlined, in detail, the services performed and areas served by Fort Worth Grain Exchange and since that is already a matter of record, I will not take up your valuable time of repeating it.

I also attended the informal meeting on January 18, 1977 called by Senator Dole for the purpose of identifying problem areas of PL 94-582 endeavoring to effect speedy and practical solutions. We appreciate his interest and that of their Subcommittee in moving forward quickly to solve some of these problems. I also testified before the Senate Agriculture Committee on February 4, 1977 which resulted in approval of S. 1051.

Geographic Area

PL 94-582, 90 STAT 2872 provides, in part:

"No official agency or State delegated authority pursuant to subsection (e) (2) of this section shall officially inspect under this Act any official or other sample drawn from a lot of grain and submitted for inspection unless such lot of grain is physically located within the geographic area assigned to the agency by the Administrator at the time such sample is drawn."

The above provision specifically prohibits an elevator or even a farmer from sending submitted samples to an official inspection agency where his grain might customarily be inspected. For example, wheat from central and southern Oklahoma, when shipped by Rail, normally would move to Fort Worth, Texas for official inspection where it would then be unloaded or perhaps diverted on to the Gulf Port for export, this is in compliance with the ACT. However; if the same shipper were to draw his own sample from elevator bins or trucks, he could not send those samples to Fort Worth, Texas but would have to send them to Enid, Oklahoma. Many other similar examples could be made.

Also there are times when an Official Inspection Agency is literally "covered up" with rail carloads of grain to be inspected and they cannot promptly get to "submitted samples"; therefore there needs to be sufficient flexibility whereby a person could send a submitted sample to any official inspection agency for a grade. In other words the "white and yellow" inspection certificate should be issued only by the OIA performing service in the Geographic area where the sample is taken however an OIA should be permitted to issue "Pink" inspection certificates irrespective of where the sample is drawn.

Supervision Fees

PL 94-582, 90 STAT 2873 paragraph (j) (2) provides that OIA's shall pay to the Administrator fees to cover the estimated cost incurred by the FGIS (outside of the Washington Office) related to direct supervision of official agency personnel and direct supervision by Service personnel of its field office personnel. It further provides that failure to pay the fees within thirty days after it is due shall result in automatic termination of the delegation or designation until payment plus interest is paid.

Under date of December 7, 1976 the Fort Worth Grain Exchange was advised that the annual "Supervision Fee" would be \$16,703.00. However on December 14, 1976 at a meeting in Kansas City we were advised that these figures were all "out the window" and we should be hearing about some revised fees shortly. On December 22 we learned, to our astonishment, that the new "Supervision Fees" would be 80¢ per 1,000 bushels, i.e. 60¢ on trucks and submitted samples; \$1.60 on box cars and \$2.40 on covered hopper cars.

We promptly undertook a study to see what this would amount to on an annual basis and were shocked at the results--\$87,328.00. This was almost \$71,000.00 higher than the first figure given us.

The Fort Worth Grain Exchange has 8 full time licensed inspectors and employs another one on a part time basis during wheat harvest. Based upon 30 supervised samples per full time inspector the FGIS would supervise approximately 240 samples per year at a cost to us of \$87,328.00 or approximately \$360.00 per sample.

During the period July-December 1976 while the FGIS was training large numbers of new employees they supervised about 623 samples from Fort Worth Grain Exchange; this is about 2.8% of the 22,316 samples officially inspected by our inspectors. If we were to annualize this abnormally highly volume of supervision it would be 1,246 samples and a supervision cost of \$70.00 per sample.

During 1976 we paid salaries of \$223,386.00 to our samplers and inspectors who actually sampled and inspected the grain and by comparison we would have paid, if applicable, supervision fees of \$87,328.00. These supervision fees amount to 39% of the salaries paid but FGIS would only be supervising from .6% to 2.8% of the actual inspections, based on July-December activity.

I have also reviewed the comparative relationship for Amarillo, Lubbock, Plainview and Farwell, Texas and find the same trend. Their 1976 projected supervision fees, if applicable, would fall within a range of 36% to 42.6% of total salaries paid to samplers

and inspectors actually performing the work. If the Supervision fees (80¢ per 1,000 bushels) had been in effect during 1976 these OIA's including Fort Worth would have paid approximately \$250,000 to the Fort Worth FGIS Field Office, which only covers the northern half of Texas.

I believe this level of Supervision fees to be unduly excessive and inflationary.

There were representatives, at the Senate Hearings, from the various Wheat, Corn and Grain Sorghum Producer Associations who testified in favor of 100% appropriations for Supervision fees. Numerous witnesses testified that any increase in the cost of inspection services because of FGIS Supervision Fees would be passed back to the farmer- producers resulting in lower net prices for his grain. Also it was felt that if FGIS were supported through appropriations someone would keep a closer watch on their level of employment.

H.R. 3369 and S. 1051 both provide for Appropriations to cover the Supervision Cost, whereas H.R. 6135 provides for 50% from appropriations and 50% through supervision fees. We believe that the supervision of grain inspection is in the interest of the general public and should be fully appropriated, as has been the practice for many years, rather than being borne by the farmer who is already faced with depressed prices for his grain.

Weighing At Interior Points

In our statement September 23, 1975 before the House Committee on Agriculture on H.R. 7442 we outlined the operation of our Weight Supervision Department and stated that we met the requirements of Association of American Railroads-Western Weighing & Inspection Bureau and Texas Department of Agriculture.

"The USDA had the following comment, at page 87 of the GAO report:

"We do not believe that any weighing system will significantly reduce net shortages in quantity at destination below $\frac{1}{2}$ percent. We believe that the report's statistics on weighing supports USDA's position that it is not necessary for USDA to become involved in interior weighing.

We agree that accurate weights are necessary for accurate grades for shipments out of port elevators where the quantity is divided into sub-lots. However we do not agree that accurate weights are significant in establishing accurate grades at interior points. We believe, however, that accurate weights are vital in transactions between buyers and sellers."

PL 94-582, 90 STAT 2874 paragraph (b) (1) directs the FGIS and Office of Investigation-USDA to conduct investigation into and study weighing in the interior of the United States; (4) requires them to report back within eighteen months to the Senate and House Committees and Comptroller General; and (5) requires the Comptroller General to assess and evaluate the reports of FGIS and OI-USDA submitting a report of his findings and recommendations within two years after

the effective date of the ACT.

In December 1976 we were shocked to hear that the Association of American Railroads in conjunction with the Western Weighing and Inspection Bureau were planning on a phase-out of their weight supervision program at interior points. Upon checking into this matter with the AAR in Chicago we were advised they understood that FGIS would be taking this over. We advised them that our discussion with FGIS did not confirm this course of action and we now understand AAR plan to continue their weight supervision program at least for the time being.

However in the early part of January 1977 we received an "Agreement for Payment of Supervision Fees under the United States Grain Standards Act" which stated that Fees for weighing supervision at interior points would be assessed at the rate of \$16.00 per hour during the regular work day, and \$20.00 per hour for supervision performed outside the regular work day. It also stated that the weighing fees would be initiated as soon as the Service is able to provide the supervision and we would be given 60 days advance notice of the effective date of such fees. The signing of such an agreement would be tantamount to signing a "blank check" and giving it to FGIS, as they would be at liberty to spend as much time supervising as they wanted and whenever they wanted to whether or not it was

needed. It is quite possible that "Weight Supervision Fees" charged to OIA's could almost equal the present fees charged by Fort Worth Grain Exchange and other Exchanges or Board of Trade. It was later concluded that the agreement was not necessary or required.

If our understanding is correct it will probably be about 1½ years yet, before the Senate and House receive a report from the Comptroller General on Weighing at interior points; therefore do not believe it necessary for FGIS to staff their field offices or regional offices with weighing supervisors at this time.

If the FGIS does become involved in Weight Supervision at interior points it will substantially increase the cost of this service--resulting in further reductions in the price a farmer gets for his grain.

If the Senate and House Committees intended to have a report back from the Comptroller General before FGIS institutes a Weight Supervision program at interior points then it should be clarified.

The Railroads have a primary responsibility of weighing shipments for the assessment of freight charges; however most terminal elevators presently have AAR-WWIB-Exchange supervised Class 2 weights as a matter of convenience and it helps facilitate the flow of interstate

Commerce. The present service is performed at a nominal cost to the shipper and a substantial savings to the railroads in (a) maximizing the utilization of equipment (b) their not bearing the cost of motive power and weighers for weighing the cars, also it should be noted that they do not pay claims for loss of grain unless it exceeds $\frac{1}{4}$ of 1% as a general rule they do not pay any claims on shipments in covered hopper cars regardless of the difference in origin-destination weights unless the cause of loss can be shown as a result of defective equipment or a wreck, etc.

If additional charges are imposed upon terminal elevators for supervision of weights by FGIS it is possible they would conclude to just let the Railroads weigh all the cars for freight charges and claim purposes. If the Railroads do have to weigh all the rail cars of grain it would instantly create a congested situation at Railroad terminals; delay the interchange of all rail traffic; cause a tremendous delay in the number of trips a car makes in a year. The net result could be a reduction of 25-30% in the rail grain car supply.

I believe the present AAR-WWIB-Exchange weight supervision program at interior points is adequate and should be continued rather than being replaced by FGIS:

Conflicts of Interest

PL 94-582, 90 STAT 2880-2881 provides for an amended "Conflict of Interest" section; however paragraph (5) provides in part:

"Notwithstanding the foregoing provisions of this subsection, the Administrator may delegate authority to a State agency or designate a governmental agency, board of trade, chamber of commerce, or grain exchange to perform Official inspection or perform supervision of weighing--if he determines that any conflict of interest which may exist between the agency or person or any member, officer, employee, or stockholder thereof and any business involving the transportation, storage, merchandising, or other handling of grain or use of official inspection or weighing service is not such as to jeopardize the integrity or the effective and objective operation of the functions performed by such agency."

We believe the Senate and House Agriculture Committees purpose in including this "Waiver of Conflicts of Interest" was that it be used when such ..conflicts did not jeopardize the integrity of the inspection or weighing; however numerous public statements have been made by USDA-FGIS personnel in the past that indicated they did not intend to grant such Waivers. This attitude may have changed by now, As they gain more experience, at least we hope so.

The Fort Worth Grain Exchange has been in existence since 1907 performing effecient, economical, reliable inspections and supervision of weights without any serious complaints from Producer, country elevators, terminal elevators or USDA.

The FGIS instituted a monitoring system last year to review the work of each individual grain inspector and all the inspectors of the inspection agency as a group. One would think that this to be one important measure of "integrity of the inspection". The individual inspector could have his license revoked if he does not stay in line and should ~~he~~ knowingly violate the Act in misgrading is subject to increased penalties. Also the Official Inspection Agency could have its designation revoked if its inspectors "get out of line" on their quality of grading.

We believe that these "safe guards" and the increased penalties assure that "integrity" at interior official inspection agencies operated by Exchanges and Boards of Trade will continue to be maintained; therefore positive relief should be granted.

Perhaps a substitution ~~if~~ wording in paragraph (5) of 90 STAT 2881 reading as follows could be made:

"Notwithstanding the foregoing provisions of this subsection, the Administrator shall delegate authority to a State agency, or designate a governmental agency, board of trade, chamber of commerce or grain exchange (which was operative on August 15, 1968) to perform Official inspection or perform supervision of weighing-etc-if he determines that any conflict of interest, etc-is not such as to jeopardize the integrity or the effective and objective operation of the functions performed by such agency. etc"

We are also hopeful that FGIS will seek the counsel and guidance of "users of the services" to determine what is practicable, functional, expedient and most economical whereby the orderly marketing of the nations grain crops might be facilitated rather than stymied.

Record Keeping

90 STAT 2882 paragraph (d) imposes voluminous record keeping requirements for 5 years upon all persons (other than producers) who obtain any official inspection or weighing services. Some of the records are already maintained in the normal course of business; however we understand that many of the records to be kept under the Act would be unduly burdensome and serve no useful purpose. We support the provisions of H.R. 3369, H.R. 6135 and S. 1051 all which propose to modify those requirements.

Advisory Committee

We support the provisions of H.R. 3369 and S. 1051 which would create a temporary advisory committee to provide consultation and advice to the Administrator with respect to the implementation of the United States Grain Standards Act of 1976 as amended. It appears to me that if such a committee had been established initially, that some of the problems confronting FGIS could have been solved quicker and perhaps some could have even been avoided. I am convinced that it could serve a very useful purpose.

Sub-Class of Hard Red Winter Wheat

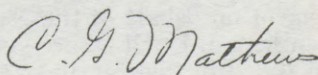
S. 1051 contains a provision which prohibits the Federal Grain Inspection Service from performing any analysis of hard red winter wheat designed to subclass such wheat by its color, including, but not limited to, any analysis to determine the dark hard and vitreous kernal of such type of wheat. Neither H.R. 3369 nor H.R. 6135 contain such a provision.

Even though the FGIS has, by administrative action, eliminated subclasses of hard red winter wheat from the Official United States Grain Standards for such wheat effective May 1, 1977 such determinations are available on request of an applicant. We understand that domestic contracts and export sales have already been made, for perhaps several months forward, predicated on a certain percentage of Dark, hard and vitreous count.

This subject was reviewed at the annual meeting of the members of the Fort Worth Grain Exchange last week and by a majority voted to go on record in support of the amendment contained in S. 1051 which would prohibit dark, hard and vitreous determinations. However, in view of the fact that unfilled contracts and sales have been predicated on such analysis it would appear that some reasonable period should be allowed before it becomes effective.

Conclusion

I appreciate the opportunity of appearing before this Committee and hope we have been of assistance in solving some of the problem areas thereby making the USGSA of 1976 a reasonable and functional Statute.

A handwritten signature in cursive script, reading "C. G. Mathews". The signature is written in dark ink and is positioned above a horizontal line.

C. G. Mathews

The CHAIRMAN. Thank you very much. We appreciate your cooperation.

The Chair would like to inquire of those who are scheduled to testify if there are others who have pressing problems with respect to transportation.

[No response.]

The CHAIRMAN. Hearing none, then we will call Mr. George Wood and Mr. William J. Keating.

Mr. Wood, would you like to begin? Perhaps you could present the statement on behalf of the National Grain and Feed Association.

Gentleman, I will assure you all that your prepared statements will be included in their entirety and any summaries or excerpts that you would like to present, we would appreciate it. We will have to hold you all to a maximum of 5 minutes each.

[The prepared statement submitted by Mr. Wood follows:]



**NATIONAL
GRAIN & FEED
ASSOCIATION**

Statement of

George M. Wood
and
William J. Keating

On Behalf of

NATIONAL GRAIN AND FEED ASSOCIATION

Before the

COMMITTEE on AGRICULTURE

U.S. HOUSE of REPRESENTATIVES

on H.R. 6135 and S. 1051

April 29, 1977

Mr. Chairman and Members of the Committee on Agriculture:

I am George M. Wood, Vice President, F.P. Wood and Son, Inc., Camden, North Carolina. With me is William J. Keating, Counsel for Public Affairs. We are appearing on behalf of the National Grain and Feed Association of which I am Second Vice President.

The National Grain and Feed Association is a voluntary association of grain and feed firms ranging in size from the smallest country elevator to the largest grain and feed complex and includes merchandisers, processors, country elevators, warehousemen and exporters of a wide spectrum of grains and feeds. Its membership includes 1,200 active members and 50 State or regional associations affiliated with the National Association. These members use and pay for the services authorized and supervised by the Federal Grain Inspection Service (FGIS).

We appreciate your holding hearings on amendments to the U.S. Grain Standards

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Act of 1976. The aura of suspicion which existed when that Act was being considered by the Congress, particularly with respect to interior markets, has diminished to the point of being non-existent. The Administrator of the FGIS has not yet been appointed and the studies and investigations called for in the Act are barely off the ground. In view of this we will recommend certain delays in the implementation of the Act. We will also comment on H.R. 6135, S. 1051 and other provisions which the implementation of the Act has brought to light.

We are pleased to support Sec. 1 of both bills which relieve country elevators of the onerous provisions of the Act with respect to record-keeping.

H.R. 6135. Supervision Fees. Sec. 2. We recommend that Sec. 2 be deleted and Sec. 2 of S. 1051 be substituted. The degree of supervision necessary to ensure the integrity of the inspection and weighing service is a matter for the FGIS to determine and the supervision costs should be borne by the Federal government. Supervisory costs of other governmental services are funded through appropriated funds and we consider FGIS supervisory costs should be handled similarly.

H.R. 6135. Sec. 3(b). We recommend that the first sentence be deleted. We consider that the activities of the FGIS should be limited to inspection and weighing of grains specified in the Act and that the performance of the services not be diluted by other activities for other commodities and products thereof.

H.R. 6135. Sec. 3(f)(2). We recommend that this subsection be deleted. The fees for testing of equipment should be handled in the same manner as the supervisory fees.

S. 1051. Sec. 6. We recommend that this section be deleted. This section would prevent any official from indicating subclasses of Hard Red Winter Wheat. The USDA has removed subclasses of Hard Red Winter Wheat from the grain standards effective May 1, 1977, but reserve to the inspection applicant the right to have such analyses shown for information purposes. Nevertheless some foreign buyers make purchases based on a dark, hard and vitreous (DHV) count. The outright prohibition on designating the percentage of DHV kernels on the official inspection

certificate may cause the loss of some foreign sales and we recommend that the prohibition be deleted. The loss of foreign sales will directly affect producers' income and adversely affect our balance of payments. Additionally, it is better to give the Administrator flexibility on standards rather than legislating the standard.

Other Recommendations

Conflicts of Interest. Section 11(b)(5) of the Act authorizes the Administrator to designate a board of trade, chamber of commerce or grain exchange having an implied conflict of interest, as an official inspection agency and provide weighing service provided that it will not jeopardize the integrity or the effective and objective operation of the functions performed by such agency.

In our discussions with officials of FGIS we find a distinct reluctance on their part to use this provision of the Act to retain the many fine inspection and weighing agencies established many years ago at interior points under a board of trade, chamber of commerce or grain exchange. These agencies perform services for the buyers and sellers in the market and any potential conflict of interest is neutralized by both sides of that market having an interest in the impartial inspection and grading of grain.

The unlawful conduct at the Gulf ports has not been found at the interior points as predicted by some at the hearings in 1975. Section 8(b) requires investigations and studies to be made by the Administrator, FGIS, the Office of Investigation and the Comptroller General of grain inspection and weighing in the Interior of the United States. The Director of the Office of Investigation is specifically directed to study any irregularities or problem areas including conflicts of interest rules. The Office of Investigation and FGIS are to submit reports to Congress 18 months (30 months under H.R. 6135) after the effective date of the Act. The Comptroller General is to submit his report to Congress 2 years (3 years under H.R. 6135) after the effective date of the Act.

We consider it inappropriate, in the absence of evidence of wrongdoing, to disestablish inspection agencies which have been providing needed and satisfactory services until the studies and investigations have been concluded and evaluated by Congress.

We recommend that Section 11.(b)(5) be amended to provide, in the absence of

evidence of wrongdoing, the continuation of inspection agencies under boards of trade, chambers of commerce or grain exchanges until an evaluation of each has been made and Congress has evaluated the investigations and studies required by the Act. This would also require an amendment to Section 27(4) which we recommend be changed from two to five years.

Export Weighing. A serious problem has developed with respect to the certification of export weights. When grain is sold for export the FOB contract generally used is North American Export Grain Association (NAEGA) Number 2 or similar contract. These contracts specify that delivery of grain takes place "at discharge end of loading spout." This is consistent with Section 7A.(f)(3) of the Act which provides that no official weighing or supervision of weighing shall be provided at a grain elevator until such time as the operator of the elevator demonstrates satisfactorily to FGIS that "each lot of grain weighed at the elevator for shipment from the facility is entirely delivered to the means of conveyance for which intended, and without avoidable waste or loss ---."

Spillage which occurs after the grain leaves the spout is controlled in most, if not all cases, by the stevedores. Spout movement, spout location, hatch cover removal and observance of the filling of the ship's hold are all the responsibility of the stevedores once the spout has been positioned over the vessel. The stevedores are engaged by the charterer or the master of the vessel. The master of the vessel is responsible to and functions on behalf of the buyer of grain. Thus any spillage which occurs beyond the end of the spout is within the reasonable control of the buyer of the grain and not within the control of the seller.

Despite this, informal opinions from and actions by the FGIS would note on the official inspection certificate an estimate of the amount of spillage occurring after the grain passed the end of the spout, or require the elevator to replace the estimated amount spilled. This apparently results from the definitions of weighing and supervision of weighing contained in Sections 3.(x) and (y) of the Act wherein the terms "discharge of grain into the elevator or conveyance" and "discharged into the elevator or conveyance" respectively are used.

It is recommended that Section 3.(x) and (y) be amended by inserting in each instance after the word "conveyance" the phrase "unless modified by export contract."

It is also recommended that Section 7A.(f)(3) be amended by adding the phrase, "attributable to the fault or the negligence of the loading elevator" after the second appearance of the words, "without avoidable waste or loss...." These changes will make consistent the law and contractual arrangements with respect to exporting grain.

Reporting Requirements. Section 17B.(a) requires the Administrator to report to Congress on December 1 each year regarding the effectiveness of the official inspection system for the prior fiscal year with recommended legislative changes to accomplish the objectives of the Act.

We recognize that in starting up a new system, or drastically changing an existing system mistakes are bound to occur. However, these mistakes by the FGIS personnel are often very costly in terms of time and money. We would hope that the Congress would encourage the Administrator of FGIS to include in his reports those mistakes or errors of judgment by FGIS personnel which have caused disruptions in the grain marketing system or unnecessarily burdened the users of the services. The Act is very specific in action to be taken and reports required by complaints received from foreign buyers. We believe that Congress cannot make a proper evaluation of the inspection system unless the Administrator, FGIS also reports on their own shortcomings.

