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# THE FEDERAL GRAIN INSPECTION SERVICE (FGIS)

Annual Report to Congress 1977



U.S. Department of Agriculture

FEDERAL GRAIN INSPECTION SERVICE

First Annual Report

to the

Committee on Agriculture, Nutrition,  
and Forestry of the Senate

and

Committee on Agriculture of the  
House of Representatives

As Required By

Section 17B(a) of the United States  
Grain Standards Act, as amended (1976)

Reporting Period

November 20, 1976, through September 30, 1977

I. WHAT IS THE FEDERAL GRAIN INSPECTION SERVICE?

The Federal Grain Inspection Service is a new agency in the Department of Agriculture. It was established on November 20, 1976, under the authority of the United States Grain Standards Act (GSA), as amended in 1976. The Service carries out grain inspection and weighing programs under the Act; such as official grain inspection and weighing at certain export markets; official inspection on an interim basis at interior locations; official weighing on a request basis only at interior locations; the supervision of State and other official agencies delegated or designated to perform official inspection and/or weighing functions; and the development and maintenance of official U.S. standards for grain. The grains inspected under the GSA are: corn, wheat, rye, oats, barley, flaxseed, sorghum, soybeans, triticale, mixed grain, and any other food grains, feed grains, and oilseeds for which official standards have been established. The Service is also responsible for the inspection of such agricultural commodities as: rice, beans, peas, lentils, and processed grain products under the authority of the Agricultural Marketing Act of 1946, as amended.

Authority

The United States Grain Standards Act, as amended in 1976 and 1977, specifies in section 17B.(a) "The Administrator shall submit a report to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate 1 year after the effective date of the United States Grain Standards Act of 1976 setting forth the actions taken by him in implementing the provisions of that Act; and, on December 1 of each year thereafter, the Administrator shall report to such committees regarding the effectiveness of the official inspection system under this Act for the prior fiscal year, with recommendations for any legislative changes necessary to accomplish the objectives stated in section 2 of this Act."

II. TABLE OF CONTENTS. 1/

<u>Section</u>	<u>Page(s)</u>
I. What is the Federal Grain Inspection Service?	1
II. Table of Contents.	2,3
III. Letter to Congress From the Administrator.	4,5
IV. Summary of Accomplishments and Legislative Recommendations.	6,7
V. Why was the United States Grain Standards Act of 1916 Enacted?	7,8
VI. What Changes Have Been Made in the Act?	8
VII. Why Did Congress Amend the United States Grain Standards Act in 1976?	9,10,11
VIII. What Were the New Provisions of the United States Grain Standards Act, as Amended in 1976?	12
IX. What Program Implementation Planning Preceded the Effective Date of the Act?	12,13,14
X. What Resources Were Available to FGIS to Launch the New Programs?	14,15,16
XI. How is FGIS Organized?	16,17
XII. What Has Been Accomplished and Under What Constraints?	18,19,20
A. Organization, Planning, and Administration.	20,21,22
B. FGIS Take Over of Inspection and Weighing Activities at Export Markets.	22,23,24,25

1/ The first Annual Report to Congress describes the progress FGIS has made in implementing the U.S. Grain Standards Act from November 20, 1976, through September 30, 1977, and the major problems encountered. The impact of the 1977 amendments, which became effective October 1, 1977, will be included in the report only to the extent that the events leading to the passage of the 1977 amendments affected the implementation of several provisions of the 1916 Act, as amended in 1976.

The report will be submitted to Congress on November 20, 1977. Hereafter, the Annual Report to Congress will be based on an October 1 through September 31 fiscal year and submitted to Congress on December 1 following the end of the fiscal year.

II. TABLE OF CONTENTS (CONTINUED)

<u>Section</u>	<u>Page(s)</u>
C. Weighing.	25,26,27
D. Registration.	27
E. Elevator Recordkeeping.	27
F. Study Requirements.	28
G. Monitoring of U.S. Grain Exports in Foreign Nations.	28
H. Rotation of Personnel.	29
I. Equipment Testing.	29
J. Delegation/Designation of Authority.	29
K. Licensing.	30
L. Management.	30,31
M. Accelerated Standardization Program.	31
N. Recruitment and Training.	31,32
O. Federal Supervision Fee Schedule.	32,33
XIII. What are the Provisions of the 1977 Amendments?	34,35
Appendix	36 - 44

III. LETTER TO CONGRESS FROM THE ADMINISTRATOR.

Copies Sent To:

Honorable Herman E. Talmadge  
Chairman, Committee on Agriculture,  
Nutrition, and Forestry  
United States Senate  
Washington, D.C. 20510

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

Dear Mr. Chairman:

I am pleased to present to Congress the first report of the Federal Grain Inspection Service since it was established on November 20, 1976. We believe, as a result of the 1976 and 1977 amendments to the United States Grain Standards Act, that Congress has given us a more effective tool for use in providing assistance to the American grain marketing process. We plan to make the most of this opportunity. We fully intend to develop and implement a reputable and cost-effective grain inspection and weighing program that Congress envisioned as necessary to protect both the public and private interests of this nation.

We perceive our mission to be as follows:

To promote and facilitate the merchandising of U.S. grain and related commodities in an orderly, objective, and timely manner and to protect the general welfare of the people of the United States through the establishment of official U.S. standards or procedures for grain quality and weights, the establishment of an official inspection and weighing system, the uniform and accurate application of the official U.S. standards or procedures and the official certification of grain quality and weights as authorized and applicable under the U.S. Grain Standards Act, as amended, and the Agricultural Marketing Act of 1946.

We launched this mission last November 20, 1976, from a historical but limited resource base and perspective. We have broadened our perspective over the past 10 months and have overcome or reduced many constraints to

Honorable Herman E. Talmadge and Honorable Thomas S. Foley

the implementation of the new provisions of the Act. The experience we have gained as a new agency within the Department of Agriculture has helped us develop an organizational structure and operational base to complete the implementation of the Act within the time frames specified by Congress. At this time, we do not anticipate any major problems in the implementation of the Act. As necessary, we will submit to Congress our recommendations in or before the next Annual Report for any legislative changes in the Act necessary to accomplish the FGIS mission.

Sincerely,

A handwritten signature in cursive script that reads "L. E. Bartelt".

L. E. Bartelt  
Administrator

#### IV. SUMMARY OF ACCOMPLISHMENTS AND LEGISLATIVE RECOMMENDATIONS.

During the period November 20, 1976, through September 30, 1977, the Federal Grain Inspection Service was created within the Department of Agriculture, organized, and made operational. It has assumed the responsibility for providing official inspection and weighing services at six export markets and official inspection services at two additional markets. FGIS plans to provide official inspection and weighing services at five additional export markets during FY-1978. As of September 30, 1977, the FGIS field staff consisted of 1,143 persons and the Washington staff 147 persons. The fiscal year 1978 budget is \$45,081,000 1/ of which \$11,488,000 1/ will be financed from appropriated funds and \$33,593,000 from trust funds. Seven hundred and fifty of the field staff have received continuous on-the-job training since FGIS was organized. Of this number 340 have participated in formal 3 week orientation courses for new trainees.

The FGIS organizational structure consists of an Administrator, appointed by the President, by and with the advice and consent of the Senate, a Deputy Administrator for Program Operations and four program divisions; i.e., Inspection, Weighing, Standardization, and Compliance, at the Washington level, and a field office complement of 36 offices located at grain concentration points throughout the United States and at grain export markets. Nineteen of the 36 field offices have a primary function of grain export, while the remaining 17 have a primary function of domestic grain inspection. The first Regional Office is scheduled for implementation during the forepart of FY-1978 with four additional offices scheduled for implementation at a later date (see Regional Map A). During FY-1977, more than any recent period, staff members of the new agency have participated in numerous meetings with the grain trade, State and other official agencies, and other interested groups, including foreign buyers of U.S. grain, to explain the FGIS program and the provisions of the United States Grain Standards Act. Thus far, overall industry cooperation in assisting FGIS in implementing the Act has been commendable.

FGIS grain quality and weights monitoring teams have traveled to England, Spain, Portugal, Poland, Denmark, Netherlands, Belgium, Mexico, Switzerland, Italy, Greece, Yugoslavia, East and West Germany, and Scotland, since November 1976, to monitor the validity of quality and weight complaints, to ascertain the quality of American grain upon arrival at ports of destination, and to gain additional information on inspection and weighing procedures and equipment/facilities used at these foreign ports. In turn, various foreign teams and groups have visited the Inspection and Weighing Divisions to discuss/observe inspection procedures and for clarification of certain provisions of the Act. The visits were made, over the past year, by the Taiwan Soybean Crushers Team, Soviet Grain Storage Group, Korean Soybean Processors, and Japanese Government Wheat Mission.

1/ \$45,081,000 and \$11,488,000 does not include an \$8,038,000 supplemental for supervision cost.

The agency has not been without problems. Development of an adequate and well-trained field and headquarters staff has been a major concern. Administrative constraints have delayed implementation of some provisions of the 1976 amendments. Inadequacies in the 1916 Act, as amended in 1976, are reflected in changes made by the 1977 amendments. The uncertainty as to particular provisions of the 1977 amendments of the Act, such as record-keeping, contributed to delays in the implementation of several provisions of the 1976 amendments. The 1977 amendments were effective October 1, 1977. Virtually all provisions of the 1977 amendments will be implemented in whole or in part or plans developed for implementation during FY-1978.

Section 17B.(a) of the Act requires the Administrator to annually report on the effectiveness of the official inspection system and to recommend any legislative changes necessary to accomplish the objectives stated in section 2 of the Act, "Declaration of Policy." The Department proposed numerous technical changes in the 1976 amendments that are reflected in the 1977 amendments. FGIS is not making further recommendations for legislation at this time. However, in drafting regulations under the Act, several additional technical deficiencies in the 1977 amendments have been noted. As the 1977 amendments are implemented, additional deficiencies may be noted. Needed changes will be reported on or before the next Annual Report.

