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ACTION

Last Day - Saturday, October 23

8/10/21/76

THE WHITE HOUSE
WASHINGTON

October 20, 1976

APPROVED
OCT 21 1976
Statement issued 10/22/76

8/10/21/76

8/10/21/76

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JIM CANNON *JDC*

SUBJECT:

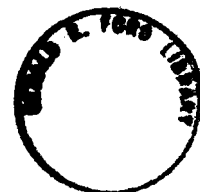
Enrolled Bill H.R. 12572 --
United States Grain Standards
Act of 1976

Attached for your consideration is H.R. 12572, which was sponsored by Representative Thomas Foley and twenty-one other members.

This enrolled bill amends the United States Grain Standards Act to improve the present grain inspection and weighing system by increasing Federal involvement, including required direct Federal original inspection of grain for export. H.R. 12572 provides for the establishment of a new Federal Grain Inspection Service within the Department of Agriculture. It also contains other provisions -- such as increased civil and criminal penalties, improved investigatory powers and expanded overseas grain shipment monitoring -- which will help USDA prevent future grain inspection and weighing irregularities.

Preliminary estimates by USDA have set the annual budget and employment requirements of the new agency at approximately \$63 million and 2,900 people, respectively. About 2,200 people would be new Federal employees. Of the \$63 million, approximately \$53 million would be derived from grain inspection fees; the balance would be appropriated funds.

H.R. 12572 is more fully described in the OMB enrolled bill memorandum at Tab A.



Agency Recommendations

The Agriculture Department recommends approval, arguing that ". . . the reforms provided for in H.R. 12572, coupled with the administrative actions already taken by the Department, will restore integrity to our national system of grain inspection and weighing. Irregularities and malfeasance uncovered during investigations over the past 2 years into the inspection and weighing of grain could seriously jeopardize our international grain trade unless permanent legislative reform is enacted."

OMB recommends approval stating that they "recognize the potentially serious consequences of any further international loss of confidence in U.S. grain exports. This bill would authorize immediate corrective action, and on balance, we believe that the merits of the bill outweigh its undesirable features."

The Departments of Commerce, Treasury and State and the Civil Service Commission have no objection, while the Justice Department defers to Agriculture.

The Council of Economic Advisers (MacAvoy) recommends disapproval contending that "the bill contains unnecessary, inadvisable, and costly provisions which result in the costs of the new regulation outweighing the gains. The full CEA argument is attached at Tab B.

Staff Recommendations

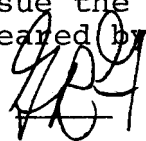
Max Friedersdorf, Bill Seidman, Counsel's Office (Kilberg), NSC and I recommend approval of the enrolled bill and the attached signing statement which has been cleared by Doug Smith.

Recommendation

That you sign H.R. 12572 at Tab C.

That you issue the signing statement at Tab D which has been cleared by Doug Smith.

Approve

A handwritten signature in black ink, appearing to be 'D. Smith', is written over the 'Approve' label.

Disapprove



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OCT 18 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 12572 - United States
Grain Standards Act of 1976
Sponsors - Rep. Foley (D) Washington and
21 others

Last Day for Action

October 23, 1976 - Saturday

Purpose

Amends the United States Grain Standards Act to improve the present grain inspection and weighing system, by establishing a new Federal Grain Inspection Service within the Department of Agriculture and by requiring direct Federal involvement in original inspection operations, particularly with respect to export sales.

Agency Recommendations

Office of Management and Budget	Approval
Department of Agriculture	Approval
Department of Commerce	No objection
Civil Service Commission	No objection
Department of the Treasury	No objection
Department of State	No objection
Department of Justice	Defers to Agriculture
Council of Economic Advisers	Disapproval

Discussion

Present authority for the inspection and grading of wheat, soybeans, flaxseed, mixed grains and feed grains is provided by the U.S. Grain Standards Act of 1916. This system is largely fee supported and designed to provide official certification of quality standards for specific grain varieties which may be uniformly applied



in commercial grain transactions. Although inspection is mandatory only for grain sold by grade and shipped in interstate or foreign commerce, approximately 94 percent of the grain moving in commercial channels was inspected in 1974.