Conclusion Mr. Chairman, we are pleased that you have under consideration amendments to the Act and that you are holding these hearings. The amendments to record-keeping will relieve country elevators of an onerous burden and make the Act more effective. Having supervisory costs covered by appropriated funds will relieve the grain industry and in turn the producers of an undue burden. Deleting the Bellmon amendment, Section 6 of S. 1051 and making changes to Sections 3(x), 3(y) and 7A.(f)(3) will facilitate exporting of grain which is so vital to the producers' income and our balance of payments. Finally, permitting inspection agencies to operate under boards of trade, chambers of commerce and grain exchanges until the system is studied and investigated is considered just and equitable.

We appreciate this opportunity to testify and stand ready to answer questions.

The CHAIRMAN. Thank you.

Our next witness is Joseph L. Slater, president of the National Association of Chief Grain Inspectors of the United States.

He is accompanied by Ted P. Hoelck, director and past president. Mr. Slater?

STATEMENT OF JOSEPH L. SLATER, PRESIDENT, NATIONAL ASSOCIATION OF CHIEF GRAIN INSPECTORS OF THE UNITED STATES, ACCOMPANIED BY TED P. HOELCK, DIRECTOR AND PAST PRESIDENT

Mr. SLATER. Thank you, Mr. Chairman. I am Joseph L. Slater, president of the National Association of Chief Grain Inspectors of the United States. This is Mr. Ted Hoelck, who is also a member of the board of directors of this association.

I am the chief inspector of Eastern Iowa Grain Inspection and Weighing Service, Inc., Davenport, Iowa, and Mr. Hoelck is chief inspector of Hastings Grain Inspection Inc., Hastings, Nebr.

Our national association is composed of delegated State agencies, designated private agencies and boards of trade and grain exchanges.

We wish to make a statement concerning the various aspects of the two bills being heard here today, H.R. 6135 and H.R. 5604, pointing out that the members of our association are those people who are now performing inspection services under the new act and in doing so, are operating in this transitional period under very difficult conditions.

We also feel that the information we have contributed to these hearings comes from people who have been, and still are, on the frontline of action in the Grain Inspection Service.

For these and other reasons, we hope that the information we offer will be considered pertinent. Our association would like to address itself specifically to the following provisions in the amendments to the act.

First, we feel strongly that all funding for supervision by FGIS be from appropriated funds. Our members feel that supervisory fees charged for untrained personnel cannot be justified.

As a matter of information, our members are presently providing an excellent training ground for new employees of FGIS at considerable expense to ourselves. Our members are also cooperating on a continuing regular daily basis with supervisory personnel of FGIS as we move forward under this new law.

Second, our association wholeheartedly endorses that provision in H.R. 5604 establishing a supervisory committee to provide advice to the Administrator.

Further, we recommend definitely that members of our association should be asked to serve on this advisory committee because we are the people who will implement the new regulations under the act.

In conclusion, we wish to state that we have been doing the job, we are doing the job and we will continue to do the job of grain inspection and weighing in the United States providing Congress recognizes these facts, and, in doing so, mandates a definite direction that will utilize the experience, expertise and knowledge that we can make available to them.

Thank you.

The CHAIRMAN. Thank you very much.

We appreciate that statement.

Gentlemen, we have votes going on, on the floor of the House and we are running back and forth. I am sure you understand.

Mr. Carpenter, you may proceed.

STATEMENT OF L. C. CARPENTER, VICE PRESIDENT, MID-CONTINENT FARMERS ASSOCIATION

Mr. CARPENTER. Mr. Chairman, I appreciate your courtesy.

I am L. C. "Clell" Carpenter, vice president of Midcontinent Farmers Association, headquartered in Columbia, Mo. Today I am speaking specifically on behalf of the 163,000 member-patrons of MFA, and also have been asked by Mr. Fred Heinkel, chairman of the National Farm Coalition, comprised of 36 farm organizations and commodity groups, to state its position. At the last meeting of the coalition, Mr. Bob Frederick made the motion which was passed that S. 1051 be endorsed by the coalition with exception of the Bellmon amendment.

Mr. Chairman, last year MFA supported enactment of the Grain Inspection Act. We did so in anticipation that fair and just procedures would be established and adequate supervision would be provided to assure that certain unscrupulous grain handlers would be unable to continue falsifying the quantity and quality of grain sold. In our support of this bill we anticipated the cost of the supervision would be borne by the U.S. Department of Agriculture rather than grain dealers. We did not anticipate the great burden of records and paperwork now being required of all grain dealers. As the original bill was finally passed and interpreted, we oppose the unnecessary burden of paperwork on all the grain dealers. We also believe since the additional supervisory inspection was not funded, all such fees should not be charged to State and private inspection agencies.

Mr. Chairman, the minute margin in grain makes it impossible for dealers to pay this additional cost and as such, these additional costs will be derived from the pocket of farmers by reduced price for their grain. At the present price of wheat and feed grains, farmers are doing well to stay in business and should not be charged any additional fees for inspection.

We concur with the S. 1051 as to the full Federal funding of federal inspection supervision. Congress generally has provided funds to cover supervisory Federal costs in other inspection areas necessary to meet performance levels in order that they be conducted in the best public interest.

Under the new grain inspection law, virtually all of the added supervisory costs are being transferred from USDA to private sectors. State and private grain inspection agencies are currently being billed by USDA to cover all non-Washington supervisory costs. These agencies will pass these charges on in the form of higher inspection fees, which will come out of the farmer's pocket. This additional charge will add another layer of cost, and as aforementioned, worsen what is already a grim situation for hard-pressed grain farmers.

We respectfully suggest that your proposal in H.R. 6135 that only one-half of this cost be paid by USDA is grossly inadequate. Therefore,

all of the cost should be the responsibility of USDA as indicated in S. 1051.

The present requirement that all grain elevators which use the services of a grain inspection agency, to keep records of the purchase, sales, transportation, storage, weighing, handling, treating, cleaning, drying, blending, and other processings for a period of 5 years is unrealistic. We urge that the grain inspection law be amended to only require grain handlers to keep only such records as prescribed by the Federal Grain Inspection Service. President Carter apparently in his reorganization, hopes to minimize the use of extensive records. Certainly the administrator of this program should be given the prerogative to determine the records that are necessary and realize that recordkeeping is not only a time consuming process, but is quite expensive. Here again, it is anticipated the farmer will pay the bill.

Although your proposed bill does not contain any mention thereof, we believe in the establishment of a 12-member "temporary"—we emphasize this word—advisory committee composed of farmers, consumers, and the grain trade to advise the Federal Grain Inspection Service on implementation of the new grain inspection law. We believe that those being affected by the grain inspection law—producers, grain handlers, and consumers—should be involved in drawing up plans for implementing grain inspection regulations, and evaluating the effectiveness of such regulations. In order not to build a permanent structure, we strongly support an 18-month limit for such an advisory committee.

If such an advisory committee had already been established, most of the problems encountered with implementation of the new grain law would not have arisen, and most of the amendments now being offered to correct the grain inspection law would not be necessary. Accordingly, USDA would have been able to substantially expand export activities.

We specifically recommend that no change be made on the present classification of hard red winter wheat into subclasses.

Our overseas customers have a right to expect wheat to meet high standards, and to be accurately classified. We have been informed that Japanese buyers are indicating they will refuse to buy U.S. wheat unless they are assured that it is classified according to proper classification. Any attempt to hide yellow wheat through blending with red wheat will jeopardize our wheat exports. We must not permit the economic gain of a few to lead to a loss of sales for all our grain producers.

We thought at the time the bill was passed that the additional supervisory force would be paid by the Federal Government. We find now that it is not. I have with me a copy of a billing that one of our small grain exchanges had for the month of February.

The Missouri River closed down completely and most of the trains were down, and still the billing ran up to a substantial amount of money. They are making the billings now. I do not think it has been paid, however. We will see what comes out.

Mr. BEDELL. [acting chairman]. Without objection, that will be inserted into the record at this point.

[The material referred to above follows:]

MISSOURI DEPARTMENT OF AGRICULTURE,
GRAIN INSPECTION AND WEIGHING,
Jefferson City, Mo., February 28, 1977.

Missouri Farmers Association:

Section 7, J (2) of the U.S. Grain Standards Act of 1976, effective February 1, 1977, requires official grain inspection agencies to pay to the FGIS (Federal Grain Inspection Service) a supervision fee at the rate of 80 cents per 1,000 bushel for any grain officially inspected by said agency. We therefore find it necessary to charge for this cost in order for the Grain Inspection and Weighing Division to remain self-sustaining under RSMo. This Division will not issue a due date on this bill, which pertains to supervision fee charges only, until we know the outcome of present legislation in the U.S. Congress to amend or delay this section of the act. You will be notified of the outcome of this legislation, and if necessary, the date this amount will be due.

Supervision costs at 80 cents per 1,000 bushel will be calculated as follows:

Official service and bushels per container:	<i>Federal supervision fees</i>
Boxcars (2,000 bushels)-----	\$1. 60
Hopper cars (3,000 bushels)-----	2. 40
Truck samples (750 bushels)-----	. 60
Submitted samples (750 bushels)-----	. 60
Barge (each 1,000 bushels)-----	. 80

All other charges for services performed, as requested by you, other than the supervision charge, are due within 30 days of receipt of the attached billing.

Company: Missouri Farmers Association.

Total bushels officially inspected: 289,000.

Rate: 80 cents per 1,000 bushels.

Federal supervision fee for month of February: \$231.20.

In conclusion, Mr. Chairman, we hope that you will see fit to amend H.R. 6135 in such a manner as to relieve grain producers of any additional financial burden, and likewise, will help the United States to further expand our export activities.

Mr. BEDELL. Mr. Carpenter, we thank you very much for your statement.

Mr. Bothwell, would you proceed?

Mr. BOTHWELL. I am Gary Bothwell, representing Ralph J. Crawford, director, of the Kansas State Grain Inspection Department.

Mr. Chairman and committee members, I can be brief in this in stating that we oppose all supervision of fees. We do recommend that they have advisory committees, especially on weights, and we recommend that the Congress appropriate the money for the supervision of fees.

I can be that brief. We would like for you to accept Mr. Crawford's statement, as a matter of record, in its entirety.

Mr. BEDELL. Very well. So ordered.

[The prepared statement referred to above follows:]

STATEMENT OF
RALPH J. CRAWFORD, DIRECTOR
KANSAS STATE GRAIN INSPECTION DEPARTMENT

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

ON BEHALF OF THE STATE OF KANSAS, I WOULD LIKE TO THANK THE HOUSE AGRICULTURAL COMMITTEE FOR HOLDING THIS HEARING.

MY NAME IS RALPH J. CRAWFORD. I AM DIRECTOR OF THE KANSAS STATE GRAIN INSPECTION DEPARTMENT.

THE KANSAS STATE GRAIN INSPECTION DEPARTMENT WAS ESTABLISHED IN 1897 AT THE REQUEST OF THE GRAIN INDUSTRIES IN KANSAS BY THE KANSAS LEGISLATURE. THE KANSAS STATUTES ANNOTATED SET FORTH THAT THE DEPARTMENT HAS EXCLUSIVE CONTROL OF SAMPLING, INSPECTING, WEIGHING, AND ANALYZING THE PROTEIN CONTENT IN CERTIFYING THE OFFICIAL GRADE OF ALL GRAINS AT PLACES WHERE INSPECTION STATIONS ARE NOW OR MAY HEREAFTER BE ESTABLISHED IN KANSAS.

DURING THE YEAR OF 1976, THE KANSAS SYSTEM WAS UPHELD AFTER A THOROUGH INVESTIGATION BY THE FBI, GAO, OFFICE OF INVESTIGATION OF THE U. S. DEPARTMENT OF AGRICULTURE, AND SPECIAL COMMITTEES OF THE HOUSE OF REPRESENTATIVES AND THE SENATE. IN FACT, KANSAS GRAIN INSPECTION HAS BEEN REFERRED TO AS A MODEL AGENCY.

SINCE THE KANSAS GRAIN INSPECTION DEPARTMENT HAS BEEN SERVING THE INDUSTRY FOR OVER EIGHTY YEARS WITH NO MAJOR PROBLEMS, WHY THEN SHOULD A BIG SUPERVISION PROGRAM BE IMPOSED UPON US TOGETHER WITH A PROPOSED FEE RESULTING IN AN ESTIMATED ONE-QUARTER MILLION DOLLARS TO THE STATE OF KANSAS WHICH, ULTIMATELY, WOULD BE BORNE BY THE FARMERS OF KANSAS. THE ESTIMATED ONE-QUARTER MILLION DOLLARS IS BASED ON FIFTY PERCENT OF THE ORIGINALLY QUOTED \$.80 PER THOUSAND BUSHEL. THIS IS AN OVERREACTION TO THE PROBLEMS AT THE PORTS. AS TO DEMONSTRATE THE OVERREACTION, WE WERE ORIGINALLY INFORMED, IN WRITING, THAT OUR ANNUAL FEE WOULD BE \$162,000. THEN, AT A MEETING IN KANSAS CITY ON DECEMBER 14, 1976, WE

WERE TOLD THAT THE \$162,000 WAS TO BE DISREGARDED. TWO WEEKS LATER, WE WERE INFORMED THAT A FEE OF \$.80 PER THOUSAND BUSHEL WOULD BE IMPOSED WHICH IS AN ESTIMATED ANNUAL FEE OF ONE-HALF MILLION DOLLARS FOR THE STATE OF KANSAS. ON FEBRUARY 3, 1977, THE STATE OF KANSAS TESTIFIED BEFORE THE SENATE SUBCOMMITTEE AND INDICATED OUR POSITION AS BEING OPPOSED TO ANY USER'S FEES FOR SUPERVISION. ON MARCH 30, 1977, THE SENATE PASSED 93-0 SENATE BILL NUMBER 1051 TO REQUIRE THAT CONGRESS APPROPRIATE FUNDS TO PAY THE COST OF SUPERVISION. HOUSE BILL NUMBER 6135, WHICH THIS HEARING CONCERNS, PROPOSES 50% APPROPRIATIONS AND 50% USER'S FEE TO COVER THE COST OF SUPERVISION. THE STATE OF KANSAS HAS NOT CHANGED OUR POSITION AND WISHES TO GO ON RECORD AS BEING OPPOSED TO USER'S FEES FOR SUPERVISION.

ONE OF OUR MAIN CONCERNS IS "WHAT CONSTITUTES SUPERVISION?" SO FAR, THE KANSAS GRAIN INSPECTION DEPARTMENT AND ALSO THE GRAIN TRADE IN THE STATE HAVE FELT THAT THE FGIS IS MORE HARRASSMENT THAN SUPERVISION. WE FEEL THAT ALL SUPERVISION DONE IN THE FIELD SHOULD BE BY LICENSED GRAIN INSPECTORS. HOW CAN SUPERVISORS WITH A FEW WEEKS OF SERVICE SUPERVISE OUR INSPECTORS WITH MANY YEARS OF EXPERIENCE? WHAT ARE WE TO RECEIVE FOR THESE SUPERVISION FEES?

WHAT IS THE JUSTIFICATION OF NINETY EMPLOYEES IN THE MONITORING PROGRAM AS TO ITS RELATIONSHIP TO SUPERVISION? WE FEEL THE MONITORING PROGRAM IS AN ADMINISTRATIVE COST AND SHOULD NOT BE IDENTIFIED WITH SUPERVISION FEES. WE FEEL MONITORING SHOULD BE PAID OUT OF APPROPRIATED FUNDS. THEREFORE, WE ARE REQUESTING THAT THE NEW ACT BE FUNDED BY FEDERAL APPROPRIATIONS IN ITS ENTIRETY.

FOR YEARS, THE KANSAS STATE GRAIN INSPECTION DEPARTMENT HAS HAD A MARKET CLASSIFICATION AS CLASS I WEIGHTS UNDER THE WESTERN WEIGHING AND

INSPECTION BUREAU AND THE ASSOCIATION OF AMERICAN RAILROADS. FOLLOWING THE GUIDELINES OF ICC DOCKET 9009, WE HAVE ISSUED CERTIFICATES OF WEIGHT ON HUNDREDS OF THOUSANDS OF CARLOTS OF GRAIN BEARING THE WORD "OFFICIAL." THE NEW ACT GIVES THE FGIS A MONOPOLY ON THE WORD "OFFICIAL." THE FGIS HAS OPENLY ADMITTED THAT THEY KNOW ABSOLUTELY NOTHING ABOUT WEIGHTS AND THEY HAVE CALLED ON OUR DEPARTMENT FOR LITERATURE AND INFORMATION CONCERNING WEIGHTS. FOR US TO REMOVE THE WORD "OFFICIAL" FROM OUR WEIGHT CERTIFICATES WOULD CAUSE THE GRAIN INDUSTRIES AND THE FARMER-PRODUCERS IN KANSAS AND ELSEWHERE TO LOSE A VAST AMOUNT OF MONEY. WE PRESENTLY PROVIDE OFFICIAL WEIGHTS AND TO BE DESIGNATED AS AN OFFICIAL WEIGHING DEPARTMENT BY THE FGIS WILL BE ANOTHER ADDED COST TO THE KANSAS FARMER-PRODUCER.

WE HAVE REPEATEDLY REQUESTED A DEFINITION OF WHAT CONSTITUTES A CLEAN CAR FROM THE FGIS; AND TO DATE, WE HAVE NOT HAD A REPLY. THIS COSTS BOTH THE KANSAS GRAIN INSPECTION DEPARTMENT AND THE INDUSTRY TIME AND MONEY DUE TO THE LOSS OF RAILROAD CAR UTILIZATION BROUGHT ON BY DIFFERENT OPINIONS AS TO WHAT A CLEAN CAR IS BECAUSE OF INEXPERIENCED FGIS EMPLOYEES.

WE DO NOT NEED THIS NEW MAZE OF FEDERAL RED TAPE THAT THREATENS TO ENSNARE THE WHEAT HARVEST WHICH WILL SOON BE BEGINNING AND THE GRAIN SHIPMENTS FOR EXPORT. WE FEEL THAT THE ENTIRE FGIS PROGRAM TO THE STATE OF KANSAS IS UNWARRANTED.

WE ARE ASKING THAT THE CONGRESS BE URGED AND REQUESTED TO MAINTAIN STRICT OVERSIGHT ON THE FEDERAL GRAIN INSPECTION SERVICE DURING THE NEXT EIGHTEEN MONTHS OF IMPLEMENTATION OF THE U. S. GRAIN STANDARDS ACT OF 1976 THROUGH THE USE OF AN ADVISORY COMMITTEE; THAT CONGRESS BE URGED AND REQUESTED TO QUICKLY AMEND THE ACT TO MAKE IT MORE RESPONSIVE TO

FARMERS, CONSUMERS, AND THOSE INVOLVED IN THE GRAIN INDUSTRY; AND THAT CONGRESS ALSO BE URGED AND REQUESTED TO APPROPRIATE FUNDS FOR ANY COST OF SUPERVISING THE GRAIN INSPECTION PROGRAMS UNDERWAY IN THE STATES INSTEAD OF ALLOWING THESE COSTS TO BE PASSED ON TO OUR NATION'S FARMERS.

Mr. BOTHWELL. Also, John Cranor, who is executive vice president of the Kansas Grain and Feed Dealers had to leave, and he asked if you would accept his statement.

Mr. BEDELL. Very well. Without objection, it will be inserted into the record at this point.

[The prepared statement referred to above follows:]

STATEMENT SUBMITTED ON BEHALF
OF
THE KANSAS GRAIN & FEED DEALERS ASSOCIATION
TO
THE SUBCOMMITTEE ON LIVESTOCK AND GRAINS
OF THE
COMMITTEE ON AGRICULTURE
ON
HR 3369 & HR 6735
(95th CONGRESS)
APRIL 29, 1977

S T A T E M E N T

My name is John M. Cranor, Executive Vice President of the Kansas Grain and Feed Dealers Association, which is organized under the Statutes of the State of Kansas on a not for profit basis. The principal office of the Association is located at 1722 North Plum Street, Hutchinson, KS 67501.

The Kansas Grain and Feed Dealers Association represents approximately 95% of all the grain and feed handlers, processors and manufacturers and shippers doing business in the State of Kansas.

We certainly appreciate the opportunity to appear before this Committee and present our views regarding House Bills 3369 and 6135 concerning changes in the U. S. Grain Standards Act of 1976.

In view of the current prices producers are receiving for their wheat, we are in agreement with the proponents who recommend the cost of supervisory charges, as provided in the Act, should be covered entirely by appropriated funds rather than have the producers bear the burden.

Secondly, it would appear that the proposed number of people staffing regional offices would be considerably in excess of the minimum required and would not be consistent with the advocacy of Government economy.

Thirdly, the Act prohibits designated agencies from performing official inspections on samples drawn from lots of grain which are not physically located within the geographic area assigned to the respective agencies

It is our understanding that this provision was incorporated in to P.L. 94-582 in order to prevent "grade shopping", a practice we do not condone.

However, there are many country elevators which will be disadvantaged by this provision because they draw their samples and forward them for inspection to laboratories which will not be designated under this Law to serve the geographic areas in which these elevators are located.

Such restrictions will prevent producers from receiving higher prices for their grain and will result in less efficient car utilization.

We recommend this restriction be relaxed.

Fourth, Section 14B of Public Law 94-584 requires warehousemen to keep a set of records as prescribed by the Secretary of Agriculture or the Administrator of the Federal Grain Inspection Service if, at any time, the warehousemen should avail themselves of the services of the official Grain Inspection Service.

At the present time, all public grain warehouses in Kansas operate under the provisions of the United States Grain Warehouse Act or the Statutes of the State of Kansas. The insurance, bonding, accountability and record-keeping requirements for either of these are quite exacting and demanding. Audits or examinations are performed periodically by examiners representing their respective agencies. These audits are performed on an unannounced or "no notice" basis.

Therefore, it is our opinion that any further record-keeping which would be required by the Federal Grain Inspection Service would be unnecessary and combersome to the licensed and bonded elevators that operate in Kansas.

Finally, we recommend that any regulations which the Federal Grain Inspection Service may promulgate, be accomplished by working with industry advisory groups in order to maintain an efficient and orderly marketing system.

We particularly urge that an Advisory Committee be utilized in developing regulations regarding the weight supervisory services because, to our knowledge, there is no expertise on weighing within the personnel presently staffing the Department.