#### V. WHY WAS THE UNITED STATES GRAIN STANDARDS ACT OF 1916 ENACTED?

As the volume of grain merchandised off farms increased, during the last half of the 19th century, the lack of uniformity in grain quality standards and terminology between major American grain markets became an increasing concern to grain merchandisers and producers. Several States attempted to facilitate trading by establishing State quality standards. By the close of the century, there were 30 States and trade organizations inspecting grain for quality at 64 inspection points in the United States, often with widely different standards, terminology, and regulations.

Several bills authorizing the United States Department of Agriculture to establish uniform grading standards were introduced in the Congress during the period 1889 to 1906. In 1906, Congress appropriated funds for the investigation of grade standards. During the period 1907 to 1915, 25 bills proposing grain legislation were introduced. By this time, the majority of those interested in grain legislation had accepted the idea of the Department of Agriculture developing uniform quality standards, and the discussion focused on the type of inspection system that should be established. Farmers and country elevator operators tended to favor a system of Federal inspection, while some of the States and grain trade groups preferred a system of Federal supervision. The Department of Agriculture favored a system of Federal supervision of inspection, maintaining that such a system would be as effective as a system of Federal inspection.

The United States Grain Standards Act was enacted in 1916 and authorized the Secretary of Agriculture to establish official U.S. standards for grain and a system for the Federal supervision of grain inspection. The Act required that certain export and interstate shipments of grain be officially inspected if sold by grade.

Under the Act, the Secretary of Agriculture was directed to issue a license to State inspectors and was authorized to issue a license to employees of inspection agencies if the employees were found competent to inspect and grade grain. Anyone not holding a Federal license was forbidden to issue a U.S. grade certificate. No licensed inspector could have a financial, employment, or other conflicting interest in a grain elevator or firm engaged in the merchandising of grain. Inspectors were required to keep records of their inspections. The Secretary could suspend or revoke licenses after a hearing, if it was found that the licensee was incompetent or had knowingly or carelessly graded grain falsely or had a conflict of interest. The Act prohibited representing grain to be of a grade other than an official grade.

#### VI. WHAT CHANGES HAVE BEEN MADE IN THE ACT?

The first amendment to the Act was enacted in 1904 when soybeans was added to the list of grains subject to the Act. In 1956, the Act was amended to prohibit the issuance of a false certificate by the deceptively loading, handling, or sampling of grain. Previously, only inspectors were prohibited from issuing or causing the issuance of false certificates.

An amendment to the Act in 1958 authorized the Department to bill applicants for the cost of overtime incurred while performing appeal inspection services.

The first major revision of the Act occurred in 1968. The revised Act required official inspection for certain export grain if sold by grade, but generally removed the requirement that certain interstate shipments be inspected if sold by grade. However, any interested party could request and, on payment of a fee, receive an official inspection on a lot of grain.

Other changes made by the 1968 amendments included: (1) 3 year licenses for inspectors instead of permanent licenses; (2) a 1 year lead time to initiate changes in standards instead of 90 days; (3) 3 year licenses for samplers and laboratory technicians instead of no license; and (4) additional inspection services, such as inspection of U.S. grain in Canadian ports, protein tests, and weighing of sacked grain upon request.

The 1968 revision of the Act also increased the penalties for violation of the Act or for assaulting official inspection personnel from a maximum of \$1,000 and/or 1 year in jail or both to \$3,000 and/or 6 months in jail or both for the first conviction and \$5,000 and/or 1 year in jail or both for the second or subsequent convictions.

The Act was also amended in 1976 and again in 1977. These latter amendments are the subject of this report to Congress.

VII. WHY DID CONGRESS AMEND THE UNITED STATES GRAIN STANDARDS ACT IN 1976?

In March 1974, the FBI initiated an investigation of grain inspection and weighing irregularities based on information provided by the Federal Maritime Commission and individuals employed in the grain shipping industry. The U.S. Attorney in New Orleans and the USDA's Office of Investigation also became involved in the investigation.

Investigations into irregularities in grain inspection, weighing, and handling resulted in 124 Federal grand jury indictments against 94 individuals and 14 firms. Of this number, 14 firms and 93 individuals have been convicted. The 124 indictments represent indictments of several individuals more than once. The initial grand jury indictments in New Orleans, Louisiana, in August 1974, and in Houston, Texas, in March 1975, involved licensed grain inspectors who allegedly accepted bribes in exchange for certifying that ships were clean and acceptable for loading grain. Indictments in New Orleans in May 1975 were the first in many alleging short weighing of grain shipments. Later indictments in Baton Rouge, Louisiana, in January 1976 involved licensed grain inspectors who allegedly accepted bribes in return for "upgrading" soybean shipments.

By May 1975, reports of intentional misgrading of grain, short weighing, bribery, and the use of improperly inspected vessels began to threaten the credibility of the United States grain marketing system. In May, the Senate Committee on Agriculture, Nutrition, and Forestry scheduled hearings on the U.S. grain marketing and inspection system and authorized an investigation.

In June 1975, the Senate Committee on Agriculture, Nutrition, and Forestry and the House Committee on Agriculture, recognizing that they did not have the staff and resources for an exhaustive investigation, asked the General Accounting Office (GAO) to make a full and complete evaluation of the entire grain marketing and inspection system--from farm to foreign port. The GAO was directed to present its findings to Congress no later than February 15, 1976.

In June 1975, Senate Joint Resolution 88 was introduced in the Senate to provide emergency authority to the Secretary of Agriculture to restore confidence in the United States grain inspection system. The Resolution reflected the view that, during the investigation, the Secretary of Agriculture should have interim emergency authority to make immediate improvements in the grain inspection system. S.J. Resolution 88, as introduced, took a twofold approach: (1) it increased the penalties for assaulting Federal grain inspectors and for bribing an inspector; and (2) provided 1 year emergency authority for the Secretary to strengthen the grain inspection system in the Department of Agriculture.

The Senate hearings on S.J. Resolution 88 were conducted in Washington during June and July 1975. Statements were received from representatives of the Department of Agriculture, the Department of Justice, private inspection agencies, boards of trade, farmers organizations, agricultural

researchers, grain associations, users of feed grain, and organized labor. Information was obtained for the record concerning (1) complaints from grain buyers, (2) reports on corruption in grain handling and inspection, (3) newspaper articles calling attention to corruption in grain inspection and handling, and (4) indictments stemming from grand jury investigations.

In August 1975, Senate hearings were conducted in Bondurant and Walcott, Iowa. Statements were obtained from (1) a former Louisiana grain inspector who had pled guilty to a charge of bribery, (2) a former grain grader and weigher, (3) a Federal grain inspector from the New Orleans area, and (4) many representatives of agriculture-related occupations. The former Louisiana grain inspector testified that, under the present grain inspection system, it is very difficult for grain samplers and inspectors to remain honest. The former grain grader and weigher testified that his bosses instructed him to misgrade and to load barges deceptively.

Senate hearings continued in September 1975 and included testimony from the United States Attorney for the eastern district of Louisiana, current and retired USDA grain inspection officials, and several former grain inspectors who had either witnessed or participated in illegal grain inspection practices.

Early in September 1975, after adopting several amendments to S.J. Resolution 88 to provide the Secretary of Agriculture with interim emergency authority to begin making changes in the grain inspection system, the Senate Committee on Agriculture, Nutrition, and Forestry reported the Resolution to the full Senate. Later in September 1975, the Resolution was passed by the Senate and referred to the House Committee on Agriculture, which took no action on the Resolution.

In September 1975, the Conference Committee on Appropriations authorized an additional \$5 million in appropriated funds for increased supervision of the grain inspection system. This additional appropriation was used to hire and begin training of an additional 210 Agricultural Marketing Service-Grain Division inspectors and to purchase supporting supervision equipment.

Hearings on H.R. 9467, a bill introduced at the request of the Administration, and several other proposals involving grain inspection were held by the House Agriculture Committee in September 1975. Testimony was received from the Department of Agriculture and 40 other persons, including representatives from major farm organizations, grain organizations, labor unions, State Departments of Agriculture, private inspection agencies, licensed grain inspectors, grain exchanges, weighmaster organizations, members of Congress, and others.

Upon conclusion of the hearings, the House Agriculture Committee gave consideration to new grain inspection legislation. Business meetings of the Committee were held periodically from October 1975, through February 1976. In March 1976, the Committee began the markup of S.J. Resolution 88. H.R. 12572 was the outcome from the markup. The bill was passed by the House of Representatives on April 2, 1976.

Meanwhile, the Senate turned its attention again to the issue of grain legislation and to the GAO report on irregularities in the marketing of grain. A major recommendation of the report called for establishing an essentially all-Federal grain inspection system at export and at major inland terminals to replace the existing Federal/State/private system. Additionally, the report called for the Department of Agriculture to provide inspection services, on a request basis, under contracting or licensing arrangements at minor inland terminals and country elevators. The Senate Subcommittees held further hearings in March 1976. Following the hearings on grain inspection irregularities, the Senate Committee on Agriculture, Nutrition, and Forestry met and, after adopting amendments, reported S. 3055 to the full Senate. The Senate considered S. 3055 in mid-April 1976, and passed the bill, with amendments, in late April.

A Conference Committee was appointed to reconcile H.R. 12572 and S. 3055 as passed by the House and the Senate. On October 1, 1976, the House and the Senate agreed to the conference report on H.R. 12572, the United States Grain Standards Act of 1976. The Act was signed by the President on October 21, 1976.

VIII. WHAT WERE THE NEW PROVISIONS OF THE UNITED STATES GRAIN STANDARDS ACT, AS AMENDED IN 1976?

The 1976 amendments specified several major changes in the scope and functions of the United States Grain Standards Act.

For the first time provision was made for official weighing services, recordkeeping by elevators, registration of others involved in grain exports, users' fees to cover Federal supervision costs, rotation of Federal personnel, interim original inspection and weighing authority by Federal employees, and studies of the inspection and weighing system.

In addition, a new legal relationship was established between the Administrator and States delegated authority under the Act to perform inspection and weighing functions at export port locations. Services performed by the States will continue to be the direct responsibility of the FGIS Administrator. State and private agencies performing inspection and weighing functions under the Act at interior markets will continue to be designated under the Act to perform such functions.