The current national grain inspection system is a two-tiered system administered by the Department of Agriculture. Original inspections of commercial grain shipments are performed on a fee basis by State, trade and private inspection agencies which are licensed and supervised by the Department of Agriculture. Beyond this, the Department performs appeal inspections. The Act presently prohibits the Department from performing original inspections. Recently, some foreign buyers and domestic shippers of grain have questioned the validity of official inspection certificates issued under the current inspection system, alleging several instances of misgrading and shortweighing. Although certification of shipment weights technically is not covered by the Grain Standards Act, subsequent indictments and convictions of federally licensed private inspection agencies for bribery and other charges stemming from grain inspection irregularities have been widely publicized. Congress has been concerned that a growing lack of confidence in U.S. grain inspection certification could seriously jeopardize exports, thereby reducing farm income and adversely affecting the U.S. balance of payments on foreign trade. A recent General Accounting Office report indicates that some foreign grain buyers have already switched from the United States to other international grain sources as a result of inspection problems.

The enrolled bill would address these problems by amending a number of provisions of the original 1916 Grain Standards Act and by establishing a new Federal Grain Inspection Service within the Department of Agriculture to centralize primary U.S. grain inspection authority. The principle provisions of the bill are described below.

Federal Grain Inspection Service. As indicated, the bill would establish a new agency, the Federal Grain Inspection Service (FGIS), within the Department of Agriculture to administer the grain inspection program. The Administrator of the agency would be a Presidential appointee, confirmed by the Senate. The Administrator would be permitted to hire grain inspectors without regard to the competitive



hiring provisions of Title V United States Code, if such inspectors were licensed by the Department on or before the date of enactment.

Preliminary estimates by the Department have set the annual budget and employment requirements of the new agency at approximately \$63 million and 2,900 respectively, of which about 2,200 would be new Federal employees. About \$53 million would be derived from grain inspection fees; the rest would be appropriated funds.

Inspection at Export Locations. The bill would establish a joint Federal/State system for original inspection of grain shipments at export locations. Qualified State agencies in existence July 1, 1976, would be allowed to continue export inspection. Nine States are expected to qualify. All export inspections by private agencies would be eliminated.

Inspection at Inland Locations. The bill would provide for State/private inspection at inland locations, with reserve authority for Federal intervention as necessary. Delegations of authority to licensed State and private inspection agencies would be subject to renewal after three years. Within two years of enactment, the new agency, the Department of Agriculture, and the General Accounting Office would be required to submit a report evaluating the operation of the inland inspection program and recommending appropriate reforms, to the Congressional Agriculture Committees.

Weighing. The bill would provide for 100 percent Federal supervision of grain weighing at export locations. The extent of Federal supervision at inland locations would be left to the discretion of the Administrator of the FGIS.

Penalties. Criminal violations of the provisions of the Act would be classified as felonies and carry a maximum penalty of 5 years in prison and/or a fine of \$20,000. Assessment of up to \$75,000 in civil penalties for each violation would also be permitted.

Conflicts of Interest. The bill would establish new conflicts of interest standards to apply to all inspection agencies. All connections between licensed inspection agencies and the grain trade would be prohibited. Exceptions involving membership in local chambers of commerce,



boards of trade, or other civic non-profit organizations which might also include grain trade members could be authorized by the Administrator of the FGIS upon submission of a full report to the Congressional Agriculture Committees.

Congressional Oversight. The bill would increase congressional oversight of the grain inspection system. In addition to expanding existing Departmental audit and other investigational authority, the bill would require periodic reports to the Congressional Agricultural Committees on the status of investigations into system irregularities. Also, the Department would be required to alert the Committees within 30 days upon (a) receipt of any reasonable complaint by a foreign government concerning the quality of U.S. grain exports or (b) cancellation, for any reason, of any large export contract.