Again, we emphasize the need for an advisory group on developing regulations regarding the weight supervisory activities.

This concludes our Statement. We appreciate very much the opportunity to be here today and we will be happy to answer any questions.

Mr. BOTHWELL. Thank you, Mr. Chairman.

Mr. BEDELL. Thank you.

Mr. McDonald?

[The prepared statement submitted by Mr. McDonald follows:]

MEMPHIS BOARD OF TRADE

Jack McDonald, Director
L. E. Vanderford, Director

STATEMENT OF THE ASSOCIATION
SUBMITTED TO THE

COMMITTEE ON AGRICULTURE
OF THE HOUSE OF REPRESENTATIVES

ON

U. S. GRAIN STANDARDS ACT OF 1976

I am Jack McDonald, Manager of Manufacturing Operations for the Buckeye Cellulose Corporation and a Director of the Memphis Board of Trade. This statement is made in behalf of that organization and its subsidiary company, the Memphis Grain and Hay Association. Cooperating with me will be Mr. L. E. Vanderford, Manager of Hughes Grain Corporation in Hughes, Arkansas. Mr. Vanderford is also a Director of the Memphis Board of Trade.

The Memphis Board of Trade was organized in 1883 and is one of the oldest grain exchanges in the country. Its membership includes commercial grain merchandisers, grain processors, soybean and cottonseed processors, feed manufacturers, brokerage and commission merchants, banks, railroads, and country shippers. Both buyers and sellers of farm commodities are members of the Memphis Board of Trade.

The Memphis Board of Trade established a grain and hay inspection department and standards of quality for grain and other commodities in 1885. When the Congress passed the U. S. Grain Standards Act in 1916, our inspection department became a designated official inspection agency under that Act. In 1962, a modern and efficient grain inspection station was built at a cost of almost \$100,000. This was financed entirely by the Memphis Board of Trade.

The inspection department performs approximately 30,000 official inspections annually, on barges, rail cars, trucks, and submitted samples. These samples

represent approximately 100 million bushels of soybeans and grain. Official inspection is furnished to anyone who desires it. We currently inspect grain for approximately 240 accounts, about equally divided between shippers and receivers of grain. Service is provided seven days a week, twenty-four hours a day during harvest periods. The operation is financed from fees charged for the service. The fees are the same for members and nonmembers and these fees have been modest as the department operates on a nonprofit basis. The territory serviced by our department includes the heavy grain and soybean producing area of eastern Arkansas as far west as the White River and all of West Tennessee.

We are concerned with the present interpretation of three parts of the Grain Standards Act of 1976 as it affects interior points. Those areas of concern are:

1. The record keeping provisions as we understand them.
2. The cost of Federal Supervision as it is presently proposed.
3. The conflict of interest provisions as they may be applied to "boards of trade."

The "record keeping" provisions of this bill, if enforced, to the full extent provided for, might well destroy the official grading system at interior points. This "paper work" would be so burdensome that many present users of "official grades" would simply forego their use in order to avoid the record keeping requirements of the Law. The burden would be most severely felt by the smaller "country elevators," who have limited bookkeeping capability, and have grain handling systems that are designed for the speedy and efficient handling of these crops. The systems are not designed to facilitate the gathering of this information and the operators are not disposed to accept these new requirements that would hamper their ability to handle the harvests. Thus, this record keeping provision might destroy the very system that the Law is supposed to protect.

We strongly support the Amendments in Senate Bill 1051 and House Bills 3369 and 6135. All of these provide the relief needed in the record keeping area.

The Federal Supervision fees as currently outlined appear to be unrelated to the cost of supervising our inspection activities. In December of 1976, we were advised that the fee would be \$11,135.68. In January we received the present schedule which would amount to about \$83,000 per year based on our 1976 volume. Our total income from inspections was \$177,000 in 1976, thus these supervision fees would amount to almost one-half as much as our inspection fees. The \$83,000 would provide 5,200 hours per year of supervision (based on the F.G.I.S. figure of \$16.00 per hour.)

One of the problems appears to be that the fee schedule is discriminatory as it relates to barges. The per bushel fee is the same for a 750 bushel truck as for a 50,000 bu. barge. Thus, it charges 66 times as much for one barge grade as for one truck grade. F.G.I.S. must know that this is not realistic as their per bushel charge for inspections is \$16.00 per thousand bushels on trucks and \$.96 per thousand bushels on barges. This is particularly important to us as about two-thirds of our inspection volume is on barges.

We strongly urge that the fees be made to reflect the cost of the supervision. Or, if this is too complicated, then we feel that the cost of supervision should be through appropriated funds, as provided in Senate Bill 6135 and in House Bill 3369.

Our greatest concern regards possible interpretations of the provisions on conflict of interest.

The Law contains a provision in Section 11, Subsection (b), Item (5) which allows the Administrator to designate a board of trade as an official agency if

he determines that any conflict of interest which may exist is not such as to jeopardize the integrity or the effective and objective operation of the functions performed by such agency.

This provision has been referred to as the "Bergland Amendment" as it was proposed by Mr. Bergland, who was at that time a member of the House Committee on Agriculture. This provision was included in the conference bill as recognition that many boards of trade had performed admirably as official agencies and could perform just as well in the future.

The Memphis Board of Trade is one of those who has served well and is in a position to continue that service. Please consider these advantages which we can bring.

The Memphis Board of Trade has operated an inspection service for ninety years without criticism, a record that cannot be matched by any state, federal, or private inspection agency that I know of.

But more important, the Memphis Board of Trade can, and if allowed, will provide this same quality service for another ninety years at no cost to the taxpayer. We are confident that we can do this because of the nature and objectives of our organization. The Memphis Board of Trade is a nonprofit corporation whose only interest is to promote a healthy, efficient farm commodity marketing system. The membership of our organization includes buyers and sellers, companies who both buy and sell on Memphis Board of Trade weights and grades, and persons who do not buy or sell farm commodities. Some of you may think of a Board of Trade as an organization made up of big buyers located in the city. Actually, only 12 of our members fit this description and 7 of those are also sellers. Thirteen of our members are country shippers. Three of the thirteen country shippers are farmer owned co-operatives. Thirty-one (or 55%) of our members do not trade in

commodities that we grade. Thus, we are interested only in the most expert, nonbiased, consistent inspection system possible.

Consider the advantages of having buyers and sellers represented in this process. They constantly compare the Memphis Board of Trade grades and weights with the results obtained by themselves on the same lots. This provides an immense amount of checking and counter checking. Typically, the seller will have his grades, the buyer will have his grades, and there will be the Memphis Board of Trade grades. If either the buyer or seller thinks the Board of Trade grade is in error, he may call for a USDA appeal grade. It is interesting to note, however, that USDA appeal grades are called for less than one percent of the time, and more than two-thirds of the appeal grades uphold the original Memphis Board of Trade grade.

Membership is open to all interested parties of good character. I know of no applications for membership that have been refused; and in fact, we have made a continuing effort to encourage new membership. The Boards of Directors of the Memphis Board of Trade and the Memphis Grain and Hay Associations are elected by the membership at annual meetings, and all members are eligible for election to the Boards.

We believe that the industry has confidence in the Memphis Board of Trade. No one is required to use our services, yet last year, we handled more than 30,000 inspections for 240 different accounts. This seems to indicate that we have a lot of satisfied customers.

We want the Memphis Board of Trade to continue as an original inspection agency because:

as members of the industry we know that organization has, and will continue to, give us the service we need to provide an orderly market for grain and soybeans of the mid-south, and

as citizens we know that the Memphis Board of Trade can continue this service without cost to the taxpayer.

F.G.I.S. employees have made statements indicating that they will move very slowly in designating boards of trade as official agencies. Additionally, they have been quoted as saying they "do not have to give any waivers" and "will not give many." The Law is written in such a way that the initiative for this action to approve boards of trade is to be taken by the administrator of the F.G.I.S. It is clear to us that Congress intended to allow boards of trade to continue as official agencies at interior points where those boards of trade can demonstrate their ability to perform the functions. We have demonstrated our ability, and we urge the House Committee on Agriculture to follow this matter so that organizations such as ours may continue to serve the grain industry.

The present Law requires that the administrator must report to the Committee on Agriculture of the House of Representatives, and the Committee on Agriculture and Forestry of the Senate, if he determines that a board of trade or similar organization should be designated as an official agency. We hope that an amendment will be offered that would require similar reporting if the administrator determines that a board of trade which is now designated, should not be designated in the future. This would facilitate your participation in a fair and equitable administration of this Law.

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4/26/77

Mr. HIGHTOWER [acting chairman]. Thank you, Mr. McDonald. We appreciate your statement.

We will now call Mr. Danielsen from the Missouri Department of Agriculture.

[The prepared statement submitted by Mr. Danielsen follows:]

STATEMENT OF HOLGER DANIELSEN, DIVISION DIRECTOR
GRAIN INSPECTION & WEIGHING, MISSOURI DEPARTMENT OF AGRICULTURE

I AM HOLGER DANIELSEN, DIRECTOR OF THE GRAIN INSPECTION AND WEIGHING DIVISION OF THE MISSOURI DEPARTMENT OF AGRICULTURE, WHICH EMPLOYS 122 EMPLOYEES IN FIVE INSPECTION OFFICES THROUGHOUT THE STATE OF MISSOURI, WHO PERFORM OFFICIAL SAMPLING, INSPECTION, WEIGHING, SCALE TESTING, PROTEIN ANALYSES, AND OTHER RELATED FUNCTIONS, HAVING BEEN EMPLOYED WITH THE DEPARTMENT FOR OVER SIXTEEN YEARS, I FEEL I AM MORE THAN QUALIFIED TO PRESENT ON BEHALF OF THE MISSOURI DEPARTMENT OF AGRICULTURE, AS WELL AS SEVERAL FARM ORGANIZATIONS, OUR CONCERNS REGARDING AMENDMENTS TO THE UNITED STATES GRAIN STANDARDS ACT WHICH IS NOW KNOWN AS THE UNITED STATES GRAIN STANDARDS ACT OF 1976.

FIRST, LET ME SHARE WITH YOU A BRIEF HISTORY OF THE ENACTMENT OF THE UNITED STATES GRAIN STANDARDS ACT AND PERTINENT INFORMATION THAT I FEEL CONTRIBUTED TO THE DETERIORATION OF MANY OFFICIAL INSPECTION AND WEIGHING SERVICES AND FEDERAL SUPERVISION THROUGHOUT THE COUNTRY. AS EARLY AS 1889, MISSOURI AND OTHER STATES HAD CREATED THEIR OWN GRAIN INSPECTION STANDARDS, AND AS A RESULT, THERE WAS A TREMENDOUS LACK OF UNIFORMITY IN BOTH INTRASTATE AND INTERSTATE INSPECTION OF GRAIN. THIS LACK OF UNIFORMITY CAUSED CONGRESS, IN 1916 TO ENACT THE UNITED STATES GRAIN STANDARDS ACT FOR THE PURPOSE OF ESTABLISHING GRAIN INSPECTION STANDARDS THAT WOULD ASSURE THE GRAIN INDUSTRY OF RECEIVING THE SAME KIND AND QUALITY OF GRAIN THEY HAD PURCHASED.

I FEEL IT IS NECESSARY TO EXPLAIN MY PERSONAL OPINION ON WHY THE OFFICIAL INSPECTION SYSTEM, AS VIEWED BY MANY, DETERIORATED TO THE POINT OF INEFFICIENCY, CAUSING INDICTMENTS OF PERSONNEL INVOLVED, WHICH REFLECTED UPON ALL OFFICIAL INSPECTION PERSONNEL AND AGENCIES THROUGHOUT THE NATION. HOWEVER, IT IS IMPORTANT TO POINT OUT THAT AN EXTREMELY SMALL PERCENTAGE OF INSPECTION PERSONNEL WERE INDICTED OR CONVICTED OF WRONG-DOING.

IT IS COMMON KNOWLEDGE THROUGHOUT THE OFFICIAL INSPECTION SYSTEM THAT APPROXIMATELY THREE YEARS AGO, SUPERVISION OF OFFICIAL AGENCY ACTIVITIES BY THE UNITED STATES DEPARTMENT OF AGRICULTURE, AGRICULTURAL MARKETING SERVICE (AMS) OFFICES, DETERIORATED TO THE POINT WHERE 241 AMS EMPLOYEES WERE TRYING TO SUPERVISE 111 OFFICIAL INSPECTION AGENCIES, AND ALSO PERFORM UNRELATED DUTIES UNDER THE AGRICULTURAL MARKETING ACT OF 1946; A RATIO OF 2.17 AMS EMPLOYEES SUPERVISING EACH OFFICIAL AGENCY.

IN THE PAST FEW YEARS, THE MISSOURI DEPARTMENT OF AGRICULTURE HAS EXPERIENCED THE CLOSING OF THE AMS OFFICE LOCATED IN ST. JOSEPH, MISSOURI. THIS ACTION WAS TAKEN EVEN THOUGH THE MISSOURI DEPARTMENT OF AGRICULTURE, THE ST. JOSEPH GRAIN EXCHANGE, AND COUNTRY ELEVATORS BITTERLY OPPOSED THIS MOVE. DURING THIS TIME, TWO OTHER AMS OFFICES (PRESENTLY FGIS) LOCATED IN MISSOURI, EXPERIENCED A CONTINUAL REDUCTION IN STAFF TO SUCH A DEGREE, THAT THE RESULT WAS A SPARSE, SKELETON STAFF WITH LITTLE SUPERVISION CAPABILITIES. EMPLOYEES

WERE TRANSFERRED IN FROM OUTSIDE THE MID-WESTERN AREA IN ORDER TO MAINTAIN THE SKELETON FORCE, BUT WERE USUALLY NOT QUALIFIED TO SUPERVISE THE OFFICIAL INSPECTION OF GRAINS GROWN OR SHIPPED FROM OR THROUGH MISSOURI. THIS PROCEDURE WAS PREVALENT THROUGHOUT THE NATION.

TO ELIMINATE FURTHER SUPERVISION RESPONSIBILITIES (CREATED BY AN INADEQUATE STAFF) THE AMS SHIFTED THEIR RESPONSIBILITY TO THE STATE AND PRIVATE AGENCIES FOR PERFORMING CHECK TESTING OF OUR OWN EQUIPMENT. CONTRACT SAMPLING OF FEDERAL APPEALS WAS INITIATED BY THE AMS, WHEREBY, THE STATE AND PRIVATE AGENCIES WERE, AND ARE STILL, REQUESTED TO ENTER INTO A CONTRACT TO ACTUALLY PERFORM THE FEDERAL SAMPLING FUNCTION WHICH, IN TURN, ELIMINATES THE EXTREMELY IMPORTANT FEDERAL SUPERVISION FUNCTION PERTAINING TO PROPER SUPERVISION OF SAMPLING THE CONTAINER WHILE PERFORMING THE PRIMARY APPEAL SERVICE. ANOTHER SIMILAR FUNCTION WAS THE CREATION OF THE FEDERAL APPEAL BASIS OF THE FILE SAMPLE (ONE-HALF OF THE OFFICIAL SAMPLE ORIGINALLY INSPECTED BY THE OFFICIAL LICENSEE, AND RETAINED FOR REFERRAL PURPOSES SUCH AS SUPERVISION OR APPEAL) WHICH IS ANOTHER METHOD SIMILAR TO THE CONTRACT APPEAL SAMPLING, AND WHEREBY THE FGIS COMPLETELY ELIMINATES THE SUPERVISION OF THE SAMPLING PROCESS UNLESS THE REQUESTEE SPECIFIES THE SAMPLE IS TO BE OBTAINED ON THE BASIS OF A NEW SAMPLE.

IT IS IMPORTANT TO NOTE THAT APPROXIMATELY EIGHT OUT OF TEN

APPEAL REQUESTS ARE FOR THE PURPOSE OF APPEALING THE ORIGINAL SAMPLING OF THE CONTAINER, AND NOT THE ORIGINAL INSPECTION. HOWEVER, FEW INDUSTRY PERSONNEL ARE AWARE THAT THE FGIS DOES NOT RE-SAMPLE THE CONTAINER UNLESS EXPLICITLY REQUESTED.

THESE PERSONNEL AND POLICY PROCEDURES WERE NOT A DIRECT RESULT OF THE ADMINISTRATIVE PERSONNEL OF THE AMS AS THEY TRIED REPEATEDLY TO GAIN NEEDED APPROPRIATIONS FOR PERSONNEL TO UPGRADE THEIR PROGRAM, BUT THE FEDERAL GOVERNMENT'S POLICY AT THAT TIME WAS TO CUT FEDERAL SPENDING, AND FOR THIS REASON, NEEDED APPROPRIATIONS WERE NOT GRANTED. THE MISSOURI DEPARTMENT OF AGRICULTURE, AS WELL AS MOST OTHER AGENCIES, VIEWED THIS AS A SERIOUS THREAT TO OUR NATION'S INSPECTION SYSTEM, AND MANY ENDEAVORED TO UPGRADE THEIR AGENCIES AND PERSONNEL, AND CONTINUED TO COOPERATE WITH AMS TO RETAIN THE QUALITY OF INSPECTION SERVICE NEEDED TO SERVE THE GRAIN INDUSTRY AND ESPECIALLY THE PRODUCER. HOWEVER, AS YOU ARE WELL AWARE, THERE WERE AREAS WHERE A COMBINATION OF LACK OF FEDERAL SUPERVISION, ISOLATED CONFLICTS OF INTEREST AND PRESSURES APPLIED TO OFFICIAL INSPECTION PERSONNEL, RESULTED IN THE NATIONAL INSPECTION SYSTEM'S INTEGRITY BEING QUESTIONED.

THIS BRINGS US TO THE PRESENT TIME WHEN THE MISSOURI DEPARTMENT OF AGRICULTURE AND OTHER STATE AND PRIVATE AGENCIES ARE DESPERATELY TRYING TO RETAIN OUR CREDIBILITY, AND AT THE SAME TIME, CONTINUE TO PERFORM A QUALITY INSPECTION AND WEIGHING SERVICE AT

AN ECONOMICAL COST. WE ARE EXPERIENCING A COMBINATION OF QUALIFIED, EXPERIENCED, AND DEDICATED FGIS EMPLOYEES; AND AT THE SAME TIME, A NEW BREED OF FGIS EMPLOYEE WHO WILL BE ABLE TO PERFORM THE DUTIES AND GIVE PROPER SUPERVISION IF GIVEN THE TIME AND TRAINING NEEDED TO BECOME A QUALIFIED EMPLOYEE. HOWEVER, THERE IS ANOTHER KIND OF FEDERAL EMPLOYEE PRESENTLY EMPLOYED IN THE FGIS WHO IS NOT QUALIFIED TO PERFORM THE PHYSICAL WORK OR SUPERVISION REQUIRED. THIS TYPE OF EMPLOYEE IS A DETRIMENT, AND IS EXTREMELY COSTLY TO THE NATIONAL INSPECTION SYSTEM. THIS SITUATION CREATES HARD FEELINGS BETWEEN EMPLOYEES OF BOTH FEDERAL AND OFFICIAL AGENCIES WHO ARE RESPONSIBLE, DEDICATED, AND WELL QUALIFIED. STRICT CRITERIA MUST BE ESTABLISHED IMMEDIATELY FOR ALL FEDERAL EMPLOYEES IN EACH G. S. RATING TO ELIMINATE THIS UNQUALIFIED EMPLOYEE.

THE MISSOURI DEPARTMENT OF AGRICULTURE WAS ONE OF TEN AGENCIES TO FIRST AGREE TO PARTICIPATE IN THE AMS MONITORING SYSTEM. HOWEVER, IN MY OPINION, IT SOON BECAME APPARENT THAT THE MONITORING SYSTEM WAS A VERY LIMITED FORM OF SUPERVISION. THE NUMBER OF SUPERVISIONS REQUIRED PER AGENCY IS DETERMINED BY THE NUMBER OF LICENSED INSPECTORS. THE SAMPLES ARE CHOSEN ON A RANDOM BASIS. I ESTIMATE APPROXIMATELY 70 PER CENT OF THE SAMPLES DO NOT CONTAIN GRADING FACTORS THAT WARRANT BEING MONITORED. THEREFORE, 70 PER CENT OF THE 90 FGIS EMPLOYEES, AND THOUSANDS OF MAN HOURS INVOLVED ARE OF MINIMUM BENEFIT IN THIS TYPE OF SUPERVISION. THIS SYSTEM ALSO ELIMINATES THE SUPERVISION OF THE LICENSED SAMPLER, AS DOES THE

CONTRACT SAMPLING, AND APPEAL BASIS OF FILE SAMPLE. IT IS APPARENT TO ME, AS ILLUSTRATED, THAT WITH THE LACK OF PERSONNEL, THE FGIS HAS CUT BACK DRASTICALLY ON THE NECESSITY OF SUPERVISED SAMPLING, THE MOST IMPORTANT FUNCTION OF OFFICIAL INSPECTION.

THE PROPOSED REGIONAL CONCEPT IS A PERFECT EXAMPLE OF FEDERAL OVERKILL IN ACTION. THE FGIS, WHEN FULLY OPERATIONAL, IS EXPECTED TO EMPLOY 2,741 EMPLOYEES, 2,300 OF WHICH WILL BE MAKING POLICIES, AND SUPERVISING 2,380 STATE AND PRIVATE LICENSEES AS WELL AS PERFORMING OFFICIAL INSPECTIONS THEMSELVES.

THE FIVE REGIONAL OFFICES PROPOSED WILL HAVE 21 EMPLOYEES IN EACH OFFICE, INCLUDING A REGIONAL DIRECTOR, ASSISTANT REGIONAL DIRECTOR, AND AN ASSISTANT DIRECTOR, PLUS THREE MORE ADMINISTRATIVE POSITIONS TO SUPPORT APPROXIMATELY 600 TO 700 FIELD EMPLOYEES; A COST ESTIMATED IN EXCESS OF \$25,000 PER ADMINISTRATIVE POSITION. INCLUDED IN THIS REGIONAL STAFF WILL BE PERSONNEL MAKING POLICY FOR THE AGRICULTURAL MARKETING ACT OF 1946, NOT THE UNITED STATES GRAIN STANDARDS ACT OF 1976.