The most controversial provisions of the 1976 Act were: 1) recordkeeping by elevators and 2) the users' fee to cover Federal supervision costs. The 1976 Act also focused an increased level of resources on the acceleration of the grain standards program and established deadlines for the implementation of the Act.

A brief description of the major differences between the provisions of the Act, as revised in 1968 and again in 1976, is presented in Table 1.

IX. WHAT PROGRAM IMPLEMENTATION PLANNING PRECEDED THE EFFECTIVE DATE OF THE ACT?

Prior to Congressional passage of the amendments on October 1, 1976, the Department developed a preliminary implementation plan for the provisions that were not in dispute between the House and Senate versions of the proposed amendments. Many of these provisions had been agreed to prior to April 1976. However, there was no indication throughout the spring and summer of 1976 that Congress would agree on new grain inspection legislation during the 94th Congress or, if agreement could be reached, what would be the nature of the compromise amendments.

Despite the uncertainty of the new legislation, the Agricultural Marketing Service-Grain Division, which had been responsible for the administration of the Act since 1916, initiated an informally structured planning process in June 1976, under the guidance of the AMS Administrator. Planning during the period June through September 1976 was limited to new program provisions and the identification of the various tasks which would have to be executed, when and if new legislation was finally enacted.

Passage of new grain inspection legislation occurred on October 1, 1976-- the last day of the 94th Congress. The President signed the bill on October 21, 1976, and the amendments became effective November 20, 1976.

Program managers, who were assigned responsibility for the development of specific components of the new program, were informally designated by the AMS Administrator at the end of September 1976. During the period from October 1, 1976, through November 20, 1976, an implementation schedule for each new provision in the amended Act was developed. Detailed planning proceeded on the priority provisions and on developing an organizational structure for the new agency. The planning process was accomplished by persons holding full-time program responsibilities in AMS-Grain Division's ongoing programs through the reallocation of available management resources between ongoing and new provisions and the voluntary extension of the number of man-hours worked per week.

Development of the organizational structure was based on a policy decision to establish separate support service divisions for the new agency. To phase in and make operational the new support service divisions, it was agreed that the existing AMS support service divisions would provide FGIS with needed program support services for a period not to exceed 6 months from November 20, 1976. During this 6-month period, FGIS was to develop its own support service division capabilities.

A FGIS organizational chart was developed and presented for Departmental and OMB approval the first week of November 1976 (Chart A). This organizational structure included four program divisions, i.e., Inspection, Weighing, Standardization, and Compliance, and three support service divisions. The field structure consisted of a regional and a field office system (see Regional Map A). Although the inspection and weighing functions were to be implemented as a single FGIS program at the field level, a Weighing Division was created at the Washington level to develop the new weighing provisions of the Act and to equalize program emphasis between the inspection and weighing functions.

Plans for the transfer of the grain inspection and personnel records from AMS to FGIS were executed as were funding and personnel ceilings. Plans were made to transfer AMS-Grain Division personnel involved in administration, inspection, and standardization functions, en masse, to FGIS at the time of the effective date of the Act.

Numerous meetings were held with industry groups, State and private inspection agencies, and other concerned groups, to explain the new provisions of the Act. A takeover schedule at export markets was drafted in consultation with the private inspection agencies that were precluded from performing inspection and weighing functions at such markets by the new amendments.

Program managers drafted detailed implementation plans for major program provisions. Program implementation milestones were established. In all, more than 2000 tasks were identified that would require sequential actions

to reach full implementation. Ongoing program activities were blended into a total implementation process. Throughout the planning process, FGIS managers worked closely with the Office of the General Counsel in defining program parameters and interpreting the various provisions of the Act.

Plans were developed to aggressively recruit and train the additional field staff needed to implement the new and expanded programs. Universities and colleges throughout the country were visited and a recruiting schedule developed.

An assessment of new manpower requirements was undertaken to establish immediate and intermediate field office staffing needs. Experienced supervisors were moved to field offices where the greatest increases in field office workloads were anticipated. New estimates of program costs and income were developed. Plans were outlined for developing new and updated inspection and weighing regulations and other documents necessary to implement new program responsibilities.

X. WHAT RESOURCES WERE AVAILABLE TO FGIS TO LAUNCH THE NEW PROGRAMS?

To better identify the environment from which FGIS launched its efforts to implement the new provisions in November 1976, the following status report is presented:

1. The AMS Administrator, in addition to his normal duties, was temporarily assigned the responsibility of carrying out the functions of the FGIS Administrator until the appointment of a permanent FGIS Administrator.

2. Program management positions from the Deputy Administrator's level downward in the Washington headquarters organization were filled by persons in an acting capacity until such time formal selections could be made.

3. The total FGIS staff consisted of 769 employees. Of this number 670 (or 87.1% of the staff) were assigned to field offices. The field office system consisted of 32 offices located in 20 States and one office in Canada (see Regional Map A).

4. An effective information program describing the new provisions of the Act and their implementation was not developed, and hence, many misleading and inaccurate reports were circulated within the industry, in newspapers, and farm magazines that created an emotional and political environment that presented unnecessary problems.

5. AMS support service divisions assigned temporarily to provide personnel and other technical assistance to the new agency were unsure of their responsibility in this undertaking and, as a result, cooperation and trust had to be developed.

6. FGIS' ability to effectively perform original inspection and weighing services at export locations was untested and uncertain. Some in the grain trade openly stated that FGIS would not be able to provide services or perform their duties as well as the private agencies that were replaced.

7. Supervision of inland inspection agencies was marginal because many experienced supervisors had been transferred from interior field offices to export markets where FGIS was performing original inspection and weighing services.

8. Rapport with grain trade and other interested groups was marginal, due in part to negative rumors and misinformation published about the new amendments.

9. The weighing provisions of the amendments were entirely new and not well understood. FGIS' ability to perform official weighing was untested and there were insufficient trained personnel, both in Washington and the field, to effectively initiate the weighing program.

10. Except for a relatively small number of experienced supervisors who were employed by the AMS-Grain Division prior to the effective date of the Act, about 55 percent of the expanded FGIS field staff had one-third or less of their technical training completed.

11. There was a 400 percent increase in the volume of Congressional and similar correspondence concerning program requirements, program statistics, and information. Several senior staff members, needed for other program development purposes, were assigned the task of answering this correspondence.

12. The two controversial provisions of the new amendments, i.e., users' fees charged to official agencies to cover the cost of Federal supervision and the elevator recordkeeping requirements, generated hostility and misunderstanding on the part of the grain trade. The effort and time of key program managers were expended in meeting with trade groups, State and other official agencies, and other interested groups to explain and discuss these provisions.

13. To pay the salaries and other costs of Federal inspectors and supervisors, a fee schedule had to be developed, published in the "Federal Register" and made effective within a very tight time frame. FGIS had relatively little historical cost data to verify the accuracy of projected inspection costs.

14. Ideally, the regulations governing the weighing of grain should have developed before the effective date of the amendments. The inspection regulations in effect prior to the effective date of the amendments were continued for inspection services and the weighing program was implemented through the issuance of instructions.

15. The AMS-Grain Division had operated with a limited program data base. As a result, there was limited historical, staffing, and cost data available for use in making program projections and cost estimates.

16. During the 3-year period prior to the 1976 amendments, the Grain Division had numerous program managers and supervisors who reached retirement age and retired. Many of the managers who replaced the retired supervisors had less than 2 years experience as managers before the 430 new trainees mentioned elsewhere in this report were recruited.

17. The FGIS organizational structure was drafted and submitted to the Department and OMB for approval in early November 1976. FGIS had not received approval of the organizational structure at the time the amendments became effective.

18. The amendments required implementation of services relating to export grain and the study required within 18 months and all other provisions within 24 months of the effective date. This time frame forced acting FGIS managers to move forward with the implementation of certain activities, such as the Federal supervision fee schedule and Federal take over of non-State agencies at export locations, before the agency was adequately prepared to do so.

19. To develop the nucleus of the FGIS staff, the Department executed a mass transfer of the AMS-Grain Division staff members from the following organizational units: 1) Director's Office, 2) Standardization Branch, and 3) Inspection Branch.

20. The Department continued the policy, established in the fall of 1975, of permitting FGIS to continue to build the field staff to projected levels. No such authority was granted FGIS to build a Washington headquarters staff to levels necessary to implement the amendments within the time frames mandated.

21. Historically, the AMS-Grain Division had reacted to inspection problems as they arose. Little had been done to prevent problems before they arose. Therefore, acting FGIS program managers were faced with the traditional series of ongoing program problems which had to be dealt with on a day-to-day basis in addition to implementing the new provisions. The implementation workload represented a second job over and above the normal ongoing program workload for Washington-based acting program managers.

22. An optimistic and aggressive implementation plan covering the major provisions of the amendments had been developed and was ready for execution.

#### XI. HOW IS FGIS ORGANIZED?

FGIS is headed by an Administrator appointed by the President, by and with the advice and consent of the Senate. Responsible to the Administrator is a Deputy Administrator for Operations. Four staff divisions, i.e., Inspection, Weighing, Standardization, and Compliance, are located in Washington and report to the Deputy Administrator. At the field level, five regional offices will report to the Deputy Administrator. Under the regional office is a field office system (see Regional Map A). Attached to the Administrator's office are a Planning and Evaluation Staff, Administrative Staff, and Training Staff. Program support services, such as personnel transactions, budgeting, procurement and the like, are provided by the Agricultural Marketing Service.

Initially, it was planned that FGIS would develop its own program support service capabilities. Accordingly, the FGIS organizational chart, approved on December 28, 1976, (Chart A), provided for two Deputy Administrators, one for Management and one for Program Operations. Under the Deputy Administrator for Management were the following support divisions: 1) Personnel, 2) Administrative Services, and 3) Technical Services. To implement the development of support divisions, AMS agreed to continue providing support services to FGIS for a period not to exceed 6 months in the same manner as AMS had supported the AMS-Grain Division (the predecessor of FGIS). During this 6-month period, FGIS was to recruit and make operational its own support divisions. This did not take place. In February 1977, the Department determined that it would be more cost-effective for AMS to continue providing program support services to FGIS as well as to Packers and Stockyards Administration. This change in policy altered the FGIS organizational structure, eliminated the position of Deputy Administrator for Management and support service divisions (Chart B). The Administrative Staff, formally attached to the Grain Division Director's office, was reestablished and attached to the Administrator's office by the elimination of FGIS program support service divisions.