The enrolled bill would also provide for a number of other minor authorities and reporting requirements including:

- periodic rotation of all Federal, State and private inspection and weighing personnel;

- registration of grain exporting firms;

- a study of the present grain standards system for the purpose of recommending appropriate reforms; and,

- installation of new grain weighing and other equipment at export elevators at the direction of the Administrator of the FGIS.

In Committee hearings on H.R. 12572 and a series of related bills, testimony was received from a number of groups including major farm organizations, grain organizations, labor unions, State agricultural officials, private inspection agencies, interested members of Congress, and others. While there seemed to be general agreement concerning the need to increase the scope of Federal supervision of grain inspection, a majority of witnesses argued for retention of the current Federal licensing program.

In testimony, the Department of Agriculture indicated its support for an Administration sponsored bill (H.R. 9467

and S. 2297). That bill would have retained the basic structure of the existing inspection system, while toughening up a number of oversight provisions having to do with training and rotation of inspection personnel, conflicts of interest, criminal penalties, periodic inspection license renewal and recordkeeping. The bill also would have provided standby authority to the Department of Agriculture to perform original inspections on an interim basis as needed. It would have avoided creation of a separate inspection agency within the Department.

Clearly, the enrolled bill provides for a significantly greater degree of direct Federal involvement in grain inspection than that proposed by the Administration. Agriculture has strongly opposed the creation of a new grain inspection agency within the Department as (a) an unreasonable usurpation of its own management prerogatives and (b) adding to the cost of operating the inspection system by creating duplicating overhead and administrative support activities. It would serve to promote precisely the type of regulatory activities which you proposed for systematic scrutiny in your Agenda for Government Reform Act submitted to Congress on May 13.

Furthermore, the bill would permit the new FGIS to hire grain inspectors without regard to the competitive hiring provisions of Title V of the United States Code, provided that such inspectors were licensed by the Department of Agriculture on or before the date of enactment. This provision is intended to enable the FGIS to absorb State and private grain inspectors whose functions are taken over by the Federal Government as a result of this legislation. However, as the Civil Service Commission notes in its attached enrolled bill letter:

"The Civil Service Commission has extensive, albeit more stringent, regulatory procedures covering the conversion to Federal appointment of public or private employees whose functions are taken over by the Federal Government. We therefore believe that this legislation's special exemption of State and private grain inspectors from title 5 U.S.C. hiring provisions is unnecessary and undesirable. However, we understand this provision will be used on a limited basis, and will not place inspection positions in the excepted service."



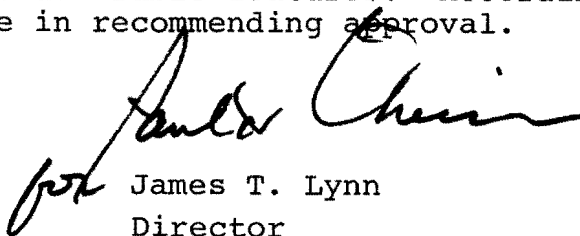
Finally, the Council of Economic Advisers in its letter makes the argument that the additional inspection costs that are likely to arise from the bill will tend to reduce rather than increase foreign demand for American grain. Assuming a \$1 per ton inspection fee, CEA argues the reduced incidence of fraud might make American grain worth perhaps \$.25 per ton more in foreign markets. A significant portion of the other \$.75 per ton cost might then be passed back by the grain exporter to the farmer. Against the counter argument that a figure of \$.25 per ton underestimates the probable market value of increased foreign confidence in the quality of American grain exports, CEA contends that, in any event, the fundamental economic interests of grain sellers to retain their customers by providing honest and reliable services should provide an adequate check on further corruption. Of course, the response in this instance, might be that the grain exporter's economic self-interest in honest dealing was not sufficient to avoid these problems in the recent past.