IT IS INCONCEIVABLE THAT FGIS IS PRESENTLY COLLECTING FEES FOR A PROPOSED REGIONAL STAFF OF 105 EMPLOYEES, INCLUDING OPERATIONAL COSTS, BEFORE THE PROGRAM IS IN OPERATION. THIS METHOD WILL SOON CREATE A LARGE SURPLUS OF FUNDS. IF THIS IS ACCURATE, I SERIOUSLY QUESTION THE ESTIMATED TOTAL SUPERVISION FEE COST OF

5.4 MILLION DOLLARS PROJECTED BY THE FEDERAL GRAIN INSPECTION SERVICE AS BEING ACCURATE, AS THE EXPENSE OF THE REGIONAL CONCEPT ALONE AMOUNTS TO \$2,906,235 FOR 105 EMPLOYEES.

SECTION 7, J, (2), AUTHORIZES THE FGIS TO CHARGE THIS FEDERAL SUPERVISION FEE TO GENERATE REVENUE TO PAY FOR THE REGIONAL CONCEPT MONITORING PROGRAM, AND ENTIRE OPERATION OF THE FGIS SUPERVISION OUTSIDE THE WASHINGTON, D. C. OFFICE. THE MISSOURI DEPARTMENT OF AGRICULTURE VIEWS THE FEE CHARGE EFFECTIVE FEBRUARY 1, 1977, OF 80 CENTS PER 1,000 BUSHELS ON THE TOTAL VOLUME OF GRAIN OFFICIALLY INSPECTED BY AN AGENCY, AS EXORBITANT, AND TOTALLY UNWARRANTED AT THE PRESENT TIME. WE ARE EXTREMELY CONCERNED THAT NO CONSIDERATION HAS BEEN GIVEN TO THE PRODUCER, AS THIS FEE WILL BECOME ANOTHER BURDEN TO THE FARMER IN THE FORM OF RECEIVING LESS MONEY FOR HIS PRODUCT WHEN HE IS ALREADY EXPERIENCING TREMENDOUS PRODUCTION COSTS AND DISASTER PROBLEMS. THIS SUPERVISION SERVICE DIRECTLY BENEFITS THE CONSUMER, AS DOES THE FEDERAL MEAT INSPECTION SERVICE AND OTHER FEDERAL PROGRAMS, AND SHOULD BE APPROPRIATED AS SUCH.

WE ARE EXTREMELY CONCERNED OVER THE POSSIBILITY OF THE GRAIN INDUSTRY, AT INTERIOR MARKETS, REVERTING TO AN UNOFFICIAL INSPECTION AND WEIGHING SERVICE, OR A REDUCTION OF SERVICE TO AVOID THE ADDED COST OF THIS FEDERAL SUPERVISION FEE FOR INSPECTION AND WEIGHING SERVICES. IF THIS SUPERVISION FEE IS FORCED UPON THE OFFICIAL INSPECTION AGENCIES, GRAIN INSPECTION WOULD TAKE A GIANT STEP

BACKWARD, WERE THE INTERIOR MARKETS TO REVERT TO AN UNOFFICIAL SERVICE. I SERIOUSLY DOUBT THAT THE INTENT OF CONGRESS WAS TO INDIRECTLY CREATE ANOTHER FORM OF GRAIN INSPECTION OR WEIGHING SERVICE, OR A REDUCTION OF THE OFFICIAL SERVICE.

I ADVOCATE THE NECESSITY FOR THE MISSOURI DEPARTMENT OF AGRICULTURE, AS WELL AS ALL STATE AND PRIVATE AGENCIES PRESENTLY PERFORMING OFFICIAL INSPECTION (UNLESS CONVICTED OF WRONG DOING) TO RETAIN THEIR OFFICIALLY DESIGNATED STATUS. IF NECESSARY, OFFICIAL AGENCIES SHOULD BE ALLOWED TO PERFORM THE UNOFFICIAL, AS WELL AS THE OFFICIAL INSPECTION AND WEIGHING SERVICE IN ORDER TO RETAIN THE NEEDED UNIFORMITY AND INTEGRITY IN THE NATIONAL GRAIN INSPECTION AND WEIGHING SYSTEM.

IT IS INCONCEIVABLE THAT MANY STATE AND PRIVATE INSPECTION AGENCIES (WHO HAVE HAD NO INDICATION OF IRREGULARITIES) ARE NOW FACED WITH THE LEGALITY OF SIGNING AN AGREEMENT TO PAY A SUPERVISION COST IN ORDER TO RETAIN THEIR SERVICE OF AN OFFICIAL INSPECTION AND WEIGHING PROGRAM. A SPECIAL APPROPRIATION MUST BE REQUESTED, BUT AT THIS TIME, THE STATES ARE UNABLE TO DETERMINE THE AMOUNT OF APPROPRIATION REQUIRED UNTIL THE FGIS CAN FURNISH THE NUMBER OF HOURS REQUIRED FOR WEIGHT SUPERVISION. LEGISLATION MUST BE INTRODUCED AND PASSED INTO LAW BEFORE THE MISSOURI DEPARTMENT OF AGRICULTURE AND OTHER STATES ARE NOT IN DIRECT VIOLATION OF SECTION 7, F, 1, (A), AND SECTION 7, J, (2) OF THE ACT.

THESE VIOLATIONS MUST BE ELIMINATED BEFORE WE CAN LEGALLY ENTER INTO THIS AGREEMENT. THEREFORE, THE MISSOURI DEPARTMENT OF AGRICULTURE STRONGLY RECOMMENDS THAT SECTION 7, J, (2) OF THE UNITED STATES GRAIN STANDARDS ACT OF 1976 BE AMENDED TO PROVIDE FEDERAL APPROPRIATIONS THROUGH FISCAL YEAR 1978 TO PAY FOR ALL ACTIVITIES OF THE FGIS, WHICH ARE NOT REIMBURSED BY USER FEES. DURING THIS TIME, THE STATES WILL BE ABLE TO SEEK LEGISLATION TO COMPLY WITH SECTION 7, F, 1, (2) OF THE ACT, AND THE FEDERAL GRAIN INSPECTION SERVICE SHOULD BE ABLE TO ESTABLISH REGULATIONS FOR OFFICIAL WEIGHING, ALLOWING THEM TO DETERMINE THE EXACT COST OF BOTH INSPECTION AND WEIGHING SUPERVISION.

WE FURTHER SUGGEST THAT THE HOUSE AGRICULTURAL COMMITTEE SERIOUSLY RECONSIDER APPOINTING A COMMITTEE COMPOSED OF THE FGIS ADMINISTRATOR, STATE AND PRIVATE INSPECTION OFFICIALS, PRIVATE INDUSTRY, AND THE GENERAL ACCOUNTING STAFF TO EVALUATE THE NEED AND MERIT FOR CHARGING OFFICIAL STATE AND PRIVATE AGENCIES FOR FGIS SUPERVISION SERVICES AS PROVIDED IN SECTION 7, J, (2), OF THE ACT. WE RECOMMEND THIS EVALUATION INCLUDE AN IN-DEPTH STUDY OF PAST, PRESENT, AND FUTURE SUPERVISION ACTIVITIES OF THE FGIS, INCLUDING THE COST, EFFECTIVENESS AND BENEFIT OF THE MONITORING, REGIONAL, AND OTHER SUPERVISION CONCEPTS, AND THE EXTENT OF TRAINING NEEDED TO EFFICIENTLY SUPERVISE THE INSPECTION AND WEIGHING SYSTEM. IN ADDITION, AN IN-DEPTH STUDY OF EACH STATE AND PRIVATE AGENCY'S PERFORMANCE AND CREDIBILITY SHOULD BE CONSIDERED IN DETERMINING

THE EXTENT OF FGIS INSPECTION AND WEIGHING SUPERVISION NEEDED FOR EACH AGENCY,

THE RESULTS OF THIS STUDY ARE TO BE SUBMITTED TO THE HOUSE AG COMMITTEE BY JANUARY 1, 1978 TO BE USED AS REFERENCE MATERIAL IN DETERMINING THE EFFECTIVENESS OF THE PRESENT FGIS CONCEPT OF SUPERVISION. IF CHANGES IN THE FGIS PROCEDURES ARE WARRANTED, THE HOUSE AG COMMITTEE WILL ADVISE THE FGIS ADMINISTRATOR OF THE NEEDED CHANGES IN PROCEDURES. AT THAT TIME, THE HOUSE AG COMMITTEE WILL BE ABLE TO DETERMINE IF FURTHER AMENDMENTS ARE NEEDED, AND THE SOURCE FROM WHICH FUNDS WILL BE DERIVED TO CONTINUE FEDERAL SUPERVISION OF THE NATIONAL INSPECTION SYSTEM.

WE ALSO SUGGEST THAT THE HOUSE AG COMMITTEE CONSIDER AN AMENDMENT TO SECTION 12, D (RECORDS) TO INCLUDE A MINIMUM NUMBER OF TOTAL BUSHELS OFFICIALLY INSPECTED AND WEIGHED, AS THIS COMPLEX RECORD KEEPING PLACES AN UNFAIR BURDEN UPON THE SMALL GRAIN ELEVATORS IN THE FORM OF AN UNWARRANTED EXTRA COST.

I AM GRATEFUL FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY,

APRIL 29, 1977

Mr. DANIELSEN. I might mention one more thing which is uniformity.

We feel that since 1916, uniformity has been brought by the U.S. Grain Standards Act. There has been quite a bit of talk about an unofficial service. The State of Missouri would not like to see this happen. We feel we would lose all form of uniformity.

In closing, we support the Senate bill 1051. We would like to support something similar to the Sebelius bill, such as House Resolution 4851, and we definitely feel that all appropriations should be financed by the Federal Government.

Thank you, Mr. Chairman.

Mr. DE LA GARZA [acting chairman]. Thank you very much. We appreciate your being here.

Mr. Coleman?

Mr. COLEMAN. Mr. Chairman, may I extend a hello to the gentleman from Missouri and congratulate him on the fine operation they have in Missouri in grain inspection and congratulate him on his testimony.

Mr. DANIELSEN. Thank you very much.

Mr. DE LA GARZA. Thank you very much. We appreciate your cooperation.

Mr. Jefferson, would you come to the witness table?

We will be happy to hear from you.

STATEMENT OF M. W. JEFFERSON, DIRECTOR, DIVISION OF MARKETS, VIRGINIA DEPARTMENT OF AGRICULTURE

Mr. JEFFERSON. Mr. Chairman, my name is M. W. Jefferson, director of the Division of Markets. I am presenting this statement on behalf of Mr. Carbaugh.

Mr. Chairman, I believe this statement was inserted earlier and in view of the time pressures, I would like to make three recommendations to your committee.

Our main concern is to place the supervision of costs of the Federal grain inspection program, where we feel it justifiably belongs and that is that it be from appropriated funds.

The second is that we believe that checks and balances be established in this program through the method of having the funds appropriated.

Gentlemen, we also feel that an advisory committee is an almost absolute necessity.

Mr. DE LA GARZA. We thank you very much for your statement.

Mr. JEFFERSON. Thank you very much, Mr. Chairman.

Mr. DE LA GARZA. I understand that Mr. Purcell is going to present the statement of Mr. Theis.

Would you proceed?

Mr. PURCELL. I would like to present the statement of Mr. Theis. I would like to have his statement made a part of the record at this point and I will make a very few remarks. We would appreciate that time.

Mr. DE LA GARZA. Without objection, Mr. Theis' statement will be inserted in the record at this point.

[The prepared statement submitted by Mr. Theis follows:]

STATEMENT
OF
THE BOARD OF TRADE OF KANSAS CITY, MISSOURI, INC.
BEFORE THE
COMMITTEE ON AGRICULTURE
OF THE
UNITED STATES HOUSE OF REPRESENTATIVES

H.R. 6135

TO AMEND THE U.S. GRAIN STANDARDS ACT
WITH RESPECT TO RECORDKEEPING
REQUIREMENTS AND SUPERVISION FEES

APRIL 29, 1977

Presented by:

Willis C. Theis, Chairman
Legislative Committee

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to appear before your committee to discuss a topic of vital importance to producers, handlers, and consumers of grain, both here and abroad.

I am Willis C. Theis, Chairman of the Legislative Committee of The Board of Trade of Kansas City, Missouri, Inc., and Chairman of the Board of Simonds-Shields-Theis Grain Co. of Kansas City, Missouri. I will present the statement of The Board of Trade of Kansas City, Missouri, Inc., and then attempt to answer any questions you may care to ask me.

The Kansas City Board of Trade, which traces its ancestry back to 1856, has been a major Midwestern agricultural trading market since the 1870's. Its 214 members represent all segments of the grain industry - millers, processors, farmer-owned cooperatives, grain merchants, exporters, cash and futures brokers, futures commission merchants, and others. Although grain futures contracts have been traded in Kansas City for over 100 years, and the Board of Trade was designated a contract market in 1923, the majority of its members characterize themselves as being in "the grain trade." As such, they are involved in the important, never ending process of buying, financing, hedging, marketing, and transporting grain from producers to processors and users. In 1976, 221,442,521 bushels of grain were received and 123,170,713 bushels were shipped by our market.

We are quite concerned as to the interpretation by the U.S. Department of Agriculture of the meaning of the U.S. Grain Standards

Act of 1976 - and agree with the reactions of the State of Kansas' Governor and Grain Inspection and Weighing Department, the Missouri Department of Agriculture Grain Inspection and Weighing Department, and many others, to some of its inherent implications and costs.

The Federal Grain Inspection Service (hereinafter referred to as the Service) to date has done nothing to improve its original objective which was to establish grain standards and supervise the applications of such standards for uniform grading by inspectors at all grading locations. There are many serious problems and deficiencies in the present application of the intent of the Grain Standards Act - problems that are not being solved or considered by the Service at this time. From all observations, the Service has given consideration only to a material increase in cost with no improvement in service.

The major problem of obtaining uniformity in grade and grading factors (which is estimated to run as high as 25% error between inspection points) is not being improved.

As an illustration concerning the costs involved, allow me to present the following basic comparisons:

	K.C. PRESENT INSPECTION COSTS PER UNIT		FGIS PROPOSED COST PER UNIT	PERCENTAGE INCREASE
	<u>Missouri</u>	<u>Kansas</u>		
Truck	\$ 3.00	\$2.50	\$12.00	380%
Boxcar	5.00	4.00	14.00	250%
Hopper Car	10.00	7.00	16.00	128%

In situations where the Service will perform only supervising of inspections and/or weights, they propose a charge to the agency

being supervised. This supervision cost per unit will be charged on all units inspected and/or weighed by the State agencies and others - even though the Service will only check grading factors on a very small percent of the samples handled by the State inspection agencies.

The Service is only to check operational procedures and not uniformity of application. It has been stated by Service officials that they will not perform any additional services than they are currently performing.

Therefore, we urge and support needed amendments and interpretations to the U.S. Grain Standards Act of 1976 so that its "Declaration of Policy" can be implemented with the objective that grain may be marketed "in an orderly and timely manner" for "the promotion and protection of such commerce in the interests of producers, merchandisers, warehousemen, processors and consumers of grain." Our contention is that both no Federal funding, and 50% Federal funding as proposed by H.R. 6135, run counter to the goals set out in the Act's Declaration of Policy.

We also feel that official inspection and grades must be continued in as many locations in the U.S. as are needed to facilitate the orderly and timely movement of commerce, and that they must supervise effectively such commerce in a consistent manner. This must be done in accordance with the Congressional intent quoted above.

As it is proposed by the Service, they will impose a level of

fees and services, disregarding the need of orderly and timely marketing of grain, and without consideration of the fact that the costs of these services and disruption of operations must be passed back to the producer, unless full Federal funding is provided. As you are no doubt well aware, wheat growers' prices now are below cost of production for most producers, so that the additional charge for inspection supervision will be most unpopular in wheat producing areas.

The Kansas City Board of Trade was in part established to bring order and fair dealing in grain trading, and has many rules and regulations to this end. The Kansas City Board of Trade cannot function as it should without efficient inspections at reasonable costs. Quite a few of our rules define our operation and function to be an official weight and grade market.

If the problems of the Act being implemented are not resolved in some manner so that the States of Kansas, Missouri, and others can maintain and afford official inspection and weights in our market, we will see a chaotic situation develop. This primarily relates to the cost of marketing the producers' grains, which cost must be borne by the producers.

We will quickly try to tell the chaos relating to the following effects if official inspections and weights are not available:

- (1) As proposed, the Regulations would cut across many of the requirements and rules we and other exchanges have developed and operated under regarding contract satisfaction. These have

served the producers and handlers of grain, processors, and exporters well over the years.

- (2) Please note that the possible effect of the proposed Regulation (that of causing Kansas and Missouri to drop "official" Federally licensed and supervised inspection and weighing) would not allow Kansas City to operate other than as a "country station" as it could not then meet the requirements as set forth in the Designation of a Contract Market as required in Section 5a of the Commodity Exchange Act. That Act demands that we enforce our rules and regulations, and further raises the possibility of putting our Designation for trading in futures contracts in jeopardy because we would not have official inspections and weights available.
- (3) The loss of official inspection and grades is related to and would affect the Government Loan Program. Without official inspections and grades, all of the terminal elevators in the Greater Kansas City switching district would be approved as country elevators, and put in a non-competitive position with relation to other subterminal and terminal elevators in the United States.
- (4) The effects without official certification relating to Government Purchase Programs. Again - we find ourselves in a non-competitive position because of destination settlements for weights and grades.
- (5) The effects with non-official certification on bank loans. The bonded warehouse receipts now supported by official

inspection and weight certificates afford our grain, milling, and feed industry credit lines of 90% of valuation. It is logical to assume that with certification of a non-official nature, it would limit the value of our warehouse receipt collateral to a lesser percentage of valuation which would affect farmers, mills, and merchandisers. This would increase the price spread between the farmer and the ultimate consumer.

Now, gentlemen, we propose and recommend:

- (1) The Act be amended to afford permanent and full Federal funding of fees, as has been the case since the adoption of the U.S. Grain Standards Act in 1916, and as has been proposed by the Senate.
- (2) Establish Advisory Committees to work with the U.S.D.A. and the Administrator of the U.S. Grain Standards Act of 1976 to develop and recommend reasonable rules and regulations to the Act. These committees could well be two in number - one working with matters pertaining to inspections, and the other committee working with matters pertaining to weights. Such committees should be chaired by a top official in the U.S.D.A. and/or the Agency and its representative members selected from all interested groups, including but not limited to producers; state and private agencies; grain, milling, and feed industry; economists; professors with expertise in grain marketing from land-grant colleges; and consumer groups. They should hold hearings

in various markets, to get all viewpoints and problems.

- (3) Obtain a recommendation from this House Committee on Agriculture to have appropriated and allocated research funds to complete the development of automated grain grading. The system should be practical in both cost and adaptability for all grain elevators.
- (4) Immediately implement such administrative action as may be necessary to further the Act's mandate to facilitate "orderly and timely" marketing of grain to insure prompt, consistent, uniform grading.
- (5) Delete the recordkeeping requirement for country elevators entirely; and do not leave this up to the discretion of the Federal Grain Inspection Service. With all due respect, the tendency of a government agency is to require more records to be kept longer than needed, since this involves no risk on the agency, regardless of the cost and bother it causes industry - in this case, numerous small country grain elevators, many co-op owned, all over the country.

APPENDIX

CONTRACT MARKET - DESIGNATION

Sec. 5. The Commission is hereby authorized and directed to designate any board of trade as a "contract market" when, and only when, such board of trade complies with and carries out the following conditions and requirements:

(a) When located at a terminal market where any cash commodity of the kind specified in the contracts of sale of commodities for future delivery to be executed on such board is sold in sufficient volumes and such conditions as fairly to reflect the general value of the commodity and the differences in value between the various grades of such commodity, and where there is available to such board of trade official inspection service approved by the Secretary of Agriculture or the Commission for the purpose: Provided, that any board of trade not so located shall be designated as a "contract market" if such board of trade provides for the delivery of commodities on such contracts at a delivery point or points and upon terms and conditions approved by the Commission. (As amended by Act of October 23, 1974 (Commodity Futures Trading Commission Act of 1974), effective April 21, 1975, Sec. 103, 88 Stat. 1392).

STATEMENT OF GRAHAM PURCELL, THE BOARD OF TRADE OF KANSAS CITY, MO., INC.

Mr. PURCELL. The points are being made again and again, Mr. Chairman, of the extreme difficulty of realizing the benefits from these increased costs. I will reemphasize that as one of the points that is in the statement of Mr. Theis.

I should say that Mr. Theis is a member of the Kansas City Board of Trade. He had trouble with transportation. That is why he is not here.

He is also a long-standing member of the grain company there.

Let me make this point. The present cost of inspection at Kansas City's Board of Trade, which is both Kansas and Missouri State Inspection Service, is this.

A truck of grain to be inspected in Missouri under the present system would be \$3, and in Kansas, \$2.50. Under the proposed FGIS proposition, it would get \$12, which is an increase of 380 percent.

On an ordinary box car, Missouri charges \$5, Kansas \$4, and the recommended fee for the Federal Grain Inspection Service would be \$14. That is an increase of 250 percent.

For a hopper car, Missouri charges \$10, Kansas \$7, and the recommended fee is \$16, which is an increase of 120 percent.

These increases are brought about without any added service that either the owner of the grain or the inspection agency or whomever. It has no added benefit.

Other points have been made here today.

The Kansas City Board of Trade has existed for over 100 years. They have been inspecting grain there for at least since 1923. I do not know for how long, but without any complaints coming forward and to change now seems unnecessary to them and to me without any gain or benefit to the consumer. It would be detrimental to the producer because all of this will come right out of the hide of the grain farmer.

In closing, Mr. Chairman, let me say this. Earlier today a comment was made when Mr. Hightower was questioning Mr. Meyer about the meat inspection. I realize Mr. Meyer has not been in the USDA very long, but I would like to confer about what he was getting at and the fact is that the meat inspection which is done for Holsteins is done by the Federal Government.