A revised organizational structure, without the support service divisions and Deputy Administrator for Management, has been presented for OMB and Departmental approval. The divisions and field operations reporting to the Deputy Administrator for Operations remain essentially the same as originally approved.

The regional office system has not been implemented. The lack of program managers to develop such a system, plus other program priorities, have delayed the implementation of this portion of the organizational structure. Initial implementation of the "first" regional office was scheduled for August 1977. This has been postponed to January 1978.

XII. WHAT HAS BEEN ACCOMPLISHED AND UNDER WHAT CONSTRAINTS?

The FGIS program thrust planned for fiscal year 1977 is embodied in the following eight program objectives:

1. To plan, organize, and implement the Federal Grain Inspection Service program.
2. To plan, organize, and implement a Federal/State grain inspection and weighing system at export locations.
3. To develop and implement a Federal/State/private grain weighing program at inland locations.
4. To develop and implement a study of the need, utilization, and potential demand for grain inspection and weighing services at inland locations, as provided under the Act.
5. To develop and implement a study to assess the performance of the current standards, identify the constraining attributes of the current standards, make recommendations for the improvement of standard performance in facilitating the marketing of quality grain, both domestically and for export, and implement recommendations.
6. To design, develop, and implement a Federal system for registration of certain persons engaged in the business of buying grain for sale in foreign commerce and in the business of handling, weighing, or transporting of grain for sale in foreign commerce as specified under section 17A of the Act.
7. To design, develop, and establish a system for the monitoring at destination the quality and weights of U. S. grain exported from the United States.
8. To plan, develop, and implement a technical training program for newly recruited inspection, weighing, and other FGIS personnel.

These objectives were developed at the time FGIS was organized. For each objective, a set of milestones was constructed. The FY-1977 budget of \$22,864,000 2/, of which \$8,874,000 2/ was to come from appropriated funds was developed. The remainder of the budget was to be derived from users' fees charged for FGIS services. However, the FY-1977 budget was altered in May 1977 after Congress appropriated additional funds to cover the cost of Federal supervision of State and other official agencies. The final FGIS FY-1977 budget was \$32,268,000, of which \$21,578,000 3/ was derived from appropriated funds. The reason for this change is explained later in this section.

The administrative documentation associated with the elevation of FGIS to an agency status from that of a Division in the Agricultural Marketing Service (AMS), plus the accelerated implementation time frame as required by the 1976 amendments given the resource base from which FGIS was created, presented problems to a cost-effective and systematic implementation process. Many problems have been overcome during the first 10 months of FGIS operations. Some problems remain for resolution in the future. Assuming planned levels of resources, none of the problems appear, at this time, to preclude a full implementation of the 1976 and 1977 amendments within 3 years following the effective date of the 1976 amendments.

The four constraints that have had the most negative impact on FGIS's ability to effectively implement the 1976 amendments are:

1. The lack of authority to staff Washington program divisions during the first 6 months of operation.
2. The lack of a fully trained field staff.
3. The failure to appoint an Administrator and key program managers soon after the effective date of the Act.
4. Unacceptableness to both Congress and the grain industry of the elevator recordkeeping and users' fees for Federal supervision provisions of the Act, and the time required by Congress to pass the 1977 amendments.

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2/ Does not include a supplemental of \$1,397,000 for the appropriated account and \$8,007,000 for the fee supported account.

3/ \$11,307,000 supplemental funds were for start-up cost and field supervision for the fee supported account.

The uncertainty created by the above and other factors limited effective program planning.

A. ORGANIZATION, PLANNING, AND ADMINISTRATION.

FGIS was faced with a number of uncertainties as it initiated operations in November 1976. The FGIS organizational structure had not been approved. FGIS faced the possibility of being forced to take over original inspection and weighing functions at one or more export locations immediately on the effective date of the 1976 amendments or soon thereafter. Projection of staffing requirements indicated that FGIS did not have a sufficient field staff to meet the requirements of the projected workload. Key Washington-based acting program managers expected that Division and staff programs would be finalized and staffs recruited in a prompt manner. Not all program plans had been developed or documented. There was some confusion as to the parameters of certain programs.

Acting program managers found that many of the assumptions underlying the original implementation plan were not valid. The AMS Administrator performed the functions of the FGIS Administrator much longer than anyone had anticipated. It was not until July 6, 1977, that a formal FGIS Administrator was sworn in. Therefore, many policy decisions needed for program development purposes were held in abeyance. The formal appointment of a Deputy Administrator of Operations and Program and Staff Directors did not take place during the period of this report. However, the selection of persons to fill these positions had been completed. As of September 30, 1977, the positions were still being filled by persons acting in such positions. However, formal selection of most Branch Chiefs and Section Heads, at the Division and Staff levels, had been completed.

The Department's decision to hold in abeyance the development of the FGIS Washington staff divisions until March of 1977, and then only to fill positions on a case-by-case basis, negatively impacted on the ability of FGIS to provide its field staff with the quality and quantity of program guidance needed for sound management. As of September 10, 1977, Washington Program Divisions and staff were only 52 percent of projected levels.

The FGIS organizational chart was approved as of December 28, 1976. The proposed FGIS regional office system was not approved at that time. Approval was finally granted as of March 5, 1977 with few changes from the original proposal. The establishment of the first regional office was projected for August 1977. This date has since been reestablished for January 1978. In August, for administrative reasons, OMB was asked to reconsider the location of the first regional office, and this issue had not been resolved as of September 30, 1977.

The Department's reversal of a previous decision that FGIS was to develop its own support staff divisions caused a re-evaluation of the temporary working relationship between FGIS and the AMS support divisions. The Department's decision was that AMS would continue, on a permanent basis, providing FGIS program support services. At the same time, the Department reorganized and realigned a number of agencies reporting to specific Assistant Secretaries. This reorganization had an impact on the ability of AMS support divisions to provide adequate service to FGIS. Problems associated with the responsibilities of the AMS support service divisions are being addressed and resolved.

FGIS has not been without continued assessment of its operations. The Assistant Secretary secured the services of a private consultant to evaluate the FGIS operations. This report was presented to FGIS in September 1977. It proposed the expansion of the existing on-the-job training program, the initiation of management development training, the formation of an Operations Unit, a deletion of the regional office system, and increased communications between Washington and the field staff. Some of the recommendations of this consultant had been implemented or were in the process of being implemented prior to the completion of the report. Both the Department's Office of Audit and GAO have initiated studies to evaluate progress made to date in the implementation of the Act.

The Office of Investigation (OI), at the request of FGIS, has initiated an investigation of the conflict of interest activities of official agencies. The results of the OI investigation will be used as one of the criteria for determining whether official agencies should be issued full delegation or designation of authority to officially inspect and/or weigh grain under the Act.

Bimonthly Field Office Supervisor's Management Conferences were initiated in August 1977. The purpose of these conferences is to systematically bring Washington-based program managers into direct contact with Field Office Supervisors to discuss and work on immediate management problems, to generate greater management uniformity between field offices, and provide a downward as well as an upward conduit for the flow of information between all management levels. Field response to the first conference was very positive.

Plans are being developed to establish a field Operations Unit in the Office of the Deputy Administrator for Operations. The field Operations Unit concept represents a phase-in of improved management practices designed to enhance management communications between the Washington, staff, and field operations.

B. FGIS TAKE OVER OF INSPECTION AND WEIGHING ACTIVITIES AT EXPORT MARKETS.

From January 1, through September 30, 1977, FGIS had implemented 57 percent of the total takeover schedule (shown in Table 2) and 100 percent scheduled for FY-1977. Both inspection and weighing functions have been assumed at seven locations. At two locations, Toledo and Saginaw, only the inspection function has been assumed. The reason for this will be discussed later in the Weighing Section. About 35 percent of the inspectors and samplers formerly employed by the agencies, whose functions were assumed by FGIS, were employed by FGIS. The take over of non-State agencies is expected to be completed by the last of April 1978 -- 17 months from the effective date of the Act,

The FGIS takeover schedule of non-State agencies inspecting and/or weighing grain at export markets is a product of cooperation between FGIS and each agency listed (see Table 2). Minor changes in the schedule have been made since November 1976, due to changing circumstances. The actual assumption of inspection and weighing activities from non-State agencies has progressed smoothly and positively. In general, FGIS has received very good cooperation from the firms and personnel involved. Some critics of FGIS have expressed surprise at the higher-than-expected performance of FGIS employees performing original inspection and weighing activities at export markets.

Prior to the effective date of the 1976 amendments and implementation of the takeover schedule on January 1, 1977, there were some uncertain moments for FGIS. During the initial takeover schedule of negotiations with the agencies involved, the possibility surfaced that some of the agencies might cease providing inspection services on or about November 20, 1976. Fortunately, all of the agencies adhered to the agreed takeover dates.

The lack of sufficient numbers of adequately trained Agricultural Commodity Graders and Weighers has been the major problem in the takeover process. The constraint has been less critical for grain inspection than for weighing. Experienced FGIS supervisors from interior field offices were transferred to export markets to meet take over manpower requirements. Successful implementation of the assumption of the inspection and weighing functions from agencies was considered critical to FGIS' ability to perform as a new agency, even though such action weakened the ability of interior field offices to adequately supervise inspections performed by State and other official agencies at interior markets. This was a calculated risk that was necessary to meet the implementation time frame specified in the Act. The weighing program had no such manpower pool to draw upon and, therefore, an aggressive recruitment effort was undertaken to employ persons with weighing experience. However, it was found that relatively few experienced weighers were interested in employment with FGIS because of the higher income potential from non-government weighing jobs. The accomplishments and problems associated with the weighing program are discussed in the next section of this report.