However, despite these relatively undesirable features of the bill, the Department of Agriculture recommends approval. In its attached enrolled bill letter, the Department states its strong belief that:

"... the reforms provided for in H.R. 12572, coupled with the administrative actions already taken by the Department, will restore integrity to our national system of grain inspection and weighing. Irregularities and malfeasance uncovered during investigations over the past 2 years into the inspection and weighing of grain could seriously jeopardize our international grain trade unless permanent legislative reform is enacted."

Conclusion

While we would much prefer a more limited bill with respect to a Federal role in grain inspection, we recognize the potentially serious consequences of any further international loss of confidence in U.S. grain exports. This bill would authorize immediate corrective action, and on balance, we believe that the merits of the bill outweigh its undesirable features. Accordingly, we join Agriculture in recommending approval.


James T. Lynn
Director

Enclosures



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

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D.C. 20503

October 5, 1976

Dear Mr. Lynn:

We appreciate this opportunity to report on the enrolled enactment of H.R. 12572, a bill "To amend the United States Grain Standards Act to improve the grain inspection and weighing system, and for other purposes."

This Department recommends that the President approve H.R. 12572.

H.R. 12572, the United States Grain Standards Act of 1976, provides for (1) a system of Federal/State grain inspection at export locations, with a provision for grandfathering in qualified State agencies in existence as of July 1, 1976; (2) a system of State/private grain inspection at inland locations, with authority for this Department to go in and perform original inspections on a temporary basis as needed; (3) a system of Federal/State official weighing and certification of weights of grain at export points, with authority to grandfather in qualified State agencies as of July 1, 1976, with Federal supervision of weighing at export and the extent of supervision at inland locations left to discretion of Administrator of new service; (4) civil and criminal penalties for violations of the Act; (5) the rotation of all inspection and weighing personnel of Federal, State, and private agencies; (6) the creation of a separate service within the Department of Agriculture (the Federal Grain Inspection Service), with the Administrator appointed by the President and confirmed by the Senate; (7) the registration of grain firms engaged in the business of buying grain for export and in handling, weighing, or transporting of grain for export; (8) new conflict-of-interest rules for all inspection agencies, with discretionary authority for the new Administrator to waive the conflict-of-interest requirements in certain situations and to report such waivers to the Agriculture Committees of the Congress; (9) increased Congressional oversight of the grain inspection and weighing system, as well as expanded investigatory powers for both the Department and the General Accounting Office; (10) authority to monitor grain shipments overseas; (11) an evaluation of the inspection and weighing system at inland locations during the first 2 years of the Act, with needed reforms identified and submitted to the Congress; (12) alerting the Agriculture Committees of the Congress of complaints registered by foreign governments respecting the quality of U.S. grain, and the cancellation of any large export contracts; (13) a study of current grain standards; and (14) authority to require the installation of new grain weighing and handling equipment at export elevators, as needed, with provision for periodic testing of all sampling, grading, and weighing at all inspection points.

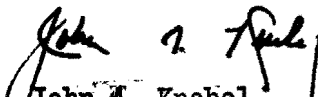
Honorable James T. Lynn

2

The Department strongly feels that the reforms provided for in H.R. 12572, coupled with the administrative actions already taken by the Department, will restore integrity to our national system of grain inspection and weighing. Irregularities and malfeasance uncovered during investigations over the past 2 years into the inspection and weighing of grain could seriously jeopardize our international grain trade unless permanent legislative reform is enacted.

Estimated total Federal costs of the national grain inspection and weighing program is \$62,749,000 annually and 2,914 man-years. Of this amount, \$9,405,000 and 352 man-years would be financed by annual appropriation; and \$53,344,000 and 2,562 man-years would be financed through fees collected.