The inspection of cotton is U.S. supported, rice is not. It has always been that way. But to have the bureaucrats from downtown say that meat, because it is graded differently than wheat is, and say that it is supported by a fee system and have the public believe that has any particular merit here is not good.

The grading of meat, that is, that Mr. Meyer was talking about, is for the benefit of either the wholesaler or retailer. You can take a purple ink thing and open it up down the side of the beef and it says "Choice" or "Good" or whatever, so whatever the retailer or the wholesaler can say that this is graded "Choice" and USDA graded.

But this benefits the retailer or the wholesaler.

But the purpose of the Meat Inspection Act as the purpose of the Grain Inspection Act, is for the benefit of the public.

In meat it is supported 100 percent except for overtime, by the U.S. Treasury.

So, I would just hope that this committee could find in its wisdom to take away all of the fees that do away, really, with all the record-keeping.

When the Futures Commodity Commission had to move out of USDA, they found thousands of tons of records that somebody had required somebody to keep which have never been opened. I would predict this is what we will find if the burden of recordkeeping is left in this law or we will allow the people downtown to generate requirements for this. Nobody will ever know it is there or be benefited from it.

I thank you for listening.

Mr. DE LA GARZA. Thank you very much. I apologize for mispronouncing Mr. Theis' name. Next time he can mispronounce de la Garza.

[Laughter.]

Mr. PURCELL. I will do that. Chances are he would.

[Laughter.]

Mr. DE LA GARZA. Is Mr. Norman Weckerely here?

You may proceed.

[The prepared statement submitted by Mr. Weckerely follows:]

STATEMENT OF NORMAN WECKERELY, CHAIRMAN OF FOREIGN MARKETING
COMMITTEE, GREAT PLAINS WHEAT ASSOCIATION, ACCOMPANIED BY
MICHAEL HALL, PRESIDENT

Mr. Chairman and Members of the Committee: I am Norman Weckerly, Chairman of the Foreign Marketing Committee of Great Plains Wheat, Inc., and Chairman of the North Dakota Wheat Commission. I am also a wheat producer and grain elevator operator in North Dakota. Accompanying me today is Michael Hall, President of Great Plains Wheat, an organization representing the wheat producers of seven Great Plains states in promoting the export sale of all classes of U.S. wheat. I appreciate having the opportunity to testify today on the proposed amendments to the U.S. Grain Standards Act, and to make some observations about the Federal Grain Inspection Service (FGIS).

The FGIS has been in operation long enough for producers, grain handlers and other concerned individuals to make some judgments about its effectiveness in dealing with the problems it was created to solve. At the same time, it is still early enough to identify and hopefully correct any problems in the new system. Bearing in mind that the ultimate purpose is to insure quality grain in export trade, the present system for federal inspection and federal supervision of grain weighing and grading may well have serious repercussions on the ability of this country to market its grain overseas in an efficient and competitive manner.

During its many years under largely private control, the U.S. grain production, handling and inspection system demonstrated an unmatched ability to respond to wide variations in world demand. Beginning in 1972, when the export volume of wheat almost doubled in one year, both producers and the grain handling and shipping industry responded with remarkable speed and efficiency to meet the increased demand. In the process, weighing and grading abuses occurred in an extremely localized part of the private grain inspection industry. Obviously, some well-thought-out changes were necessary, especially regarding the penalties imposed on individuals or companies involved in such irregularities. As the offenses were made public, however, there were many individuals who called for a complete government takeover of grain inspection supervision. Early in 1976, we presented testimony before the Senate Agriculture Committee which called for reasonable reforms, recognizing that the extension of Federal supervision to all points would be too costly, too disruptive, and would create cumbersome bottlenecks throughout the grain marketing chain. We also observed at that time, and now feel confident, that across-the-board Federal involvement in grain inspection regulation would not materially improve the system.

One year later, and six months into the implementation of the new Federal system, we are faced today with hard evidence that these concerns with its cost, disruptive impact, effect on efficiency, and lack of specific benefits were well founded. In terms of cost, the assessment of supervisory and user's fees alone will make increased Federal participation far more expensive than the network of private, state and government agencies which it is replacing and supplementing. In addition, FGIS officials have acknowledged that the USDA will not assume responsibility for any mistakes made in grading and weighing. In effect, the cost for such errors or mistakes will be passed back to the grain trade. The trade will then pass this burden on -- to the producer in the form of lower prices for his grain in times of surplus, or to the buyer (and therefore the consumer) in times of relative scarcity.

The disruptive impact of increased Federal regulation on the U.S. grain marketing system has been well documented during the past six months. Movement of wheat to the Gulf has been seriously impeded due to grading and weighing discrepancies between interior and export position inspections. Moreover, the broad reforms being introduced have cast an air of uncertainty over the entire U.S. grading and weighing system in the eyes of our foreign customers.

The indirect costs resulting from the effect of Federal regulation on the efficiency with which grain moves through marketing channels to export positions are difficult to measure. The grain handling and distribution industry in the United States is geared to rapid movement of large quantities of material, and has been vital to our ability to respond quickly to sudden increases in demand. Federal supervision of

private and state weighing and grading at interior points has already begun to retard the turnover of grain inspected. We are all aware that such reductions in efficiency result in increased costs. It is naive to expect the grain handler or shipper to absorb the interest payments and demurrage charges which grain backups will serve to increase. Again, these costs will be passed on to the buyer and the consumer in times of scarcity, or passed back to the producer in times of surplus.

In terms of specific benefits, we must once again question the need for finding a comprehensive solution to an uncharacteristic, localized problem. Federal supervision of state inspection agencies, the vast majority of which have excellent records, serves no purpose other than to maintain a dubious claim to consistency, while at the same time increasing costs. There is a need to recognize the sharp distinction between deliberate grain inspection abuses on the one hand, and grade or quality variations based on subjective determinations on the other. The FGIS was created to prevent international weighing and grading irregularities. There is no way, however, that even the most vigilant inspection service can prevent variance in tests which rely on human rather than scientific evaluation. We in the Great Plains area have always been aware that such discrepancies are inevitable. We have come to regard the recourse of appealing a state or private grade determination to the Federal level as important in obtaining an independent ruling from an uninvolved party. With the initiation of FGIS inspection at the local level, however, we feel that the appeal procedure will lose some of its present objectivity.

Many people in the United States seem to forget that the overall purpose of the export grain grading and handling system is to facilitate the movement of wheat and other grains to foreign buyers. In this entire effort to overhaul our system, there has been little if any consultation with our foreign customers. Moreover, some of our friends overseas have commented to officials in Great Plains Wheat that the U.S. is far more concerned with changing grain standards and handling procedures than the foreign customers. In fact, several changes being proposed in the U.S. grain standards and handling procedures are opposed by many overseas buyers. I would only point to the legislative proposal to prohibit the FGIS from issuing a certification of dark, hard and vitreous (DHV) kernel content for shipments of U.S. Hard Red Winter wheat. While understanding the reasons for the advancement of this amendment at this time, we feel that radical modification in U.S. export practices in order to accommodate temporary, seasonal production problems are not justified. The comments received by Great Plains Wheat clearly indicate that foreign customers want to continue receiving a DHV certification. The U.S. should keep foremost in mind the concerns, criticisms and desires of the overseas buyer and consumer when making any modifications in our system for grading and moving grain abroad.

Our greatest concern is with the tendency to overreact and, therefore, overregulate, on the part of the Federal inspection service. While the need to review and improve U.S. grain standards and inspection procedures is important, it is equally important to maintain customer confidence in the stability and consistency of our system. As it presently stands, the U.S. Grains Standards Act only provides guidelines for the FGIS to follow in insuring against future inspection violations. We have already seen that, without further clarification, the authority of the FGIS will be extended far beyond this policing function. Such a prospect should be prevented through the legislative limitation of FGIS responsibilities to only those areas which have demonstrated a need for Federal oversight. The government should not, however, become involved in other areas of the U.S. grain handling and inspection system which have demonstrated an ability to operate honestly, efficiently and inexpensively.

I thank you for the opportunity to present these views on the proposed amendments to the U.S. Grain Standards Act and on the operations of the FGIS. I will do my best to answer any questions you might have about these matters.

Mr. DE LA GARZA. Thank you very much.

Prof. Arlin Ward, would you approach the witness table?

I am informed that the chairman had advised all witnesses that their cooperation would be appreciated in reserving the statements to 5 minutes.

[The prepared statement submitted by Mr. Ward follows:]

STATEMENT OF ARLIN WARD
KANSAS STATE UNIVERSITY, DEPARTMENT OF GRAIN SCIENCE AND INDUSTRY

This statement is offered by Arlin B. Ward, professor of Grain Science and Industry, Kansas State University and Floyd W. Smith, director of the Agricultural Experiment Station, Kansas State University.

We desire to express our concern about proposed modifications of the Grain Standards Act of 1976. Specifically our concern relates to that portion which reads "Federal Grain Inspection Service of the United States Department of Agriculture (be) prohibited from performing any analysis of hard red winter wheat designed to subclass such type of wheat by its color, including, but not limited, to any analysis to determine the dark, hard and vitreous (DHV) kernel content of such type of wheat."

We have become dependent on export sales of U.S. wheat production. More than two of every three bushels of Hard Red Winter Wheat produced have to be sold to international customers if we are to maintain prosperity in the Great Plains. Also this volume of international wheat sales must continue if we are to maintain positive U.S. trade balances.

Our wheat is being purchased and used in many ways throughout the world. Our international customers have a selection system based on U.S. Grain Standards which places wheat into classes and subclasses.

Three of the market classes, Hard Red Winter, Hard Red Spring, and Durum, are each divided into three subclasses based on percentages of dark hard and vitreous kernels.

We have limited knowledge of uses made of the Hard Red Winter Wheat subclasses by users of our wheat in other countries. But it is our best judgment that our customers should be provided information on the wheat needed to continue large volumes of sales.

It is well known that Hard Red Winter Wheat can have a large range of percent of protein. Protein percentage is one of the most important tests used to write meaningful specifications for predicting product performance. Few U.S. millers buy Hard Red Winter Wheat without knowing its percentage of protein.

It would seem very advantageous to provide protein as part of our grading system. Our customers abroad want to buy wheat with as many known characteristics as are practical and useful. In many cases they want to buy the same type of wheat with quality similar to the last purchase.

Some of our customers have experienced a few surprises when they purchased Hard Red Winter Wheat "Ordinary." Instead they specify subclass with a good chance that Dark Hard Winter will provide higher protein than Yellow Hard Winter.

Ideally, protein content would be included as an official determinant of each subclass designation. But this will not be achieved in the immediate future. This means that we will have to depend on knowledge of yellow berry content as a guide in this regard. We certainly must not preclude indication of percentage of dark hard

and vitreous kernels for our international customers who seek this information.

Hard Red Winter Wheat loses much of its quality image when it has low protein content. It would be helpful to label such wheat having less than a minimum protein percentage (as for example 10%) something other than Hard Red Winter.

We know for a fact that the United Kingdom has found that dark hard and vitreous kernels help millers to increase their starch damage to desired levels.

We also have learned that some customers use Hard Red Winter subclass wheat for making farina to be used in pasta products. This is because Dark Hard Kernels provide more farina than Yellow Hard. We also know that Hard Amber Durum is better than the Durum subclass for maximizing semolina production.

Basically we need to strive for such extensive improvement in our wheat quality image that we improve our competitive position rather than hide behind some kind of imaginary screen as would be the case if we removed subclass identification without having a better means of indicating the market quality of a given lot of wheat.

Existence of large amounts of low protein yellow berry wheat is due mainly to environment and cultural practices in significant portions of the Southern Great Plains, including the southern tier of Kansas counties. These conditions have resulted in over production of mellow gluten varieties of Hard Red Winter Wheat. These are some of the reasons we have too much of the subclass "Yellow Hard." Inattention to nitrogen fertilizer needs also contributes significantly to this problem.

We in Kansas can take great pride in our release of Eagle variety of Hard Red Winter Wheat. It has superior protein characteristics; both as relate to quantity and quality.

Our preliminary research with rapid protein determination of wheat gives us confidence that we can some day hope to identify superior protein content of Hard Red Winter Wheat on a large scale basis. But this will not be an every day fact of life for some time. Meanwhile we must have the best possible subclass designation we can make.

Interference with subclass designation could mean loss of international sales with such cash paying customers as Japan, western European nations, and various South American countries, particularly such significant purchasers as Brazil, Chile, Peru and Equador. Further loss of such sales during a time of world wheat surplus could be extremely disastrous for our Hard Red Winter Wheat Producers.

We urge that serious attention be given this matter of subclass retention, at least in the form of providing percentage of dark hard and vitreous kernels when requested by the customer.

Attached is a booklet on Wheat Milling which points out some of the uses of wheat produced in the United States.

Thank you.

Mr. HIGHTOWER [acting chairman]. Thank you very much, Professor Ward. We appreciate your statement and we appreciate very much the booklet that you attached. That booklet will be made a part of the committee file. I am sure that the other members of the committee will find that the booklet you prepared contains useful information. I am sure they will be very grateful in receiving it.

[The booklet submitted by Mr. Ward is held in the committee file.]

We would now like to hear from Mr. Joseph Halow.

[The prepared statement submitted by Mr. Halow follows:]

STATEMENT
OF
JOSEPH HALOW, EXECUTIVE DIRECTOR
NORTH AMERICAN EXPORT GRAIN ASSOCIATION, INC.
BEFORE THE
HOUSE AGRICULTURE COMMITTEE
ON
AMENDMENTS TO THE U.S. GRAIN STANDARDS ACT
APRIL 29, 1977

My name is Joseph Halow, and I am Executive Director of North American Export Grain Association. Our members are the principal exporters of grains from the United States and are understandably very interested in the subject of these hearings today. We very greatly appreciate the opportunity to express some viewpoints on a subject so vital to an industry of such great importance to U.S. agriculture and the nation.

I should perhaps preface my remarks by explaining that when I refer to the grains industry, I include all those who merchandise grain or grain products. We have long been accustomed to suggest a strong difference between, for example, farmers and processors, farmers and grain traders and grain traders and processors. If this was so in the past, it is no longer so, for the industry has evolved greatly during the past several years, and it is now almost impossible to classify individuals in the industry as either buyers or sellers. In many instances they are both. Farmers are as concerned with merchandising grain as are grain dealers and grain exporters.

There has been so much said and written about grains inspection during the past several years I do not intend to belabor the point here. I feel, in any event, it would be pointless to

continue to look back. None of the exporters has ever denied that there had been problems with grains inspections. In order to overcome these problems and avoid recurrence in the future, the U.S. Department of Agriculture and the grain exporters instituted an Affirmative Action Program, which appears to have been very successful. An official of the Federal Grain Inspection Service indicated recently that of the 47 complaints they had received during the past year none had proved to be valid.

The situation appears then to have changed from the situation during which the modifications in the grains inspection system were conceived and subsequently implemented. Another very significant change has taken place in the world balance of supply and demand. The problems--and the corrections proposed--occurred during a period of time when world demand had stripped the U.S. short of supplies and severely taxed the U.S. handling and shipping system. We are now in a period of oversupply and reduced demand for wheat, and the outlook--at least in the short term--is not encouraging.

The entire area bears some reconsideration under the different light now cast on the industry. Legislation which may have been considered to be very necessary then should not be so inflexible it cannot conform to a greatly changed situation. Anything less than that could run counter to the interests for which the legislation was originally considered. The problems experienced in the implementation of the Federal Grain Inspection Service and the complaints which the FGIS officials indicate

continue to pour into their office from all sides confirm that it is time to reconsider some of the aspects of this legislation. We commend the Congress for continuing to express its interest in this very important factor of U.S. grain merchandising.

Just as the grain exporters never questioned the need for some corrective action in grains inspections at some points, they now do not question the existence of a new Federal Grain Inspection Service. We feel it is here to stay, and it is our desire to work with the officials of the FGIS in a sincere effort to make it the best possible inspection system. That obviously is also the intent of the proposed legislation being considered here and the Bill unanimously passed in the Senate recently.

One of the two major differences we have perceived in the two Bills is that the Senate Bill contains provisions for an advisory committee and legislation proposed here does not. An advisory committee could be helpful if it could be formed quickly and be able to respond promptly to problems in the inspection system. This does not appear to be the case, nor is there any indication that an advisory committee would have any authority. Under the circumstances, and considering the fact that advisory committees are now being viewed with something less than enthusiasm, we have come to the conclusion that another approach should perhaps be considered.

There are provisions in the legislation, according to which the Federal Grain Inspection Service is required to report regularly to Congress on the status of possible complaints on U.S. grain shipments. There is no provision in the legislation to

cover problems which might be involved in the inspection system itself. Exporters have been advised repeatedly by officials of the FGIS that they expect to make mistakes. They insist, however, they will not be liable for the mistakes, although they have legal authority and complete responsibility for conducting grains inspection and weighing. Mistakes in such a high volume business can easily run into costs of hundreds of thousands of dollars, incapable of being absorbed by any merchandiser operating in a fiercely competitive area.

A regulatory agency with such broad authority but without the necessary degree of responsibility and supervision could lead to problems as serious as an unsupervised industry. We suggest that legislation be amended to make the Inspection Service accountable for the inspection and weighing operations over which they have complete authority and that Congress also receive periodic reports from the FGIS concerning industry complaints on the functioning of the system. This would replace and be far more effective than the concept of an advisory committee which would have no authority whatsoever, and it would complete the system of proper checks and balances to assure the necessary efficiency. In this way Congress would have an oversight function in reviewing the performance of the Inspection Service, just as Congress has this function in reviewing possible complaints submitted by overseas buyers against U.S. exporters.

The other major difference in the Senate Bill and legislation proposed here is with regard to the payment of supervisory fees. The Senate Bill provides for full payment of supervisory fees from Federal funds, whereas we understand this Committee is

considering a provision which would have the Inspection Service be 50% self-supporting, with the other 50% to come from the Federal budget.

Any amount of Federal funding for this function would, of course, help relieve agriculture of this added expense. We should like to point out, however, that the supervisory fees are only a small part of what we expect will be a very expensive package. The supervisory fees are in addition to the fees charged for the actual performance of the weighing and inspection function, and these other changes have also seriously escalated with the mushrooming of the number of personnel and additional time involved. We wonder if the industry can afford the luxury of a system that has been extended into areas where there had been no problems. In many areas the only problems now are those encountered in attempting to accommodate the new system, both in terms of procedure and expense.

The industry is now attempting to cope with the confusion created by the implementation of the new procedures which in some instances are not compatible with accepted commercial procedure. The confusion is heightened also by the inspectors' individual interpretations of the regulations. These interpretations--at times arbitrary--are frequently subjective and vary from one point to another, leading to serious disruptions, costly delays, and even to direct violations of the buyer-seller contractual agreements.

The largest cost by far, however, is in terms of the unfortunate loss of efficiency. It will be impossible to determine the extent to which our export efficiency and competitiveness will

have been burdened by the additional time and money necessary to perform the function in accordance with the manner in which the Act is being interpreted. Delays in loading are very costly in terms of both time and money. Delays in receipt of payment because of clausured documents also can cost exporters hundreds of thousands of dollars in interest charges. All of these additional costs cannot be absorbed and must ultimately be included in any cost calculations. The additional expense must then either be charged to the customer or, if the export customer is not willing to pay it, the expense reverts to the farmer by way of a lower price which he receives for his commodity or in a lost sales opportunity.

As a result of the Congressional concern over the new inspection system and the concern of top USDA officials, many of the provisions of the new Act have not been implemented but are being held in abeyance. We understand from FGIS officials they are, nevertheless, working on plans for implementing such provisions when a new Administrator of the Federal Grain Inspection Service is appointed. We would like to suggest that they continue to be held in abeyance until Congress has had an opportunity to consider them in the light of the changes which have taken place in the industry and in the world supply-demand balance.

One provision which, we understand, the FGIS is writing into their regulations, is a plan for overseas monitoring of shipments. We ask that Congress seriously reconsider this aspect. We pose several questions which Congress should consider: What can we hope to accomplish by overseas monitoring? What would be done with the results of destination examinations of shipments? They

would, we assume, be compared with the results of the loading examination, but what would this determine? If there were ever to be a difference between the results of the examinations at loading and on arrival, even after making all due allowances for additional handlings, how would fault be determined, and who could be held liable? The Federal Grain Inspection Service has stated very definitely they would accept no responsibility, although obviously both determinations would have been made by an official of the Federal Grain Inspection Service, and the exporter would have no authority for or contact with the grain after it leaves the loading spout at the port of loading.

Officials of the Federal Grain Inspection Service state they would not violate the certificate final condition under which grain has been shipped, but they do point out that since overseas buyers know the FGIS will be setting up an overseas monitoring system they are sure they will be required to do more in this regard than they have been doing. If the certificate final condition should be jeopardized in any way, I think it would be safe to say that this would go a long way toward seriously damaging the U.S. grain export business. No exporter would want to ship under such a risk, and no one could reasonably ask an exporter to do so. If they did consider it, they would have to raise margins substantially in order to cover the additional risk.

For years we have been monitoring overseas shipments to a great extent through the USDA's Cooperator Program and the agricultural attaches abroad. This was done quietly, efficiently and at relatively little cost.

Another aspect of such a function bothers me. Contrary to statements popularly made in the United States, U.S. grain has an excellent reputation abroad. If we continue to take actions which imply or make statements which indicate we have no confidence in our grain handling system, I wonder how we shall be able to convince foreign buyers of its integrity. If we continue to suggest publicly we feel our grain shipments are less than satisfactory, we shall soon convince our overseas customers they should be looking elsewhere for the qualities they need. They are already encouraged to do so by the attractive price discounts they have been offered by other exporting countries.

Since problems appear now to have been overcome, we suggest strongly that this aspect of the Act also receive very serious reconsideration and, unless the questions can be answered satisfactorily, be abolished.