If Congress had not appropriated an additional \$5 million during the fall of 1975 to hire 210 new trainee supervisors, FGIS could not have met the take over of export market responsibilities. The recruitment of the 210 trainees during December 1975 and January and February 1976 gave these persons enough experience by January 1977 to effectively assist the limited number of experienced supervisors to meet program obligations. A second group of 220 trainees recruited and placed into training prior to the passage of the 1976 amendments also was of assistance in the takeover process.

It requires approximately 2 years to adequately train an Agricultural Commodity Grader for the GS-9 level. For some trainees, depending on their previous experience, the time may be shorter or longer. In order to train the number of recruits needed to meet program workload projections, a small training unit was established and an aggressive training program initiated prior to the effective date of the Act. Once recruited, trainees are given a formal 2-week orientation course followed by on-the-job training during the remainder of the 2-year period. On-the-job training requires much time and direction of experienced supervisors. Thus, the influx of over 400 new trainees over a period of less than 6 months prior to the passage of the 1976 amendments effectively restricted the amount of time the already limited number of experienced supervisors could devote to supervision of State and other official agencies. Acting FGIS managers had little choice but to take this short-term risk. Chief Licensed Inspectors were instructed to increase internal agency supervision.

Except for Toledo, Ohio, and Saginaw, Michigan, FGIS has taken over or expects to take over simultaneously, both the inspection and weighing functions at a given export location. There are no indications, at this time, that FGIS will not be capable of meeting the projected take-over schedule during fiscal year 1978.

The seasonal nature of the export workload is distinctive for each market; e.g., the markets on the Great Lakes are open about 8 months per year (mid-April to mid-December) with individuals being detailed to other markets with heavy workloads the remainder of the year. During the first 10 months of FGIS operations, Agricultural Commodity Graders have been detailed from other field offices to meet peak workloads. In the future, FGIS plans to utilize, where practical, less than full-time employees to meet peak workload requirements. The objective is to reduce operating costs.

FGIS has developed export monitoring teams who will visit, without prior notification, export elevators to monitor the procedures used by FGIS and delegated States in the inspection and weighing of grain. This program will be implemented early in fiscal year 1978. This technique is

but one of several new approaches to supervision that will be implemented during the next fiscal year. The objective of increased supervision throughout the system is to identify ways and means to reduce costs, provide more effective service, and reduce the potential for further malfeasance in inspection and weighing activities.

C. WEIGHING.

This is a new provision of the Act and a new program to FGIS. The assembling of both a Washington and a field staff to plan and perform the weighing function has been difficult. As of September 30, 1977, FGIS personnel were performing official weighing at the following export markets: New Orleans, Destrehan, Lake Charles, and Port Arthur, Louisiana; Houston, Beaumont, and Galveston, Texas; Chicago, Illinois; Baltimore, Maryland (one elevator only); and Albany, New York (see Table 2). FGIS now has a trained cadre of 405 weighers, 21 of this number were former employees of official inspection agencies whose functions were taken over by FGIS. About 35 percent of the weighing personnel formerly employed by the agencies were hired by FGIS. The remaining FGIS weighers have been trained by FGIS since November 20, 1976. Supervision of the weighing performed by State agencies at export locations has not been initiated. There have been no requests for official weighing at interior markets. FGIS was unable to attract experienced weighers previously employed by non-State agencies whose functions were assumed by FGIS. Most experienced weighers would have had to take a decrease in income to accept a position with FGIS. Negotiations with the Civil Service Commission (CSC) over the issue of journeyman weigher grades, no higher than GS-7, produced nothing. The agency had no alternative but to train its own weighers from the pool of new recruits. This was complicated by the fact that the journeyman grade for Agricultural Commodity Grader is a GS-9. Thus, few trainees were willing to be classified as weighers and be limited to grade GS-7. This issue was partially resolved by giving trainees technical training in both inspection and weighing. This has permitted cross-utilization of personnel between the inspection and weighing functions at reduced costs for training, detailing, etc. It has tended, however, to lengthen the training time necessary for a trainee to reach journeyman proficiency as a grader.

The initial phase of the weighing training program was implemented soon after the effective date of the 1976 amendments at the New Orleans Field Office, under the guidance of the headquarters staff. While some weighing program planning preceded the effective date of the amendments, weighing procedures had to be defined and made operational within the period between November 20, 1976, and January 1, 1977. This time frame placed considerable stress on the weighing staff since the Department had little previous experience applicable to a program of the nature specified in the amendments. The weighing instructions and certificates were ready for the January 1, 1977 take over.

Personnel has been a major developmental constraint on this program. Fortunately, FGIS was exempted from the Department's freeze on hiring immediately before and following the change of Administrations and was permitted to move forward in building a field staff. The freeze, at the same time, prevented the development of the headquarters staff and placed a significant burden on the weighing program even though adequate funding was available. Newly recruited Agricultural Commodity Graders were trained in weighing techniques at the New Orleans field office prior to the January 1, 1977 take over date mentioned earlier. The agency had 25 persons trained in weighing at the time of the Destrehan Board of Trade take over on January 1, 1977. The New Orleans Field Office training facilities were also utilized to train weighers from other field offices.

It has not been possible to simultaneously take over both the inspection and weighing functions at all export markets scheduled for take over (see Table 2). Trained personnel simply have not been available at the specific point in time. The three locations at issue were Saginaw, Toledo, and Chicago. Export activity on the Great Lakes during the 4 winter months came to a standstill and, therefore, did not necessitate the initiation of official weighing activities at that time. Inspection of grain is performed on domestic shipments even though the ports are closed to export activities. The Saginaw and Toledo Boards of Trade have agreed to continue providing weighing services until April 1978.

In the case of Baltimore, official weighing was initiated on June 27, 1977, but at only one export elevator. This was due to persistent weighing problems associated with that facility. Weighing at the remaining elevators will be assumed on February 26, 1978, as scheduled (see Table 2).

Implementation of the weighing program has cost more than originally envisioned because managers have been forced to detail qualified weighers between markets to meet fluctuating workloads. Had the program been permitted to develop at a faster rate, such detailing would not have had to be as extensive as was necessary the first 10 months of FGIS operations. Weighing equipment at elevators has not always been in acceptable conditions and extensive repairs have been required before take over. The preparation for take over of the weighing function requires considerable planning of both the field and Washington staff. The industry has been cooperative in the development of the weighing program at export locations. However, it is likely that industry will promote the elimination of inbound weighing at export elevators as an unnecessary marketing cost. Should inbound weights be eliminated, it will be virtually impossible to verify the integrity of the weighing system of the elevator as a whole. It is only through adequate audit procedures and official weighing of inbound and outbound grain that reliable information can be obtained on the total movement of grain through an export elevator.

D. REGISTRATION.

This provision of the Act has not been implemented. It is scheduled for implementation during the last half of calendar year 1978. It is presently estimated that about 100 persons involved in exporting grain will be subjected to the registration provision of the Act. About one-half of the Registration Staff had been recruited by the end of fiscal year 1977. This activity is partially fee supported.

E. ELEVATOR RECORDKEEPING.

This provision has not been implemented. The 1977 amendments which were effective October 1, 1977 modified the recordkeeping requirements of the 1976 amendments. This provision of the Act is planned for implementation during fiscal year 1978.

F. STUDY REQUIREMENTS.

The mandated studies defined in Section 7 Notes(1) and (3) of the Act have not been initiated. The 1977 amendments extended the deadline for completion of the study from 18 to 30 months after the effective date of the 1976 amendments. The purpose of the study is to measure the performance of the inland inspection and weighing system. To attempt to measure program impact and performance before a new program has had an opportunity to positively or negatively impact on the system would be futile. The new extended deadline provided by the 1977 amendments may provide sufficient time for an effective evaluation of program impact. Preliminary field work on this activity is scheduled for the spring of 1978. A plan of work has been developed for this study.

G. MONITORING OF U.S. GRAIN EXPORTS IN FOREIGN NATIONS.

A formal Foreign Complaints Monitoring Unit has not been organized as of September 30, 1977. Twenty foreign complaints concerning grain quality, such as insect infestation, odor, foreign material, protein content, broken corn and foreign material, and questions on certification of grain, and nine complaints concerning short weights were received between November 20, 1976, and September 30, 1977 (see Table 3).

These complaints have been handled on a case-by-case basis by selected Inspection and Weighing Division personnel. Monitoring teams have been sent to England, Denmark, Poland, Spain, and Portugal for the purpose of monitoring and observing inspection and weighing procedures and techniques (see Table 4). Only one percent of the foreign complaints received were determined to be valid. A procedure for handling foreign complaints has been established within the Department. This procedure will be continued until such time as a formal monitoring system is established. In addition, FGIS has initiated a program to explain the United States standards and certification to buyers of U.S. grain.

H. ROTATION OF PERSONNEL.

A system for rotation of FGIS personnel has not been fully implemented. During the first 10 months of operation, FGIS has transferred 35 supervisors to other field offices. In addition, FGIS has detailed a considerable number of employees to field offices responsible for inspection and weighing activities at export locations. As field office staffing requirements become more firmly established, a rotation system can be uniformly applied.

I. EQUIPMENT TESTING.

This provision in part is an extension of an ongoing supervision and equipment testing program. Equipment used in the sampling, inspecting, and weighing of grain has been and continues to be tested on a random and periodic basis. The Board of Appeals and Review (BAR) tests all field office lab equipment against BAR standard devices twice a year, except moisture meters, which are tested three times a year. Official inspection agency equipment is tested against the field office standard devices. Tests are conducted on all export diverter mechanical samplers (DT) every 90 days. The new component of the equipment testing provision is weighing. Procedures have been implemented for the systematic testing of scales used in the elevators where official weighing is performed.

J. DELEGATION/DESIGNATION OF AUTHORITY.

All State and other official agencies are currently functioning under an interim delegation or designation of authority. Full delegation or designation will be granted as the conflict of interest investigations are completed by the USDA's Office of Investigation, and the agencies have met delegation or designation qualification criteria. Formal agreements have been drafted and all necessary forms prepared. Full delegation and designation of authority will be implemented during fiscal year 1978. All State agencies performing export services will be delegated by May 1978. Designations at non-export locations will be completed by November 1978.

K. LICENSING.

Procedures have been drafted to license weighers with program implementation scheduled for January 1978. Licensing for aflatoxin and protein inspections will be implemented on or before May 1978. The staff is being expanded to provide technical expertise in specialized areas and to make field reviews of licensing activities (commenced in November 1977).

L. MANAGEMENT.

By the close of the reporting period, about 60 percent of the headquarters staff positions had been filled. In most cases, new employees require about 6 months in a position before they become reasonably productive. Most of the organizational units at the headquarters level will be fully operational by the close of fiscal year 1978 as now planned. Funding levels have been sufficient to meet program requirements. Recruiting of qualified personnel for Washington headquarters positions has been a major problem and is likely to continue to be a problem well into fiscal year 1978. As for implementation plans during fiscal year 1978, all provisions of the Act will be implemented, planned for implementation, or implementation will have been initiated. Some of the actions planned for implementation during fiscal year 1978, but not previously identified in this report, are as follows:

-- A new Management Information System (MIS) is in the initial stages of development. This system is being designed to provide program managers at all levels of the FGIS organizational structure with the kinds of information needed to more effectively manage their operations.

-- Experience during the first 10 months of operation has shown the need to develop an Operations Unit attached to the Office of the Deputy Administrator for Operations. This Unit will manage and coordinate all communications between the headquarters staff and the field offices. Plans for the implementation of the Operations Unit are being developed. It is anticipated that the Operations Unit will be implemented early in fiscal year 1978.

-- The supervision techniques of State and other official agencies are not satisfactory, given current standards of performance. Plans are being developed to accelerate the development of more effective supervision techniques and records. Increased levels of supervision will be progressively implemented as the supervision staff increases its technical proficiency and experience.

-- Plans are being developed to better measure the cost effectiveness of field operations. Field office staffing levels are continually under review. The collection of data on field operations costs and staffing levels are planned for incorporation into the initial development stages of the Management Information System.

M. ACCELERATED STANDARDIZATION PROGRAM.

An accelerated grain standards program has not been fully implemented. Identification and development of the Standardization staff have been particularly slow. A new FGIS safety program has been staffed and a safety program initiated. A Departmental Grain Standards Committee has been developed and has been functional. The Committee is in the process of evaluating the performance of the current standards and the quality attributes needed to more adequately describe the end-use properties of the grains inspected under the Act. Another responsibility of the Committee is to assist FGIS to define grain standardization research needs and to develop the framework for an accelerated grain standards program.

N. RECRUITMENT AND TRAINING .

To meet increased supervision levels made possible by the \$5 million increase in appropriations mentioned previously, and the increased manpower needs required by the 1976 amendments, FGIS was forced to initiate an aggressive recruiting and training program. Since December 1975, 940 persons have been recruited to fill positions as Agricultural Commodity Graders, Technicians, Aides, and Weighers at the field staff level. The attrition rate has been about 25 percent. The rate is not considered unusual or excessive given the fact that most of the recruiting was done on college campuses throughout the United States, and numbers recruited within a narrow time frame were unusually large for the Department. The accelerated recruiting program was concentrated on college campuses because this universe offered a relatively large number of readily available candidates. While a college education is not required to perform inspection and weighing functions, such educational backgrounds do offer FGIS a better opportunity to develop a core of future managers than recruitment from off the street. Many of these new recruits have already demonstrated considerable leadership abilities. The leadership qualities of current and potential field office managers will be evaluated by USDA Assessment Centers in a continuing effort to upgrade the quality of FGIS managers. Since

July 1977, when it was determined that manpower needs were sufficient to meet the current workload, the rate of recruitment has been slowed to a level necessary to maintain the field at current levels. Candidates are now being more closely screened.

Outstanding Agricultural Commodity Aides, grade GS-4, are being upgraded to the grader series (ACG). FGIS is exploring the feasibility and the regulations concerning the employment of less than full-time employees at field offices having seasonal fluctuations in the workload. The objective of the use of less than full-time employees is to reduce the amount of detailing of personnel from other field offices and to reduce labor costs.

In order to plan, coordinate, and implement a training program of the magnitude required, a special training unit was established at headquarters. This training unit developed and initiated an accelerated training plan in November and December 1975. Through the efforts and direction of this training unit, working with Field Office Supervisors, a training plan was developed for each new employee. Once recruited, trainees are given a 2-week orientation course. This course includes technical training, as well as training in operating procedures. Seven orientation courses have been held since January 1, 1976. Seven hundred and fifty trainees have participated in these orientation courses. Each trainee is assigned to a field office. A training program is developed for each trainee, and a full range of technical activities are assigned to the trainee over the training period. Every 3 months the trainee's performance is rated and discussed with him or her. Over the 2-year training period, many trainees receive training in more than one field office and in both inspection and weighing activities.

The size and capability of the training staff is being significantly increased. A centralized training facility will be established in the near future. A new, all-inclusive training plan will be implemented. This plan includes the selection and training of employees with supervisory and managerial potential. It also includes the evaluation of present supervisors and managers and further specific developmental training as a result of that evaluation.

#### O. FEDERAL SUPERVISION FEE SCHEDULE .

The Federal Supervision Fee Schedule was implemented on February 1, 1977. This provision was eliminated by the 1977

amendments. Most State and other official agencies increased their inspection and weighing fees, effective February 1, 1977, to reflect the added cost of Federal supervision of the agencies. These agencies collected the higher fees from users of inspection and weighing services until May 1977 when they were instructed by FGIS to discontinue charging users for the cost of Federal Supervision. The agencies were never billed by FGIS for the cost of supervision although the bills were prepared. There were two reasons for not billing the agencies: 1) Congress initiated hearings as early as February 1977 concerning proposed revision of certain provisions of the 1976 amendments; and 2) in May 1977, Congress appropriated fiscal year funds to cover supervision costs through September 30, 1977.

The fee schedule was one of these proposed revisions. The Department made the decision to temporarily withhold the billing of State and other official agencies and instructed them in June 1977 to return the fees collected.

A considerable number of FGIS man-hours were lost that could have been used toward the implementation of other provisions of the Act as a result of the above actions.

XIII. WHAT ARE THE PROVISIONS OF THE 1977 AMENDMENTS?

The 1977 amendments to the Act were effective October 1, 1977. These amendments directly impacted on the implementation of four of the provisions of the 1976 amendments: 1) Federal supervision fees, 2) elevator recordkeeping, 3) weighing, and 4) the mandatory study as defined in section 7 Notes(1) and (3) of the Act.

Congressional action that led to passage of the 1977 amendments was initiated the latter part of January 1977, about 2 months following the effective date of the 1976 amendments. Preceding the first informal hearing sponsored by four Senators concerning the impact of Federal supervision fees and the recordkeeping provisions of the 1976 amendments, there had been numerous inaccurate and/or misleading newspaper and magazine articles concerning the 1976 amendments. Despite FGIS efforts to provide interested parties and the news media with objective information concerning the 1977 amendments, the inaccurate and misleading rumors and articles persisted. The reaction of a number of persons and groups impacted or potentially impacted by certain provisions of the 1977 amendments was that of alarm over the prospects of increased market costs. The relatively short notification time frame for the implementation of the Federal supervision fee schedule further heightened the emotional environment.

These groups and individuals expressed their concern to Congress for the necessity of amending the Act to eliminate objectionable provisions. These provisions were: 1) Federal supervision fee schedule and 2) detailed elevator recordkeeping provisions. As a result of Congressional hearings in February and March 1977 pertaining to the above provisions, it became evident that Congress would again amend the Act. The time frame for passage of such amendments was not determinable, but the probability of such action was considered sufficient to hold in abeyance the implementation of the controversial provisions of the 1976 amendments. Congressional action to further amend the Act, during the spring and summer of 1977, provided FGIS with the opportunity to suggest to Congress certain technical changes in the Act that would assist program managers to implement the Act. The 1977 amendments incorporated virtually all of these suggested changes. The 1976 amendments were not clear on a number of program and implementation issues.

The 1977 amendments became effective on October 1, 1977. It will now be possible to initiate the implementation of those provisions of the Act which have been controversial since FGIS began operations.

Briefly, in addition to numerous technical changes throughout the text of the 1976 amendments, the major changes in the Act as a result of the 1977 amendments are as follows: 1) authorizes, (i) official weighing at interior locations, and (ii) supervision of weighing at export port locations; 2) authorizes performance under other statutes of services related to the inspection and weighing of grain; 3) authorizes the establishment of four GS-16 positions in the FGIS; 4) the term "weighing standards" is changed to "weighing standards or procedures"; 5) rescinds authority for supervision fees, authorizes appropriated funds for supervision costs; 6) bars contracting for appeal service work in Canada; 7) requires that all persons involved in the performance of official weighing or supervision of weighing must be (i) licensed or (ii) authorized or (iii) approved by the Administrator; 8) authorizes only one weighing agency per location; 9) authorizes fees by FGIS for testing official equipment; 10) authorizes exceptions to rate of compensation for special tenure employees; 11) modifies recordkeeping provisions for elevators and merchants; 12) makes failure to register a criminal offense, a cause for refusal of service, and subject to a civil penalty; 13) authorizes exception to confidentiality of FAS data on export contracts; 14) authorizes exception to "two or more convictions" restriction on agencies; 15) establishes an advisory committee that terminates in 18 months; 16) authorizes the use of statistical tolerances in study of error rates at inland locations; and 17) extends by 1-year the reporting dates for the study of inland practices.