The United States is almost through a marketing year in which it was not able to make its wheat compete in the world markets. Current stock levels and the very favorable outlook for the new grain crops worldwide are already signalling another year of fiercely competitive world grain markets. In making any further changes to our inspection system, we should first of all assure ourselves that the implementation of any activity has a necessary objective and that the cost of attaining that objective is worth the extra cost burden. It could otherwise be merely an unnecessary luxury which will serve to make our grains less competitive at a time when we can least afford it.

Thank you again for the opportunity to present our views. I should add that our Board of Directors and/or the members of our Grades Committee, all of whom are specialists in this field, are willing to continue to work with the technicians of the Federal Grain Inspection Service and/or the Congress on specific details and language of the Act and any amendments to it.

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The CHAIRMAN. Mr. Brooks, we see that you are still here. We appreciate your forbearance for waiting until now.

You may proceed.

STATEMENT OF WILLIAM F. BROOKS, PRESIDENT AND GENERAL COUNSEL, NATIONAL GRAIN TRADE COUNCIL

Mr. BROOKS. Thank you very much for bearing with me. We are glad to be here.

The National Grain Trade Council is a voluntary, unincorporated organization whose policymaking members are grain exchanges or boards of trade and national grain marketing associations.

We appreciate this chance to comment on the bill, H.R. 6135, proposed amendments to the U.S. Grain Standards Act, relative to record-keeping requirements and supervisory fees and containing a number of technical amendments, so-called.

We would first, however, wish to comment on those provisions having to do with the inspection activities and the activities involved in the supervision of weighing at interior markets where one or both of these activities has historically been carried on by grain exchanges, boards of trade, and other comparable organizations.

It is our considered judgment that these organizations, whose membership or users contain a balanced mix of competing trade interests should continue to operate inspection or weighing agencies or both inspection and weighing agencies.

At some of these organizations there may, to some people, be an apparent conflict of interest. At none, to our knowledge, would the integrity or the effective operation of agency-performed inspection or weighing functions be jeopardized if these agencies continue to perform one or both of these functions.

The supervision of weighing and the inspection procedures at these agencies are efficient, accurate and inexpensive. These operations at interior markets have facilitated the movement of grain into interstate commerce and to eliminate some from performing these services would result in unnecessary burdens on the marketing of grain.

These organizations can, in our judgment, satisfy the Administrator, or in his absence, the Secretary, that they would, and probably already do, comply with the requirements of section 7(f)(1) of the new statute.

Most of them, who will seek approval, have for a good many years carried on inspection or weighing functions or both of these functions. Their employees in these operating areas are conscientious, competent, and hard working. They, their supervisors, and employers have made and can continue to make substantial contributions to the orderly, timely, economic, and efficient marketing of grain.

We are concerned, as meetings with representatives of the Federal Grain Inspection Service have been held since late last year, with those representatives who continue to indicate a belief that there exists some mandate to severely limit the opportunities of these agencies to continue their inspection or supervisory activities.

We believe that this committee should either, by a specific amendment to the new act, or if that is not possible, by strong language in a committee report, indicate that at interior markets the operation of

these grain exchanges, boards of trade, or other comparable organizations should be continued.

We expect that some members of this committee would be surprised to learn that these activities at a number of exchanges appear to be in jeopardy. These would include the exchanges at Sioux City, Des Moines, Minneapolis, Denver, Enid, St. Louis, Omaha, Lincoln, Fort Worth, Amarillo, Stockton, Duluth, and perhaps at other locations.

At the Minneapolis Grains Exchange, at the St. Louis Merchants Exchange, and at the Enid Board of Trade, all organized and recognized grain exchanges, weighing has been supervised by a board of trade or grain exchange employees for a number of years, a number of years prior to August 15, 1968.

We, therefore, believe that section 3(d) (2) and section 3(e) (7) are more than technical amendments.

The first-cited section would strike out from the present law the line:

"This paragraph shall not be applicable to prevent any inspection agency from operating in any area in which it was operative on August 15, 1968".

And the second would add a new subsection reading:

"Not more than one official agency or State delegated authority pursuant to subsection (c) (2) of this section for carrying out the weighing provisions of this act shall be operative at one time for any geographic area as determined by the Administrator to effectuate the objectives stated in section 2 of this Act".

It is our opinion that under the present act, the Minneapolis Grain Exchange, the St. Louis Merchants Exchange, and the Enid Board of Trade should be able to continue supervising weighing both inbound and outbound.

Our understanding is that the administrators of the act disagree with this opinion.

They choose to equate weighing and inspection activities and have apparently concluded that if at or in any geographic area an official inspection agency exists, that agency and only that agency can supervise weighing.

Inspection agencies are not maintained by the Minneapolis Grain Exchange, the St. Louis Merchants Exchange, or the Enid Board of Trade. All three of these agencies were supervising weighing prior to August 15, 1968 and they are ready, willing, and able to continue this supervision.

Perhaps the same people who indirectly gave us the record-keeping requirements of the present act are now attempting to give us the language we have cited earlier to eliminate these three listed exchanges of their supervision of weighing functions.

The situation in Stockton and Duluth are not unlike the situation at every other port elevator.

If I may digress for a moment from my statement, I suggest that we approve and adopt the recommendation that Mr. Hemmen made, that as these port points, that the Federal Government not be the actual inspection and weighing agency on inbound shipments.

The reason is particularly as it applies to Stockton and Duluth. They are designated export points in spite of the fact that in both places elevators are engaged in domestic commerce.

Under the statute, all inbound grain must be weighed by Federal or State employees. In the past, inbound weights have been supervised by boards of trade and also down in the gulf and other places, and in the east coast.

It is difficult, we recognize, to distinguish when inbound grain at Duluth or Stockton will move into domestic commerce. Hopefully, some of H.R. 6135's perfecting amendments will eliminate the added cost of federally-supervised or federally-performed inbound weighing at Duluth and Stockton.

We note that H.R. 6135 will permit, as authorized by the Administrator, and not prohibited as was the case in Public Law 94-582, an official inspection agency to grade submitted samples irrespective of the location from which they were drawn. This amendment will expedite the orderly marketing of grain as new markets may be developed or old markets retained.

We note that the recordkeeping requirements of H.R. 6135 are not as detailed as specific as those in Public Law 94-582, leaving to the Administrator broad discretion as to the records to be kept and the time period or periods for their retention.

We have reservations, perhaps, substantial ones, on section 3(b) which purports, among other technical amendments, to amend section 3(A) of the Grain Standards Act.

As the proposal reads, the Secretary can delegate to the Federal Grain Inspection Service authority to perform "related functions for grain", whatever that means, and similar commodities and products thereof under statutes administered by the Department of Agriculture.

Does this limit the Secretary's authority and preclude an opportunity to nominate licensees under the act, by whomever they may be employed, to carry out the functions envisioned?

And we wonder why, in the same paragraph establishing this delegated authority, the Secretary is authorized to appoint four persons at the Grade 16 level in the Federal Grain Inspection Service. If that should be in the bill, it seems to us it should be a separate thing, so that people can see it and comment on it. The Department has not yet said anything about it.

Among the other technical amendments, section 3(e)(5)(A) may present a conflict between the Administrator of the Federal Grain Inspection Service and the Administrator of the Federal Warehouse Act who now is authorized to approve weighmen at federally licensed warehouses.

Two of the technical amendments amending section 8(b) of the U.S. Grain Standards Act of 1976 would extend the period during which the Office of Investigation and the Administrator should carry on investigations from 18 months to 30 months and the period during which the Comptroller General should investigate, study, and report from 2 years to 3 years.

A 3-year period would at least afford the General Accounting Office an opportunity to become thoroughly familiar with grain marketing, something which they have not yet acquired. I mean, knowledge that they have not yet acquired.

Consistent with these extensions, we recommend that the act provide that at export locations the new weighing procedures and inspection

activities be in place no later than 24 months from last October 21, 1976, and that at other locations the provisions of the new act be in place no later than 30 months from October 31, 1976.

We are pleased that the sponsors of H.R. 6135 recognize that to require users under the new Grain Inspection Act to absorb all the costs of administration outside of Washington was unreasonable.

We would prefer the Senate version of where these costs should be placed, recognizing that under the present state of the budget, users of the service might be expected to absorb some of the additional costs.

We suggest, however, that 50 percent is well in excess of the value received by users.

We merely speculate on what happens to the cost to users if the President in the exercise of his reorganizational authority, or if the Congress at a later date so legislates that the Federal Grain Inspection Service is no longer located in Washington.

The appropriations cover services performed in Washington. Maybe this is a mistake. Maybe the statute should be amended to provide wherever the headquarters may be. This is clearly what it means and perhaps it should be clearly spelled out.

We recommend that this committee provide for the establishment of two temporary advisory committees, both to advise the Administrator as he implements or attempts to implement the U.S. Grain Standards Act of 1976.

Each committee would consist of 12 members.

One would be concerned with all phases of grain inspection under the act. The other would be concerned with problems related to the weighing of grain.

We congratulate the chairman and other Members of the House who have introduced bills to amend the Grain Standards Act. We are quite certain that as experience develops under the act, additional remedial amendments, not necessarily of a technical nature, will be required.

We want to assure the committee that in your markup sessions and in the drafting of any new necessary amendments, we are prepared to participate in your deliberations.

Thank you very much.

The CHAIRMAN. I would like to thank Mr. Brooks and the other witnesses for their testimony. We apologize for these interruptions this afternoon. The committee is under pressure to provide legislation by May 15, and in order to meet that deadline, all bills of authorization must be reported by that time, including these amendments.

So it was necessary to schedule this hearing rather quickly in order to meet that deadline of May 15.

I do think we ought to take serious counsel from some of the suggestions offered. We may see, as Mr. Brooks has just indicated, in the period of coming months other areas where we will have to consider changes in the law, or at least oversight activity by Members.

I find myself somewhat surprised that the more restrictive areas of the legislation last year have been enacted and the tendency seems to be in the Department that they have to have an elaborate structure to implement all of this.

Perhaps that is required by the legislation, but I personally feel that we ought to exercise close oversight in the development of this program by the Federal Grain Inspection Service.

Perhaps the suggestion made by Mr. Halow and others that we should extend time and patience on this act, would be well to follow. The Department is not under any great stringent time pressures. Even the 2-year implementation requirement makes it not so tough on them.

I want to assure them that even though we had a minimum quorum this afternoon in taking this hearing, all of the testimony will be synopsisized by the staff and the members of the committee will be briefed on all of this testimony. This will take place before we markup this particular bill or a similar bill.

Thank you.

Mr. HIGHTOWER [acting chairman]. Thank you, Mr. Chairman. We appreciate the testimony of all these witnesses.

I have a copy of the testimony of Mr. Joe Neal Hampton, general manager of the Enid Board of Trade that I would like to insert into the record.

Without objection, it is so ordered.

This concludes our hearings. We stand adjourned.

[Whereupon, at 4:10 p.m., the committee adjourned.]

[The statement referred to above and the extraneous material submitted to the committee follow:]

TESTIMONY OF THE ENID BOARD OF TRADE
 CONCERNING THE U.S. GRAIN STANDARDS ACT OF 1976

PUBLIC LAW 94-582

JOE NEAL HAMPTON, GENERAL MANAGER

The Enid Board of Trade is a corporation chartered under the laws of the State of Oklahoma, whose main purpose is specifically set forth in the corporate by-laws as follows:

"To promote the highest quality of customs and usages of member merchants; to collect and disseminate valuable commercial and economic information; and to promote the general welfare of the grain and milling industries."

In addition to the above mentioned activities, the Enid Board of Trade is responsible for providing the supervision of weights and the protein analysis service for the Enid market.

The membership of the Enid Board of Trade is comprised of companies representing all facets of grain handling, merchandising, milling, and exporting. The terminal elevator facilities of these members in Enid have a combined storage capacity in excess of 66,000,000 bushels. They also own, operate, or are affiliated with country elevators in Texas, Oklahoma, Kansas, and Nebraska. They receive, process, and distribute many millions of bushels of grain each year into both export and domestic channels.

The members of the Enid Board of Trade appreciate the opportunity to present to this committee our reactions to and opinions on the U.S. Grain Standards Act of 1976. We feel that there are detrimental ramifications of the Act which pertain to areas which we feel we are close enough to comment on. The adverse effects on the interior markets, the local country elevators, and the farmer-producers are serious, and should be given consideration by this committee.

The grain firms located in the Enid market as well as all of Oklahoma, find it hard to understand why the FGIS fees to be charged at export locations are considerably higher than what private agencies charge for providing the same service; and, why interior private inspection agencies are being assessed fees for federal supervision that was previously provided at no cost.

Below is an illustration of this situation. Let us follow the movement of a hopper car of grain shipped from a country point in Oklahoma to a terminal facility in the Enid market for storage, and then ultimately reshipped on to a gulf export point. Let us realistically assume that the car will be inspected, weighed, and a protein analysis performed at both the Enid market and the gulf export market. We can now compare the cost per bushel of these minimum number of essential services provided entirely by private agencies prior to the creation of the FGIS, versus the scheduled fees and supervision fees that are currently being assessed by FGIS.

(A) CHARGES PROVIDED BY PRIVATE AGENCIES PRIOR TO CREATION OF FGIS

	<u>ENID, OK</u>	<u>HOUSTON, TX</u>	<u>TOTAL</u>
Inspection fee (per 3000 bu. hopper car)	\$6	\$8	\$14
Weighing fee (per car)	\$3.50	1.50	5
Protein fee (per car)	<u>\$2.50</u>	<u>2.50</u>	<u>5</u>
TOTAL (per car)	\$12.00	\$12.00	\$24.00
COST PER BUSHEL	.4¢	.4¢	.8¢

(B) CHARGES FEBRUARY 1, 1977 (INCLUDING FGIS PUBLISHED FEES AT EXPORT POINTS, SUPERVISION CHARGES, AND SUBSEQUENT INCREASES BY PRIVATE INLAND INSPECTION AGENCIES).

	ENID, OK	GULF EXPORT POINT		TOTAL	
		Reg. Time	Overtime	Reg.T	Ov.T.
Inspection Fee (per hopper car)	\$10.50 *	\$18	\$22	\$28.50	\$32.50
Weighing Fee	3.50(per car)	14(per hr.)	14(per hr)	17.50	17.50
Protein Fee(per car)	<u>2.50</u>	<u>11.50</u>	<u>13.50</u>	<u>14.00</u>	<u>16.00</u>
TOTAL (per car)	\$16.50	\$43.50	\$49.50	\$60.00	\$66.00
COST PER BUSHEL	.55¢	1.5¢	1.7¢	2.0¢	2.2¢

*--This \$4.50 increase on a hopper car is based on a \$2.40 FGIS supervision fee plus an increase by Enid Grain Inspection, Inc., needed to meet increased costs, competition from government salaries, increased time for inspections, etc., caused directly or indirectly by the Act.

This illustration shows that these essential services cost per bushel will increase from the previous .8¢ per bushel to at least 2¢ per bushel or more upon implementation of the FGIS fees. Please keep in mind that this is based on a minimum of 2 inspections, 2 weighing charges, and 2 protein analysis. There could easily be several more inspection and weighing charges as the grain moves through normal marketing channels, which would cause the cost per bu. to be even greater, and could easily exceed 3¢ per bu.

One problem encountered by these charges in determining the actual cost per bushel is the fact that the FGIS is basing their weighing charges at the export points on an hourly basis, instead of a per unit basis as is the custom in the industry. This policy of pricing such services on an hourly basis is contrary to what the grain industry has traditionally used for many, many years. In order for the industry to pass back any costs incurred in the marketing of grain, such costs must be based on a per unit schedule.

The FGIS policy of charging an hourly rate on the weighing of grain will no doubt make it extremely difficult for the industry to determine their actual marketing costs. We strongly recommend that all FGIS fees follow the traditional pricing pattern of the industry, and be assessed on a per unit bases.

At interior locations, the FGIS supervision fees alone have caused inspection charges to be increased around 30-35%. The interior agencies are paying fees for "supervision" which they previously were receiving at no cost. It is extremely difficult to explain to the producer why the FGIS must charge a considerable amount more than what the private enterprise system charges for doing the same job or providing the same service.

Because of the competitive nature of the grain industry, the grain firms cannot possibly afford to absorb such large increases in inspection, weighing and protein fees. Therefore, they will be forced to pass back such high fees and supervisory charges to the producer, who will most likely be paying a minimum of 2 to 3¢ per bushel to have his grain inspected, weighed and analyzed for protein under the new Act, compared to less than 1¢ per bushel charged prior to the creation of the new Act and the FGIS. Such large increases, we feel, are most hard to justify and also create an unhealthy inflationary economic situation for the industry and the grain producer.

RECORD KEEPING

Section 14, part (d), of the new Act which amends Section 12 of the previous U.S. Grain Standards Act, outlines a very impractical record keeping requirement situation to be implemented by all grain firms that use official inspection services. Country elevators and many terminal facilities would not find it feasible to maintain the necessary detailed records as outlined in this section of the Act. Such detailed record keeping would cause

considerable expense on the part of the grain firm as a result of added personnel, paper work, and time. Such additional expense would cause increased marketing costs and would eventually result in the firm paying a lower price to the producer. It is apparent to the industry that such record keeping requirements are pointed toward each firm keeping an "identity preserved" inventory system of its grain. Anyone familiar with the grain industry knows that it is most impractical to keep the true identity of a load of grain from the farm to the ship. There are not enough elevators, rail cars, trucks, etc., in the U.S. to accomplish such a record keeping system. It is apparent that this section of the Act could be interpreted so that it would be asking the impossible of the grain industry.

The uncertainty of the degree of detail and the subsequent expense of the record keeping requirements outlined in this section that could be forced upon the grain industry is indeed frightening. The potential record keeping requirements system that firms could be forced to keep could be a nightmare, especially during the harvest periods. We strongly suggest that this committee adopt provisions that amend these requirements so that any records required under the Act would be those that the industry could realistically keep, and would not create a severe burden and increased expenses upon the grain industry. We would also support the creation of an Advisory Committee from the grain industry to work with FGIS in finding a solution to the implementation of this particular section concerning record keeping.

CONFLICT OF INTEREST

There has been considerable misunderstanding and confusion involving the future operations of grain exchanges and boards of trade at interior points that have been providing inspection and/or weighing services at such

locations for many, many years. It was our understanding prior to the passage of the Act, that Congress did not intend to force out of business any grain exchange or board of trade at interior points that was providing reputable inspection and/or weighing services under the previous U.S. Grain Standards Act. We interpret Section 13, part 5 of the new Act to specify that, in essence, the Administrator may authorize a grain exchange or board of trade to perform supervision of weighing at interior points if he determines that their service would not jeopardize the integrity or objective and effective operation of the function performed by the agency.

Upon our reading the Act immediately after its passage, we obviously assumed that this section of the Act would allow us to continue to provide supervision of weights in the Enid market. However, in consequent conversations with FGIS administrative personnel, we have been advised that a grain exchange or board of trade at interior markets such as the Enid Board of Trade, could not possibly meet the proper criteria to be designated to supervise the weighing of grain because of its "conflict of interest" nature. They advised that there was absolutely nothing we could do to keep our identity and still meet their conflict of interest criteria in order to be designated. It was emphatically implied that we might as well "just fold up our operations".

We maintain that this attitude of FGIS is not in line with the intent of Congress. We affirm that the Enid Board of Trade and many other such organizations have always provided a reputable weighing supervision service, and that any such defined "conflict of interest" under the Act does not jeopardize the integrity of its operations or services. As is the case for many similar organizations, the directorship of the Enid Board of Trade is composed of buyers and sellers alike. The very nature of our marketing system whereby they buy and sell grain not only to other markets, but to each

other as well, virtually insures that a reputable and honest job of weighing grain is maintained in the Enid market. We certainly hope that Congress did not intend to force out of existence the many reputable grain exchanges and boards of trade that have been operating at interior locations. We feel that since the very beginning of the U.S. Grain Standards legislation in this country, such organizations which have and will continue to provide a reputable and honest service, should be permitted or given the chance to continue their operations.

We suggest that Congress and the FGIS quickly develop a definite set of criteria to define "conflict of interest" which will meet the objectives of Congress as outlined in Section 13, part 5 of the Act.

DESIGNATION OF WEIGHING

A particularly disturbing aspect of the Act of 1976 to the Enid Board of Trade is contained in Section 7 with regard to weighing. We interpret this section of the Act to state, in essence, that with respect to the supervision of weighing at interior points, the Administrator is authorized to designate the agency which is providing the inspection service to be responsible for providing the weighing supervision. Perhaps Congress does not realize that there are several interior markets, including Enid, whereby the inspection service and weighing supervision service is performed by different, reputable private agencies. The Enid Board of Trade has been responsible for providing the supervision of weights in the Enid market since 1920, and have never incurred any weighing irregularities or similarly related problems whatsoever. We affirm that Congress did not intend to force out of business such reputable organizations as the Enid Board of Trade simply because they were not performing both the inspection service and weighing service at the time the Act was passed. We believe that it is only fair that at interior

points, the agency that has been doing the weighing should be given the first opportunity to be designated as the agency to provide the supervision for weights as outlined in the Act -- providing that the market desire "official" weights and that the agency can meet the FGIS qualifications - regardless of whether or not that agency is designated to provide the inspection service at that market.

FGIS AND THE INTERIOR MARKETS

There has been much discussion concerning the intent of Congress as to the degree that was intended for the FGIS to get involved with the weighing of grain at interior market points. To our best knowledge, we know of no weighing wrongdoings of an unlawful nature that have been discovered at inland terminal markets, particularly the Enid market. The Association of American Railroads (A.A.R.) have, for many years, sponsored the weighing supervision program for interior markets because of the large volumes of grain that are transported from the interior to export points by rail. This program is being administered in the Enid market by the Enid Board of Trade. The very basic nature of the grain trade provides an automatic "check" on the weights and grades provided at inland market points. Let me explain. Let's assume that a car lot of grain is sold between a consignor at a terminal market such as Enid, and a consignee at a gulf export point, such as Houston, Texas. The grain is weighed at Enid before being loaded into the rail car and shipped to the consignee at the gulf. Upon its arrival, the grain is weighed again as it is unloaded from the same rail car. This is done primarily to protect the consignor's right to file for a loss claim with the participating railroad should something have happened enroute that would have caused the car to lose grain and weigh out short at its destination. If for some reason a continual shortage arises in the weight of grain cars between an interior consignor and the gulf consignee,

immediate action would be taken by the firm and/or by representatives of the Western Weighing and Inspection Bureau of the Association of American Railroads to find and correct the problem. Thus, this weighing supervision program gives the interior grain industry a "built in" check system. A similar such situation exists in the movement of grain from the country elevator to the terminal market or export point. With such a built in system, the interior markets such as Enid do not need and do not desire that the Federal Government get involved with the weighing or the supervision of weighing of grain at interior locations. We feel the present A.A.R. weighing supervision program is just as effective and can definitely be administered much cheaper than could the FGIS weighing supervision system.