# United States Department of Agriculture Federal Grain Inspection Service

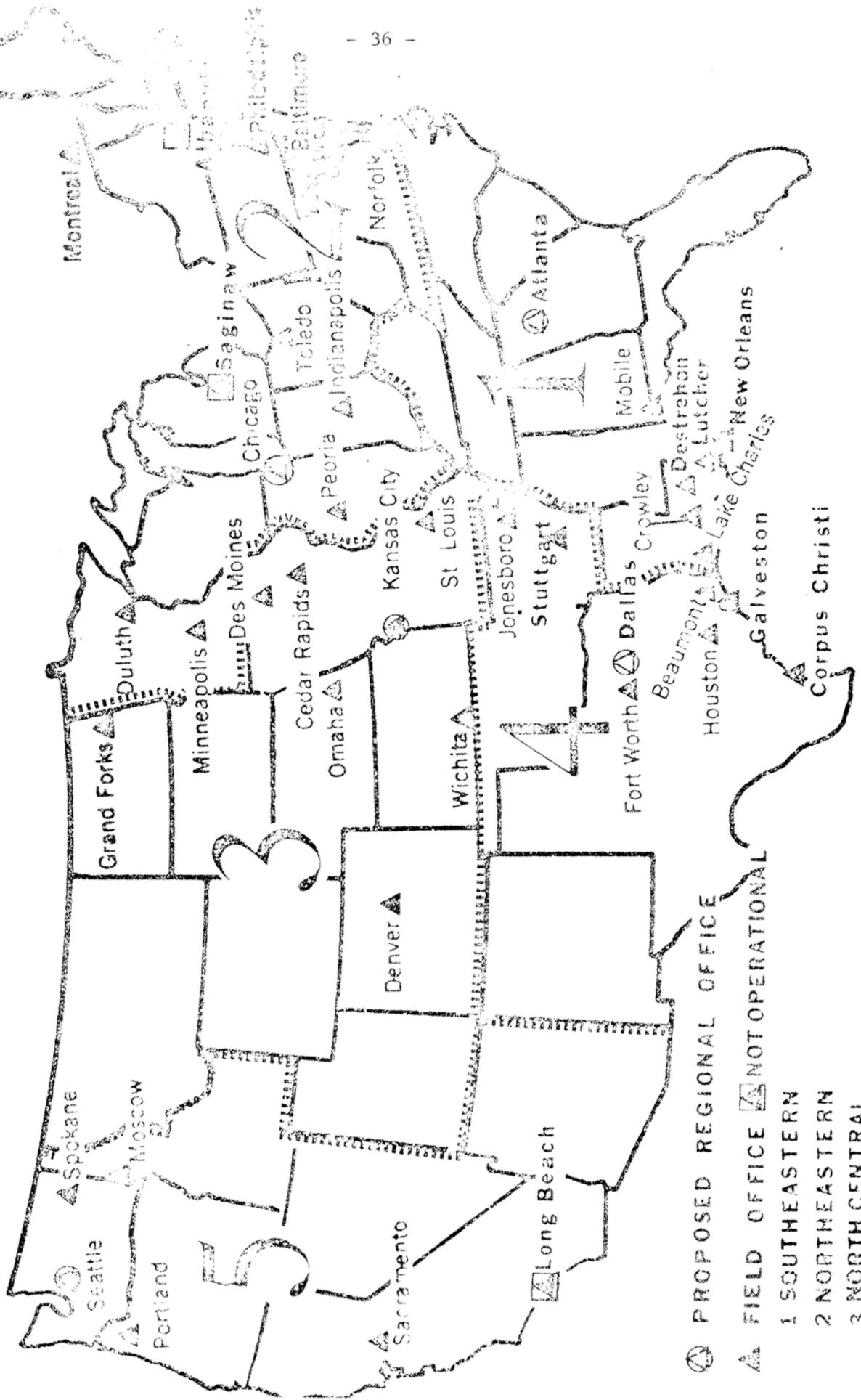


TABLE 1

Comparison of the New Provisions of the  
United States Grain Standards Act, as Amended in 1976,  
to Comparable Provisions in the Act, as Amended in 1968

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PROVISIONS OF ACT AS AMENDED IN 1976	PROVISIONS OF ACT AS AMENDED IN 1968
1. Both grain inspection and weighing are included under the Act.	1. Only grain inspection was included.
2. The Act requires State agency or Federal official inspections at export locations.	2. The Act required either State or private agency official inspections at export locations. Federal inspections were not authorized.
3. The Act requires official weighing at export port locations.	3. No comparable provision.
4. The Act permits State or other official agencies to perform official inspection and weighing on a continuing basis at interior locations.	4. The Act permitted State or private agencies to perform official inspections at interior locations. There were no weighing provisions. Federal inspections were not authorized.
5. On an interim basis only, Federal official inspection is permitted at interior locations. <u>Only</u> State or other official agencies are authorized to perform official inspections on a continuing basis at interior locations.	5. No comparable provision.
6. Official weighing or supervision of weighing is to be performed on request at interior locations.	6. No comparable provision.
7. The cost of Federal supervision of official inspection and weighing performed by State and other official agencies is to be a direct charge to the agencies.	7. The cost of Federal supervision of inspection was paid from appropriated funds. Weighing was not a provision of the Act.

TABLE 1 (Continued)

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PROVISIONS OF ACT AS AMENDED IN 1976	PROVISIONS OF ACT AS AMENDED IN 1968
8. At export port locations, State agencies may be delegated authority to perform official inspection and weighing. At interior locations qualified State and other official agencies shall be designated to perform official inspection and weighing.	8. State and private agencies were designated to perform inspection only - and at both export and interior locations.
9. Federal appeal inspections are authorized.	9. Federal appeal inspections were authorized.
10. Authority is granted to perform needed research to develop and change the official U.S. Grain Standards. An accelerated grain standards program is mandated.	10. The AMS Grain Division was not authorized to perform research except to adopt research results conducted by others to inspection procedures.
11. A study is mandated to ascertain the performance of the grain inspection and weighing agencies and to ascertain the demand for inspection and weighing services at interior markets.	11. No comparable provision.
12. The legislative intent of the Act implies that the level of Federal supervision of inspection and weighing must be sufficient to promptly correct malfeasance and to correct unintentional biased inspection and weighing errors.	12. No comparable provision.
13. Rotation of Federal personnel is mandated.	13. No comparable provision.
14. Annual registration of certain persons and firms is mandated.	14. No comparable provision.
15. Conflict of interest provisions of the Act are materially stronger.	15. Conflict of interest provisions were weak.

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TABLE 1 (Continued)

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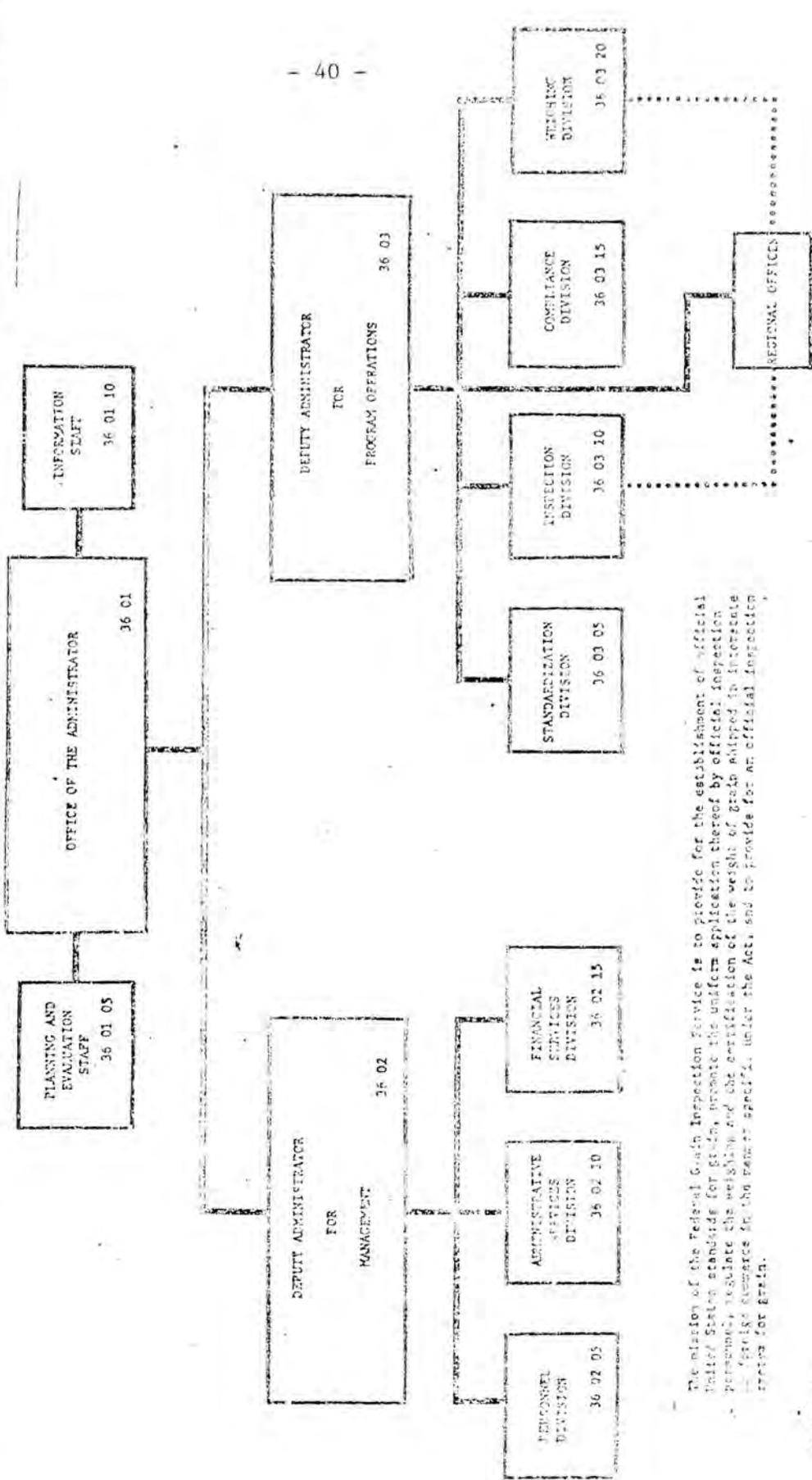
PROVISIONS OF ACT AS AMENDED IN 1976	PROVISION OF ACT AS AMENDED IN 1968
16. Licenses of personnel hired by State or other official agencies to perform official inspection and weighing services terminate every 3 years.	16. 3-year termination provision.
17. Testing of official inspection and weighing equipment is mandated.	17. Testing of official inspection equipment performed as a supervision function.
18. Certain records must be kept and maintained by agencies, grain merchandisers, elevator owners and operators, and specified other persons.	18. No comparable requirement.
19. Designation of authority must be renewed every 3 years.	19. No termination date.

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U. S. DEPARTMENT OF AGRICULTURE  
 FEDERAL GRAIN INSPECTION SERVICE

CHART A

RECOMMENDED *David F. Williams*  
 OFFICE OF THE SECRETARY  
 CONCURRED *John H. Leonard*  
 ASSISTANT SECRETARY FOR  
 ADMINISTRATION AND  
 PERSONNEL  
 APPROVED *[Signature]*  
 SECRETARY  
 DATE DEC 28 1976

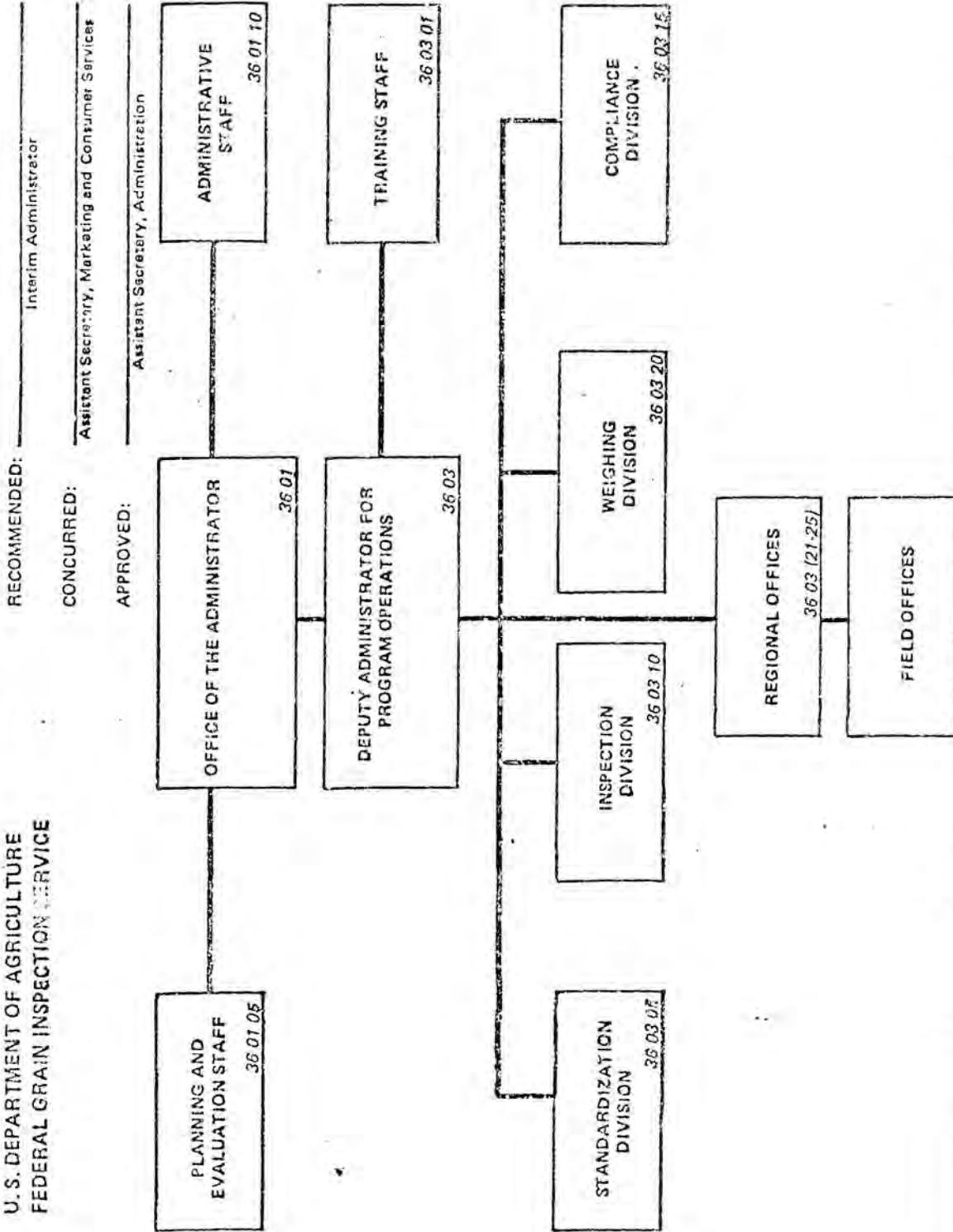


The mission of the Federal Grain Inspection Service is to provide for the establishment of official United States standards for grain, promote the uniform application thereof by official inspection personnel to regulate the weighing and the certification of the weight of grain shipped in interstate commerce pursuant to the Federal Grain Inspection Act, and to provide for an official inspection service for grain.

NEW CHART

CHART B

U. S. DEPARTMENT OF AGRICULTURE  
FEDERAL GRAIN INSPECTION SERVICE



The mission of the Federal Grain Inspection Service is to provide for the establishment of official United States standards for grain, promote the uniform application thereof by official inspection personnel, regulate the weighing and the certification of the weight of grain shipped in interstate or foreign commerce in the manner specific under the Act, and to provide for an official inspection system for grain.

Supersedes chart dated December 15, 1976.

TABLE 2

FGIS Takeover Schedule of Non-State Official  
Agencies Performing Grain Inspection and/or Weighing  
at Export Markets (1977/1978)

Grain Inspection Only	Date of Takeover		Official Inspection Agencies to be Taken Over by FGIS
	Grain Weighing Only	Combination Grain Inspection and Weighing	
		January 1, 1977	Destrehan Board of Trade (LA)
January 16, 1977	April 1978		Toledo Board of Trade (OH)
January 16, 1977	April 1978		Saginaw Board of Trade (MI)
February 1, 1977	April 11, 1977		Chicago Grain Inspection Bureau (IL)
		February 28, 1977	Gulf Coast Weighing and Inspection (LA & TX)
		March 12, 1977	Houston Merchants Exchange (TX)
		May 7, 1977	New Orleans Board of Trade (LA)
		June 5, 1977	Albany Port District Commission (NY)
		July 1, 1977	Galveston Cotton Exchange and Board of Trade (TX)
		October 2, 1977	Corpus Christi Grain Exchange (TX)
		November 27, 1977	O.S. Smith (OH)
		December 3, 1977	South Louisiana Grain Service (LA)
		January 21, 1978	Commercial Exchange of Philadelphia (PA)
		February 26, 1978	Baltimore Chamber of Commerce <sup>1/</sup> (MD)

<sup>1/</sup> Weighing services were provided to Locus Point-Indiana Grain Corporation, on June 27, 1977; Canton-Central Soya Company, Incorporated and Port Covington-Louis Dreyfus Corporation are scheduled for February 26, 1978 for weighing and inspection takeover.

FOREIGN COMPLAINTS REPORT  
(November 1976 - September 1977)

INSPECTION*		
Country	Grain	Complaint
West Germany	Corn	Odor
West Germany	Soybeans	Foreign material
Switzerland	Durum	Foreign material & damaged kernels
Switzerland	Hard Red Spring Wheat	Combination of factors defective
Rotterdam	Soybeans	Foreign material
Rotterdam	Soybeans	Question on certification
England (two separate shipments)	Corn	Broken corn and foreign material
United Kingdom	Corn	Broken corn and foreign material
Malaysia	Wheat	Protein content
India	Wheat	Combination of factors defective
India	Wheat	Infestation
Ecuador	Hard Red Winter Wheat	Infestation
Belgium	Soybeans	Foreign material
Guatemala	Corn	Broken corn and foreign material
Indonesia	Wheat	Protein content
Japan	Wheat	Corn contamination
Norway (two separate shipments)	Soybeans	Foreign material
USSR	Wheat	Infestation and Damaged
Poland	Soft Red Winter Wheat	Infestation
Philippines	Wheat	Damaged

WEIGHING*		
Country	Grain	Complaints
England 1/	Corn	Excessive loss in weight
Israel 1/	Soybeans	Shortage
Portugal 1/	Corn	Shortage
Italy 2/	Soybeans	Shortage
India 3/ (six separate shipments)	Soft White Wheat	Shortage
India 3/ (three separate shipments)	Soft Red Winter Wheat	Shortage
India 3/ (three separate shipments)	Western White Wheat	Shortage
India 3/ (one shipment)	Heavy Soft White Wheat	Shortage
India 3/ (one shipment)	Heavy Western White Wheat	Shortage

1/ FGIS was not present in an official weighing capacity-also occurred at Indiana Grain Company in Baltimore, Maryland.

2/ FGIS was present in an official weighing capacity-also occurred at Indiana Grain Company in Baltimore, Maryland.

3/ FGIS was not present in an official weighing capacity-due to the late filing date of these complaints, there is no information available at the official Inspection Agency. Occurred at various locations.

\* "Quarterly Reports of Complaints From Foreign Buyers" have been submitted to the Chairman, Committee on Agriculture, Nutrition, and Forestry, United States Senate and to the Chairman, Committee on Agriculture, House of Representatives, showing action taken on the above complaints.

TABLE 4

## FOREIGN MONITORING TEAM INFORMATION

Group/Representative(s)	Country Visited
Weighing Division Representatives <u>1/</u>	England
Inspection Division Representatives <u>1/</u>	Mexico
Inspection & Weighing Division Representatives <u>1/</u>	Denmark, Portugal, Spain, Poland, Netherlands, Belgium, and England.
Standardization Division Representatives and the Office of the General Sales Manager (To explain Grain Standards Act, Inspection procedures, and Corn, Soybean, and Wheat Standards.)	Spain, Switzerland, Italy, Greece, Denmark, Yugoslavia, Poland, East Germany, Netherlands, Belgium, England, Scotland, West Germany

1/ FGIS has sent Foreign Monitoring Teams to investigate complaints and to gain additional information on inspection and weighing procedures and equipment/facilities used at the above locations.