SUMMARY

Prior to the passage of the U. S. Grain Standards Act of 1976, we strongly felt that the U.S. had a very good inspection and weighing system, particularly at interior market locations. It was largely through the fault of the Federal Government of continually reducing the number of federal supervisors to administer the previous Act, that resulted in the violations of the Act discovered at eastern gulf export points. Perhaps the simple solution of prosecuting and severely penalizing the violators of the Act combined with proper increased supervision at export points would have solved the problems. However, it is apparent that over-reaction has now created several new problems for the industry which have been previously covered in this testimony.

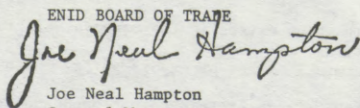
We sincerely hope that the FGIS will carry out the true intent of Congress, and that problem areas such as high federal fees and costs, record keeping requirements, conflict of interest, and designation at interior markets can be clarified. We support H. R. 3369, and would also support ammendments to clarify the waivers of Conflict of Interest provisions

of the Act.

We would like to thank this committee for the opportunity to present our views on problem areas of the FGIS.

Respectfully submitted,

ENID BOARD OF TRADE

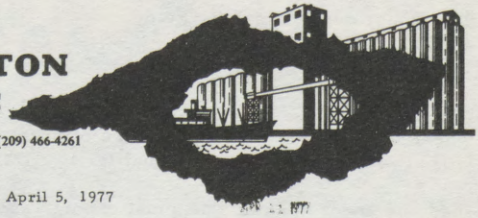
A handwritten signature in cursive script that reads "Joe Neal Hampton". The signature is written in dark ink and is positioned over the typed name and title.

Joe Neal Hampton
General Manager
P.O. Box 1747
Enid, OK 73701

STOCKTON ELEVATORS

P.O. BOX 1566 • STOCKTON, CALIFORNIA 95201 • (209) 466-4261
TELEX NO. 359-463

April 5, 1977



The Honorable Thomas S. Foley
House of Representatives
Washington, D. C. 20515

Dear Mr. Foley:

I am writing to voice strong opposition to one aspect of HR 3369 which concerns the so-called Bellmon proposal which would eliminate the right of the Buyer (or Seller) to call for an official DHV (dark, hard & vitreous) count in the grading of U. S. Wheat.

This rider was added to Senate Bill S1051 in haste and, from what we can gather, was approved by people relatively unfamiliar with the issue. Far from being a minor concern to an important reform bill, should the Bellmon DHV proposal be included in the final House bill there is reason to believe that the entire U. S. export wheat market will suffer irreparable damage.

Presently, most foreign wheat buyers ask for both a protein and a DHV count on each cargo of wheat sold for export. Even in the case of "ordinary protein" cargos the DHV count must be at least 40% or better and foreign buyers use the DHV count as one method to determine the quality of wheat they are getting in the absence of an official protein.

Our foreign contacts inform us that representatives of both the Australian and Canadian wheat boards are using the Bellmon proposal purposely to direct foreign buyers away from U. S. wheat in favor of their own product. Japanese buyers have specifically stated to us that should the Bellmon proposal pass and the U. S. prohibit the taking of a DHV count, Japanese buyers will place U. S. wheat in a much less favorable competitive position vis a vis Canadian and Australian wheat. Other foreign buyers have echoed this sentiment.

As an aside, our California grower, in particular, would suffer because we trade our wheat on a DHV basis (rather than protein). Therefore, any price premiums to the grower for raising high DHV wheat will disappear as all

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Operating Grain Terminals at Stockton and San Francisco • California

The Honorable Thomas S. Foley
April 5, 1977
Page -2-

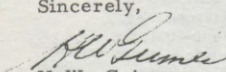
wheat will trade at the lowest price offered--and realistically, this price will always be based on feed quality, low DHV, wheat.

It is our understanding that most export associations and terminal elevator operators are equally opposed to this measure. In addition it appears some grower organizations are also in opposition. For these reasons alone, the Bellmon rider to HR 3369 must be eliminated from the bill and we urge you to do all in your power to see that it is eliminated from the final bill.

Should you require additional information from us regarding our opposition please don't hesitate to contact us.

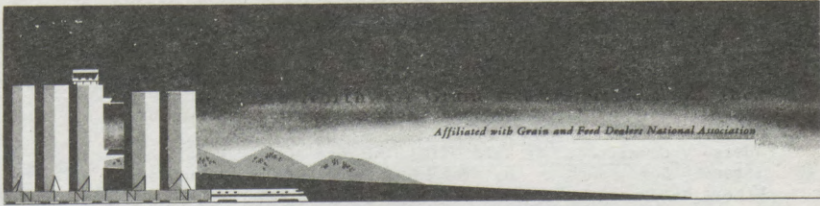
Thank you for your consideration of this matter.

Sincerely,



H. W. Grimes

Stockton Elevators



200 Market Bldg., Suite 205, Portland, OR 97201 Tel 503 227-0234

April 8, 1977

The Honorable Thomas S. Foley, Chairman
House Committee on Agriculture
House Office Building
Washington, D.C. 20515

Dear Tom:

We have just completed a two-day workshop on grain inspection at Vancouver, Washington. There were many productive discussions at this workshop, but foremost was the United States Grain Standards Act of 1976 and the current efforts to amend it.

We testified before the Senate subcommittee in early February and pleaded for relief in the recordkeeping aspects of the Act and for some restraint on user fees. The latter, in particular, is open-ended as the Act stands, and there is no control whatsoever over the agency to promote efficiency in operation.

We subsequently supported the Huddleston/Dole amendments which passed the Senate. Those amendments would seem to provide the necessary relief on recordkeeping, would shift the supervisory fees from users to appropriations, and would establish a temporary advisory committee to advise the FGIS Director.

We do not have an up-to-the-moment run-down on your committee's considerations, but we understand they differ in some respects with those passed by the Senate.

Regarding the Senate bill,

Recordkeeping. We think the language therein will give the necessary relief.

Supervision. Primary inspection by State and private agencies has always been funded by user fees and should continue so.

Primary inspection by FGIS should at least be partially funded by appropriations as proposed by Senator John Tower. Our reasoning here is that so many federal agencies demonstrate inefficiencies, and by having to go to Congress periodically for appropriations, there is some stimulus to try to be efficient.

Honorable Thomas S. Foley
 Page 2
 April 8, 1977

Federal supervision of grain inspection, however, is in the public interest and should be totally funded through appropriations.

Advisory committee. We have mixed emotions about advisory committees. Some, such as that for CFTC, have been very successful. Others have been worthless for all practical purposes.

Since the federal government has not previously been involved in weighing, we feel the Department of Agriculture could use some temporary expert guidance to effect a proper weighing program. It was improper weights for the most part that caused the scandal at the lower Mississippi ports.

Many existing state agencies have excellent weighing programs. Our own states of Washington and Oregon have been supervising grain weighing for more than 70 years - some ten years before the U.S. Grain Standards Act of 1916 was passed. Never has there been a serious problem involved with that service.

Bellmon amendment. We have conflicting reports as to whether Senator Bellmon's proposal passed the Senate. We think it did. His proposal would prohibit grain inspectors from making a dark, hard and vitreous (DHV) kernel count in issuing a grade.

Although we know that DHV count is not an exact determination, Japan and other markets hold this to be a desirable measure of quality. Until such time they can be persuaded otherwise, they will continue to insist upon it in their purchases.

For Congress to write legislation which would actually establish grade standards or grading factors is a dangerous precedent and should not be tolerated. The need for such factors should be left to the determination of the users of the service.

Still another area that certain FGIS personnel are pushing hard is the establishment of protein as a grading factor. Protein is a quality measure for certain purposes only and not for all purposes. It would be cumbersome to have that on the grade certificate and would tend to disrupt the orderly marketing process.

So that we do not appear to be contradictory, we are not proposing legislation to prohibit protein as a part of the grade, but rather as matter of information. Congressmen have a way of admonishing bureaucrats for their overzealousness. As with DHV, the need for protein should be left to the determination of the users.

We sincerely appreciate your determined efforts last year to come up with a workable grain standards act. We also appreciate the difficulties involved when an issue becomes so politicized. We commend you for giving us a much better act than others would have. We further commend you and your committee

Honorable Thomas S. Foley

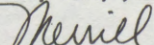
Page 3

April 8, 1977

for quickly recognizing that some parts of the act didn't turn out so well and for your efforts to correct those ills. If we can help in any way to provide information or data to assist you, we stand ready.

Kindest personal regards.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merrill".

Merrill D. Sather
Executive Vice President

MDS/dw



NORTH DAKOTA GRAIN DEALERS ASSOCIATION

APR 15 1977

212 Black Building
 Fargo, N. Dak. 58102
 Phone 235-4184

LLOYD C. HANSON
 Exec. Vice President
 ANN KORZENDORFER
 Asst. Secretary

April 12, 1977

Honorable Thomas S. Foley, Chairman
 House Agriculture Committee
 Room 1201 Longworth House Office Bldg.
 Washington, D.C. 20515

Dear Sir:

We heard last week that there is going to be an attempt in your committee to revise some of the amendments to the U.S. Grain Standards Act of 1976 which were passed 93-0 in the Senate March 30, 1977. Our source indicates these attempted revisions will include the assesment of user fees to the country elevator trade and dropping the proposed advisory committee to the Federal Grain Inspection Service Administrator.

The North Dakota Grain Dealers Association, representing the 600 licensed and bonded elevators in our state, views any actions contrary to the aforementioned amendments as very unsatisfactory. Two members of our group were in Washington, D.C. on February 3, 1977 to present testimony to the Senate Agriculture Committee regarding the U.S. Grain Standards Act of 1976. Other farm and grain groups from around the nation were also there.

Certain offensive provisions of the 1976 Act were brought to light at these hearings and upon examination by the Senate Ag. Committee were found to be too harsh and restrictive and not in keeping with intentions of the Act--purportedly more reliable supervision of exports. We hope that you and your committee will find likewise.

The assesment of fees will cost our farmers millions of dollars. They will already be picking up the tab for the weighing and supervision fees charged to the terminal and export markets and the inspection agencies. Piling another cost on top of this in the form of fees directly on the country trade would be very unwise. Further pressure on the cost-price squeeze will force more small farms out of business.

While acknowledging and applauding Secretary Bergland's drive toward streamlining the Department and cutting costs by abolishing advisory committees, we feel that such a committee is needed in this rather new expanded and uncharted area of federal intervention. We understand that the advisory committee is scheduled for an 18 month term. The cost of maintaining such an advisory body for that period will, in our opinion, be paid back many times in increased FGIS efficiency because of committee vigilance and inputs.

nd
gda

Congressman Foley
- page 2 -

Another Senate passed amendment reduced the severe and unnecessary record keeping requirements of the Act. As originally written, the Act would have forced elevators to keep 5 year records of all grain movements and operations in the facility. We understand your committee is not considering any changes in this regard. Great !!!

We therefore respectfully request you to use your influence to see that the Senate passed amendments are not changed to the detriment of the grain trade in general and the country elevators in particular. Please do not increase our costs or abolish the advisory committee -- our vital link to the man in charge.

Please include this letter as testimony with committee records on this matter.

Thank you.

Yours very truly,

NORTH DAKOTA GRAIN DEALERS ASSN.

Lloyd C. Hanson *ak.*

Lloyd C. Hanson,
Exec. Vice President

Steven D. Stregge
Steven D. Stregge,
Field Representative

CC: Congressman W.R. Poage
Congressman Mark Andrews

ASSOCIATION OF THE AMERICAN WAREHOUSE CONTROL OFFICIALS

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JAMES ONKEN

PRESIDENT
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SECRETARY-TREASURER
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HISTORIAN

W. B. ROGERS, SC.

April 25, 1977

Honorable Robert Bergland
U.S. Department of Agriculture
Secretary of Agriculture
14th Street & Independence Ave. S.W.
Washington, D.C. 20006

Dear Secretary Bergland:

The Association of the American Warehouse Control Officials is deeply concerned about the record keeping requirements currently contained in the Federal Grain Inspection legislation passed by the last Congress. Country warehousemen, particularly, are not equipped to maintain such records or are they necessary to their operation.

Our Association is in support of the Dole Amendment to this bill, particularly in regard to the record keeping requirements but, also, the cost of supervisory personnel.

Our Association is composed of the regulatory agencies that administer the Warehouse Acts in our respective States. We, therefore, have the expertise necessary to assist in developing realistic guidelines. We urge your support of our recommendation to appoint a member of our Association to be a part of the Advisory Committee. We feel strongly that the record keeping requirement of the FGIS can be incorporated into the requirements of the States and UGSA with very little change. If necessary, copies of specific information can be obtained in our routine audits and furnished to FGIS without the addition of personnel or additional audits by another agency.

Your favorable action will be appreciated.

Sincerely,

Elmer D. Gibbons

Elmer D. Gibbons, President

EDG:k

cc: Senator Robert Dole
Representative Tom Foley ✓
J. B. Grant, NASDA



ASSOCIATION OF THE AMERICAN WAREHOUSE CONTROL OFFICIALS

VICE PRESIDENT
JAMES ONKEN

PRESIDENT
ELMER GIBBONS

SECRETARY-TREASURER
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HISTORIAN

W. B. ROGERS, SC.

RESOLUTION

WHEREAS, the grain industry of the United States, and the state regulatory agencies who monitor their operations, are deeply concerned about provisions of the U.S. Grain Standards Act of 1976 which relate to the recordkeeping requirements of facilities requesting inspection, and to the cost of federal supervision to state and other approved agencies who furnish inspection service at interior locations, and

WHEREAS, the requirements on records and statistics on grain receipts go far beyond that which is required under the U.S. Warehouse Act and similar regulatory programs administered by state agencies and which are accepted as adequate for protection of the public interest, and

WHEREAS, the cost of federal supervision to approved interior agencies is and will continue to cause budgetary problems. Production and quality statistics are unpredictable and create severe problems in supplying efficient and economical service to the grain industry and their producer customers. Historically, the services performed are in the public interest and supervision has been paid from public funds:

THEREFORE, BE IT RESOLVED, the Association of American Warehouse Control Officials' meeting in Topeka, Kansas, on April 8, 1977, strongly supports and endorses S.1051 and the amendments to the recordkeeping requirements and cost of supervision sections to the U.S. Grain Standards Act. The Association also endorses the establishment of an Advisory Committee to assist the Secretary of Agriculture in developing the recordkeeping requirements to be adopted under the U.S. Grain Standards Act.

BE IT FURTHER RESOLVED, that the Association recommends to the secretary that a member of the A.A.W.C.O. be appointed to the Advisory Committee so that the knowledge and expertise of this Association may be utilized by the committee in the development of adequate recordkeeping requirements.

Adopted 4/8/77

national grange

1616 H STREET, N.W.

WASHINGTON, D. C. 20006

(202) 628-3507

John W. Scott, Master



April 26, 1977

Honorable Thomas S. Foley, Chairman
Agriculture Committee
U. S. House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

The National Grange has received many complaints pertaining to the costs associated with the enforcement of P.L. 94-582, the U. S. Grain Standards Act of 1976.

The costs I am referring to are not the charges for inspection and weighing but the service charge of 85 cents per 1000 bu. of grain inspected to cover out-of-Washington supervisory costs. The bill as passed stated that all administrative expense outside of Washington, D. C. would be covered by a fee charge. The administrative cost outside of Washington amounts to approximately five million dollars, dollars which ultimately will come out of producers' pockets.

The Grange, as we have stated, does not object to the fee charge per hour for grain inspection, but we do feel very strongly that if the improved Grain Inspection Service is in the public interest, and we believe it is, then a greater proportionate share of the administrative cost should be shared by the public. The elimination of the supervisory fee of 85 cents per 1000 bu. of grain inspected would more equally distribute the cost of the services among the beneficiaries.

We also would support the appointment of an advisory committee to work with the Grain Inspection Agency in an effort to smooth out the transition from the old system to the new. There seems to be mass confusion in the grain trade regarding the new system and it comes at a time when we desperately need foreign shipments. The advisory committee could be of immediate help to the agency.

We would appreciate this letter being made a part of the hearing record. Thank you.

Sincerely,

John W. Scott
Master

cc: All Members,
Agriculture Committee



State of Wisconsin \ DEPARTMENT OF AGRICULTURE

April 28, 1977

Gary E. Rohde
Secretary

801 WEST BADGER ROAD
MADISON, WISCONSIN 53713
608 266-1721

The Honorable Tom Foley
Member of the House of Representatives
Chairman, Committee on Agriculture
Washington, D.C. 20515

Dear Congressman Foley:

I have been informed by our National State Departments of Agriculture Office that a hearing has been called on the Federal Grain Inspection Service program for April 29, 1977. Though I am unable to appear personally, I wish to place some comments into the record.

My concerns relative to grain inspection in Wisconsin focus on additional costs of the program and the resultant adverse impact on the grain industry.

The increased cost for federal inspection and weighing supervision in our state will be necessarily passed back to the producer of grain. The original intent of Congress, I believe, was to impose strict regulations on grain marketing to prevent irregularities and improve the quality of the product to the buyer. To accomplish these objectives, additional costs are incurred unless efficiencies are injected into the process.

My observations are that the efforts to increase federal inspection did not appropriately anticipate the additional costs that would be charged to the user. We are all aware that the direct costs of marketing impact heavily on the producer or the consumer. In the grain program, the producer or grower will absorb most of the increased costs in the competitive pricing system that exists in the grain industry.

The Wisconsin Department of Agriculture has two export inspection points, Superior and Milwaukee. The state program has functioned for over 70 years in Superior with few problems. On February 28, 1977, our Department assumed the inspection and weighing operation from the Milwaukee Grain Exchange. The performance record

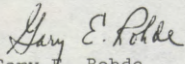
The Honorable Tom Foley
April 28, 1977
Page 2

of the Grain Exchange was commendable, yet FGIS would not allow it's continuation. A program administered by the State was preferred over a direct Federal program because our state costs were projected lower and the state relationship with the grain trade encouraged our involvement. The federal supervisory costs for Superior and Milwaukee have been estimated by FGIS at \$329,000 per year. The state costs for inspection and weighing are estimated at \$1.4 million in 1977. In our state, all costs must be passed on to the user of the program. FGIS estimated the total cost of a federal program to perform inspections only in the State of Wisconsin to be \$1.65 million dollars.

The key point must be that additional federal supervisory charges will be absorbed by the grain trade. This service has been substituted for a satisfactory state-federal supervised program at Superior, and an equally effective industry program at Milwaukee. The other nine states that were given the option of participating in state grain inspection and weighing under federal supervision are experiencing similar concern. The need for establishing additional regional administrative offices and excessive supervisory fees to inspect ongoing state programs will be a heavy burden for our grain industry.

We appreciate the opportunity to express our concerns to the original Grain Inspection Act. We strongly support any amendments to the original Act that will reduce the federal supervisory costs of this program.

Sincerely,


Gary E. Rohde
Secretary

GER:t/d
18/26

cc: Ms. Anne Shields, Federal-State Coordinator
Congressman Alvin Baldus

STATEMENT OF JOSEPH B. GREGG
BEFORE THE HOUSE AGRICULTURE COMMITTEE ON HR 6135
UNDER DATE APRIL 29, 1977

My name is Joseph B. Gregg. My Company is a family partnership, operating country grain elevators in Kansas, Nebraska and Missouri. I have been active in this business continuously for over 40 years, with the exception of some four years in the service during World War II.

I was very surprised to find the change pertaining to record keeping, in which it is amended to read that the "Elevator shall maintain such complete and accurate records for such period of time as the Administrator may, by regulation, prescribe for the purpose of the administration and enforcement of this Act". This really does not change the original Bill except it gives the Administrator the authority to call for records rather than maintaining them automatically as required in the Act. This type of record keeping would be of absolutely no value to the Federal Grain Inspection Service at the country grain elevator level. The only records that would be maintained at the country elevator would be the type of grain, the unloading weight of the truck, and any pertinent grading factors. These are not official inspections, nor are they official weights. Therefore, the record keeping section should be stricken from the Act as far as country elevators are concerned.

Now we go to the section pertaining to Supervision Fees. I cannot understand why anyone feels that it is necessary to charge these fees at the interior inspection points. In the States of Kansas and Missouri about which I am most knowledgeable, we have two excellent State Inspection Departments. There may be

departments as good but there are none better that I know of in this country. All Inspectors in both State Departments are licensed by the Federal Grain Inspection Service.

The cost of operation of the State Inspection Department has been covered by fees for the inspection and weighing of grain, and the cost of supervision for the Federal Grain Inspection Service has been covered by funds appropriated by Congress. Now suddenly we want to charge 50% of the cost of the Federal Grain Inspection Service outside Washington to the State or Private Inspection Services. Such supervision will be no more than we have had in the past, and no more is needed.

At the present time, if a shipper does not like the State grade, he has the right of Federal Appeal on a sample and a fee is paid to the Federal Grain Inspection for this service. In Kansas City the fee is \$19.00 for a box car and \$22.00 for a hopper. To the best of my knowledge, my Company has not asked for a Federal Appeal grade for years. The reason being that we have complete confidence in the Kansas and Missouri State Grain Inspection Departments.

Why are we suddenly interested in interior inspection stations? I have not heard of any wrong doing or problems with any of the Inspection Departments in our part of the country. Does anyone feel that the title of Federal before an Inspector's name means he is as good or better or more honest than a State or Private Inspector? This question has already been answered by the case of 31 Federal Food Inspectors in New York, as reported in the New York Times of November 10, 1976.

It seems unreasonable to have State and Private Inspection Agencies suddenly saddled with additional fees for supervision, which is unneeded. If previous experience is any teacher at all, I am sure the fees will increase drastically as the years go by and the Federal Grain Inspection Service races to unnecessary expansion. In the Senate Hearing on this Bill, I recall the Federal Grain Inspection Service people saying that the new people to be trained as Inspectors, etc., would start at lower grades and then upgraded as they go along. This is bound to cause an increase in fees. In my opinion, we are only looking at the tip of the iceberg.

I predict, because of the inefficiencies of many government agencies, the movement and marketing of grain could break down causing terrible problems. As an example: An elevator in Enid, Oklahoma, called Federal Appeals on 15 cars on December 22 and December 23, 1976, all for DHV Count. These Appeal grades were given back to the shipper on January 3, 1977. This is the utmost in inefficiency. State and Private Inspection Departments routinely provide this service within 24 hours. This is the worst type of car utilization and it results in large amounts of demurrage and unnecessarily tied up railroad equipment. The length of time it took to get these Federal Appeal grades probably amounted to one round trip by box car or hopper from point of origin to the Gulf and return.

Let us not forget that all of these new fees for the Federal Grain Inspection Service will be paid by the producer.

With agriculture prices as low as they are today, he is the last person that should have an added cost. As I stated before, I have seen few, if any, government agencies where the cost of that agency has not continued to accelerate in an unmanageable manner, and I view this as a very definite probability with the Federal Grain Inspection Service.

This matter of fees has come in conflict with most of the States. If the Federal Grain Inspection Service operated on appropriated funds, as it always has in the past, I think the conflict with the States would come to an end. It seems that our government continues to meddle in the affairs of the people, and I cannot see any reason for this to occur at the interior inspection points. I urge the Committee to recommend full funding by Congress for the Federal Grain Inspection Service, and eliminate all fees to be charged to the State and Private agencies in the Interior.

Thank you and that is the end of my testimony.

(Newspaper article attached is held in the committee file.)

STATEMENT
OF
JOHN CURRY, PRESIDENT
NATIONAL CORN GROWERS ASSOCIATION

I am John Curry, President of the National Corn Growers Association. I am a corn farmer from Victoria, Illinois, and the National Corn Growers Association is, as the name suggests, an association composed of corn farmers from the major corn-producing states of the United States. It is a non-profit organization, dedicated to improving conditions for corn production, processing and marketing.

For many years the National Corn Growers Association has also been a member of the U.S. Feed Grains Council, in which we have cooperated with other interested producer and industry groups, together with the U.S. Department of Agriculture, to help develop export markets for U.S. feed grains. We have expended large sums of money and a great deal of effort in this endeavor and have, during these years, seen a very healthy growth in our feed grain exports. All of this has, of course, helped agriculture and has been of benefit to the entire nation.

Ours has been a self-help effort which has thrived under the free--or relatively free--agricultural marketing system which we have enjoyed in the United States. This system is now seriously threatened by a strong trend toward greater government regulation. This regulation is taking various forms, only one of which is the Federal Grain Inspection Service.

In our work with the U.S. Feed Grains Council we have come in contact with many overseas buyers of U.S. grains, and we never noted among them the degree of dissatisfaction with U.S. grain deliveries which some interest groups have continued to suggest here in the United States during the past year or so. Most of the quality problems we have encountered overseas--and there have actually been very few, considering the large volume of grains shipped from the United States annually--have had to do with broken kernels rather than as a result of faulty handling. Since U.S. corn must be dried in order to permit

safe storage and shipping, the kernels tend to become brittle and crack. This does not affect the quality but is a grading factor.

We have been aware that there were problems with some of the shipments, which led, understandably, to closer supervision of the export industry. We understand that these problems were centered chiefly in one port area in the United States and that as a result of an Affirmative Action Program, in which the grain exporters have cooperated with the U.S. Department of Agriculture, these problems appear to have been cleared up. We were very pleased to hear recently that none of the 47 complaints registered against U.S. grain export shipments during the past year proved to be valid. If this is so, and the Affirmative Action Program has worked so well, we wonder why it has been necessary for the FGIS to develop such a large regulatory bureaucracy which has already alienated them from every sector of the industry and threatens to be prohibitively expensive. We are very much afraid of losing any of our competitive position abroad--both with regard to price and shipping efficiency. We are beginning to wonder if the ongoing cure is not proving to be worse than the disease. It is at least much more costly.

During the years since 1972 the U.S. grain export volume grew to and maintained dimensions we had never before expected. We have come to realize our strong dependence on the export markets, and this past year has been a very bitter disappointment to farmers. We realize that much of this is due to the fact that there has been a smaller world market during the 1976/77 marketing year. We know, however, that in spite of this, Canada, Australia and Argentina have had excellent export years, whereas our own volume has shrunk greatly. We know that factors other than added Government regulation have been responsible for some of this, but the regulation has certainly not helped. We should do everything we can to facilitate exports--not stifle them.

With all its weaknesses, the U.S. marketing system was the most efficient in the world. It was able to respond quickly and adjust to the much larger export volume since 1972. No government system has ever been able to work as well as a free enterprise system, and the FGIS is already proving this with disruptions throughout the entire industry. It is impossible to imagine how the system could be more efficient through the addition of so many people--most of them completely inexperienced.

We are already having problems as a result of our attempting to institute the Federal Grain Inspection Service. These problems will undoubtedly become more serious at harvest time, when there is a much larger volume of grain moving and requiring handling. One area of concern, for example, is with the turn-around of rail cars. We have always experienced some problems with shortages of rail cars at harvest. Unless the new system is able to work more rapidly than it has proved it can, the slow turn-around of rail cars because of the delays will certainly make this problem much more acute when the harvest gets into full swing.

Another of our concerns with the new system is that it will eventually completely eliminate appeal certificates, unless requested by both buyer and seller. The grain will be inspected by Federal inspectors, which would obviate the need for the appeal certificate. In such instances the elevator has no recourse on an inspection which is, after all, still the determination of only one man, and they have admitted that they make mistakes and expect they will probably make more. We understand that in some recent instances when there was an appeal on an inspection after the seller had obtained also the permission of the buyer, the appeal resulted in a change.

The registration, investigation of all those involved in export, and the conflict of interest provisions in the Act are all expensive bureaucratic measures which will give the Government an inordinate control of the entire

industry. This control, extended to all parts of the industry and not just the portion of it where there were any problems, will, furthermore, be exercised by individuals who may or may not be pursuing interests either political or self-serving. It will constitute an additional harassment of the industry, further encouraging exporters to trade in foreign grains and sell U.S. grains only as a last measure.

Another unfortunate aspect of the entire new system is that the officials of the FGIS are apparently intent on perpetuating the memory of past sins, continuing to speak of them in present tense and actually attributing them to the entire industry. This is not only incorrect, it is very unjust, for most of the people in the industry are very honest. There are also many export and inland grain handling points which have been in operation for many years without any problems. If the FGIS is seriously intent on restoring the integrity of the U.S. system, it will stop discrediting it. One of the worst examples of this was a report recently written by Ben Darling, Information Officer of the FGIS Western Region Office in San Francisco. In his report, addressed to the Agricultural Marketing Service, the Animal and Plant Health Inspection Service and all the FGIS Field Officers-in-Charge, Mr. Darling states that "The grain industry did nothing to improve their credibility by the tacitly expressed idea that the whole reason for the new rules and regulations was not at all their fault, but that of a few individuals who were dipping into the export market till. Unfortunately their stance fell upon receptive Northwest attitudes because the Pacific Northwest growers, dealers and exporters feel that all the bad apples were in the Southeastern barrel and the NW is having additional regulations forced upon them by something they were in no way responsible for. We think the grain industry should be forced to face the fact of their systematized transgressions. Perhaps, a suggestion that the grain trade

be organized on the structure that works so well for Canada would have some results."

Mr. Darling's concept of a wheat board is, first of all, merely his own lay opinion, which would be hotly contested by most experts here and in Canada. It is, furthermore, incompatible with our own Administration's contention that we intend to continue to maintain a free marketing system. His statement about systematized transgressions is even worse, for it constitutes a serious offense to the entire industry and not just the Pacific Northwest growers, dealers and exporters whom he mentions in his report. It makes one wonder if the FGIS is not conducting a systematized campaign against the industry in order to justify the growth of the FGIS bureaucracy, which has already mushroomed far beyond anything Congress ever dreamed of.

No one will be exempt from the burden of these costs. The exporters, the elevator operators, and all others in the merchandising chain cannot absorb them and must attempt to pass them on. When they cannot pass them on to the customer--who is not obliged to buy U.S. grain but will buy where he can get the most for the least--they will revert to the farmer, for he is the only one who has no one to pass them on to.

We hope that Congress will consider Federal funding to pay the cost of the supervisory fees and lighten the burden which will inevitably revert to the farmer. By far, however, the biggest cost to the producer will be in the loss of export business which we fear will result. In our markets the loss of 100 million bushels of exports a year can mean the difference between a good and a bad year.

We hope, therefore, that Congress will also very seriously consider the various provisions of the Grain Standards Act, to determine if they are really necessary and will accomplish what they are expected to. The problems

we had were really the result of human failings, and no system will guarantee that people will be different. Our recent experiences prove that Government employees are not necessarily more virtuous or honest than are private citizens. If the system is working well without all the other provisions of the Act, we would strongly urge that the U.S. grains industry not be burdened with more regulation than is compatible with good business.

Thank you for this opportunity to present our views.

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Statement of the American Farm Bureau Federation
 425 13th Street, N.W.
 Washington, D.C. 20004
 April 29, 1977

We appreciate this opportunity to present Farm Bureau's views on bills to amend the U.S. Grain Standards Act with respect to record-keeping requirements and supervision fees.

Farm Bureau represents farmers who produce virtually every agricultural commodity that is produced on a commercial basis in this country, including products destined for export markets as well as domestic consumption. Farm Bureau members are vitally interested in the implementation of a grain inspection system in which farmers and the public can have full confidence.

As we stated during hearings last year, a reliable grain inspection system is clearly in the best interests of producers, merchandisers, warehousemen, processors, and consumers of grain.

Several State Farm Bureaus have received reports of difficulties caused by the new grain inspection law. Most of the problems appear to center around the fee structure and the record-keeping requirements. In addressing these problems we recognize that the new Administration has not yet appointed an administrator of the Federal Grain Inspection Service (FGIS) and that record-keeping and other requirements under the new law have not been finalized or fully implemented.

The FGIS should move as expeditiously as possible to clarify the new rules and to provide widespread distribution of information relative to the new grain inspection and weighing service.

The new law authorizes the FGIS to charge and collect reasonable fees to recover the cost of administrative and supervisory activities outside of Washington as well as the cost of service for inspection, weighing, and other duties performed by representatives of FGIS. We support amendments which would repeal the authority for charging fees for the federal supervision of grain inspection and weighing under the United States Grain Standards Act. This activity should be funded through appropriations.

Since very little information is available to indicate the level of fees that is needed to recover the costs of federal inspection and weighing services, we recommend that the concept of recovering these costs through fees be reviewed periodically to ensure that the cost of the program does not impose an excessive burden on the buyers or sellers of grain.

We further recommend that every effort be made to keep the record-keeping requirements associated with the new law as simple as possible. Elevator operators should not be burdened with extensive record-keeping requirements, particularly if they are only marginally involved with official inspection or weighing. If legislation is required to avoid unnecessarily burdensome record-keeping, we would support such amendments to the United States Grain Standards Act.

We strongly urge officials of the FGIS to draft the final record-keeping regulations in a manner which, to the maximum extent possible, will allow the utilization of records already kept by elevator owners and operators.

We support amendments creating an advisory committee--composed of producers and other industry representatives--to work with the FGIS on matters concerning the implementation of the 1976 Act.

Finally, while an analysis of the protein content of wheat is a better criterion of quality than any specification based on the color of wheat, we are opposed to the proposal to prohibit federal inspectors from showing the percentage of dark, hard vitreous (DHV) kernels on the grade certificates for hard red winter wheat destined for export markets. Some foreign buyers desire information on both the protein and DHV content of U.S. hard red winter wheat. A law prohibiting inspectors from providing this information could lead to suspicion and uncertainty on the part of foreign buyers and could result in a reduction in sales of U.S. wheat abroad. U.S. wheat growers can ill afford any action that might tend to reduce their export sales--especially during this period of abundant supply and depressed prices.

We appreciate this opportunity to present our views on this important legislation.

TESTIMONY

PREPARED BY

NORTH DAKOTA
GRAIN DEALERS ASSOCIATION

PRESENTED TO

A HEARING OF
THE HOUSE AGRICULTURE COMMITTEE
ON THE
UNITED STATES GRAIN STANDARDS ACT.

APRIL 29, 1977

The North Dakota Grain Dealers Association represents a majority of the licensed and bonded country elevators in North Dakota. Approximately 80% of these elevators are cooperatives--owned and operated by farmers. Thus the grain trade in North Dakota is essentially the producers themselves. This Association has expressed the opinions of this grain trade in North Dakota since its foundation in 1910.

Two of our members were here in Washington on February 3rd to present testimony on this very problem over in the Senate. Following that two days of testimony, the Senate saw fit to amend the U.S. Grain Standards Act of 1976 to eliminate its most objectionable sections. We thought, as I'm sure many others did, that the battle was over. I believe it is a serious and costly disservice to farmers and the grain industry to attempt to open the wound again.

We understand two bills have been introduced into the House on this matter. House Bill 6135 would assess one-half of the operating costs of the Federal Grain Inspection Service on the country elevator trade. At the outset of this legislation, it was proposed to charge 100% of the inspection and supervision costs back to the country trade. This was rejected by the country elevators as being too costly and unfair.

Again we must reject even the 50% level. The country elevators of North Dakota feel that any assessment of fees is unjust, whether at the 100% level, 50% or 25%. Other regulatory agencies such as the Interstate Commerce Commission, the Federal Trade Commission or the Securities and Exchange Commission are not funded by the regulated industry. If this Inspection Service is necessary, to pass any of the costs directly back to U.S. farmers, already caught in a vicious cost-price squeeze, would be unconscionable in our opinion.

U.S. farmers cannot afford to shell out the millions of dollars required to maintain this system. You may ask, "What is a penny or two a bushel going to do? It won't make any difference." Let me point out that with wheat prices and prices of other crops reportedly at or near cost of production, this one or two cents does not skim the cream off the profit; rather it causes just that much more loss on each bushel produced and marketed.

Increased costs of inspection and weighing services and supervision may cause a large amount of grain to be sold on an unofficial inspection basis. This would be a giant step backward.

We understand HB 6135 does not provide for an advisory committee to the FGIS Administrator. I believe it would be wise for the administrator, no matter how experienced to solicit all inputs available through such a committee. This is especially true when we look at the new, enlarged and uncharted field in which this Inspection Service seeks to intervene. The vigilance and efficiency given by such an advisory committee will go a long way in lending credibility to the Federal Grain Inspection Service in the eyes of our cooperative and private trade. Cooperation and implementation would thus be enhanced.

The two issues I have just addressed--costs and the advisory committee--are both dealt with much differently in HB 3369 introduced by Representative Sebelius of Kansas. This bill would mesh closely with the already Senate passed amended version.

Costs would be paid from appropriations as they should be and an advisory committee would be set up to help the administrator during the first months of FGIS operation. The cost of this committee is a small price to pay for the expertise it will add to the Service. Therefore the North Dakota Grain Dealers Association supports HB 3369 on Federal Grain Inspection relating to fees and an advisory committee.

In summary, we submit that the violations which originally stirred up this hornet's nest took place at points far distant from our farmers and country elevators. It is unfair that the transgressions of a few misguided people in the export trade be used as an excuse to severely penalize the local country elevators and the farmers who support them. We suggest--don't assess fees, appropriate costs; don't shut off our line to the FGIS Administrator, give us an advisory committee through which the industry can communicate with him. Through your legislation, attempt to make it easier for farmers and grain dealers to live with the new Federal Grain Inspection Service.

We hope these comments are of value to you and will be regarded when you make your final determination. Thank you for the opportunity to express our views.

[Telegram]

CORPUS CHRISTI EXCHANGE,
April 26, 1977.Hon. E DE LA GARZA,
House of Representatives Office Building,
Washington, D.C.

Regarding Agriculture Committee hearing on changes in Grain Standards Act we regret that we will be unable to have personal representation present but wish to advise of our position. Request you make this statement part of committee record. This exchange supports H.R. 3369 as we feel that federally imposed supervision fees should be funded from the Federal budget as was done under the prior act and is done on many commodities. We also support amended record keeping requirement. We feel that an Advisory Committee will be helpful to the Administrator of FGIS and the Secretary of Agriculture. We urge that you set guide lines for "conflict of interest" waivers as we feel boards of trade and other broadly representative types of private inspection service offer the best type of grain inspection service to the country elevators and grain producers. The act should be amended to allow broadly held private inspection agencies to perform inbound inspection at export port location. Not doing so create a discrimination against local farmers as they are forced to pay higher FGIS inspection fees than farmers located at a distance from port. Your help will be appreciated.

RANDOLPH P. MOORE, *President.*

[Mailgram]

April 26, 1977.

To: Hon. E de la Garza, House Office Building, Washington, D.C.
From: Cotton and Grain Producers of the Lower Rio Grande Valley.
Subject: Sebelius bill—H.R. 3369.

Our organization urges your support of this bill. We feel that it will be most advantageous to our members.

We also want to reiterate our support of Corpus Christi Grain Exchange request to be able to handle inbound inspections and weigh.

CHARLES W. WOFFORD,
Executive Director.

[Telegram]

CORPUS CHRISTI GRAIN EXCHANGE,
Harlingen, Tex., April 26, 1977.Hon. TOM FOLEY,
The Capitol, Washington, D.C.

Regarding Agriculture Committee hearings on changes in Grain Standards Act we regret that we will be unable to have personal representation present but wish to advise of our position. This exchange supports H.B. 3369 as we feel that federally imposed supervision fees should be funded from the Federal budget as was done under the prior act and is done on many commodities. We also support amended recordkeeping requirement. We feel that an advisory committee will be helpful to the Administrator of FGIS and the Secretary of Agriculture. We urge that you set guidelines for "conflict of interest" waivers as we feel boards of trade and other broadly representative types of private inspection services offer the best type of grain inspection service to the country elevators and grain producers. The act should be amended to allow broadly held private inspection agencies to perform inbound inspection at export port locations. Not doing so creates a discrimination against local farmers as they are forced to pay higher FGIS inspection fees than farmers located at a distance from ports. Your help will be appreciated.

RANDOLPH P. MOORE, *President.*

[Mailgram]

TEXAS GRAIN AND FEED ASSOCIATION,
Fort Worth, Tex., April 27, 1977.

Representative E DE LA GARZA,
House Office Building,
Washington D.C.

Our membership went on record at our annual convention in Houston, Texas, April 16, 1977, by adoption of a resolution opposing the users fees for supervision and recordkeeping requirements required by the U.S. grain standards act of 1976 passed by Congress last year. We support amendments proposed by Senator Tower and endorsed by Senator Bensen and six other Senators to amend the act. Our association has the support of producers organizations, grain exchanges and grain and feed associations in Texas. Can we count on your support?

RAYMOND R. NOLEN,
Executive Vice President.

[Mailgram]

AMARILLO GRAIN EXCHANGE,
Amarillo, Tex., April 27, 1977.

Hon. THOMAS S. FOLEY,
Chairman, House Agricultural Committee, Longworth House Office Building, Washington, D.C.

DEAR HONORABLE CONGRESSMAN FOLEY: While I personally regret I will not be able to attend the committee hearings on April 29, 1977; I would like to reaffirm the Amarillo Grain Exchange's position concerning the bills that are before the committee.

The Amarillo Grain Exchange serves directly and indirectly through its membership in excess of 10 to 15 thousand farmers including major exporters plus our many inland domestic customers as well as cattle feeders and mills. Our position being in the best interest of free enterprise and the preservation and survival of companies such as ours and many other grain exchanges, board of trades, etc. Throughout the inland points across the United States. We strongly urge you, as chairman of this prestigious committee, to address yourself to a very strong and positive conflict of interest clause that would entitle waivers being granted at interior points where no wrong doings have been suggested or proven; such as the case of the Amarillo Grain Exchange.

We do support the 100 percent appropriations proposal for federal grain inspection service supervision and we certainly support amending the record keeping requirements in order that the grain trade would be able to comply with the record keeping requirements without undue burden on the trade.

I feel like this would lessen unnecessary government intervention and keep our inherent right to the free enterprise system.

I know that you will use sincere and good judgment concerning these matters and will be able to direct your committee in the best interest of the grain trade as well as companies such as ours in this hearing.

Best wishes, I remain,

DON R. BURRIS,
General Manager.

[Telegram]

SIoux CITY GRAIN EXCHANGE,
Sioux City, Iowa, April 28, 1977.

Hon. TOM FOLEY,
Chairman, House Agricultural Committee, 1201 Longworth Office Building, Washington, D.C.

On request of the Board of Directors of the Sioux City Grain Exchange, I urge you, most earnestly, to positively consider Sebelius bill H.R. 3369 and, most especially, an amendment on waivers of conflict of interest.

We thank you for your consideration.

Sincerely,

DENNIS DOW,
Secretary to the Board of Directors.

[Telegram]

INDIANA GRAIN AND FEED ASSOCIATION,
Indianapolis, Ind., April 28, 1977.

HON. THOMAS S. FOLEY,
U.S. House of Representatives,
Washington, D.C.

The Indiana Grain and Feed Association wishes to express its support of the National Grain and Feed Association statement of testimony on amendments to the 1976 U.S. Grain Standards Act now under consideration in the Committee on Agriculture.

Your favorable consideration is respectfully solicited on this matter of prime importance to the country elevator industry of Indiana.

R. L. COLE,
Executive Vice President.

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