Sincerely,


John A. Knebel
Acting Secretary

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

ALAN GREENSPAN, CHAIRMAN
PAUL W. MACAVOY
BURTON G. MALKIEL

October 14, 1976

Dear Mr. Frey:

This is in response to your request for CEA's views on H.R. 12572, The Grain Standards Act of 1976. This bill meets some ostensible demands of the electorate for more regulation, based on the condition that fraud and theft reached unacceptable levels in the grain export business in the past few years. It also seems clear that some provisions of H.R. 12572 would reduce the incidence of misgrading and misweighing and theft. But the bill contains unnecessary, inadvisable, and costly provisions which result in the costs of the new regulation outweighing the gains.

Those provisions in the bill which increase civil and criminal penalties would probably be most cost-effective in reducing fraud. But provisions for rotating inspection and weighing personnel would probably reduce fraud in an exceptionally costly way. New weighing and handling equipment would probably reduce errors, but again the costs would outweigh the gains. Other provisions, such as federalizing of inspection, making the grain inspection service an independent agency within USDA, registration of grain exporters, and Congressional oversight, are all basically bureaucratic shuffles which are unlikely to have any effect on the incidence of fraud in the grain trade.

It is impossible to say with any precision what the costs would be. The Federal grain inspection service would probably increase its manpower about ten times, from around 300 to around 3,000 man-years, according to an Agriculture Department estimate. There would be some replacement of private and state inspection personnel, but the private trade would have to hire more people to make doubly sure no misgrading or misweighing occurs.

Questions as to the necessity of the inspection can be raised. It is in the interests of the sellers to see to it that their customers get what they paid for, else they will lose their customers; and it is in the interests of grain exporters not to be defrauded by their employees. There doesn't seem to be any reason why the Federal Government should take upon itself the burden of increased policing of the international grain transactions. It is relevant to ask whether in theory one could expect the Federal Government to provide a more appropriate amount of service



than the private companies. The Federal Government will almost certainly provide too many of these services, and do so inefficiently, and has no incentive to move towards an optimal allocation of resources to this activity, given that the incentive is to prevent grain from ever being misgraded or incorrectly weighed regardless of the cost.

Budget costs may be relatively unimportant because the bill requires inspection fees to be paid by grain companies to cover all field costs and registration fees to cover costs of the registration program. The total private and public costs could amount to \$1.00 per ton of grain exported or around \$75 million per year.

Farmers are said to favor this legislation because they believe it will increase the demand for U.S. grain. However, because the bill would increase U.S. exporters' costs, it is more likely to decrease the farm-level demand for grain. Out of a \$1/ton inspection fee, the reduced incidence of fraud might make U.S. grain worth, say, \$.25/ton more in foreign markets. The other \$.75/ton cost would be mostly passed back to the farmer. It might be argued against this that the better quality control from a \$1/ton inspection fee will make U.S. grain worth, say, \$1.50/ton more abroad. If so, grain exporters can be relied upon to provide this quality control themselves.

In short, this bill would generate excessively large costs for small prospective benefits, and should be vetoed.

Sincerely,



Paul W. MacAvoy
Acting Chairman

Mr. James Frey
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20503



THE DEPUTY SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

OCT 14 1976

Director, Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Assistant Director for Legislative
Reference

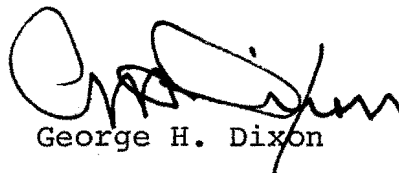
Sir:

This report responds to your request for the views of this Department on the enrolled enactment of H.R. 12572, "To amend the United States Grain Standards Act to improve the grain inspection and weighing system, and for other purposes."

The enrolled enactment would establish the Federal Grain Inspection Service to supervise the handling, weighing, grading, and transportation of grain. This Department's interest in the legislation stems from the authority granted to the Administrator of the Service to prescribe and collect fees for inspection and weighing to cover the costs of these functions. The fees would be deposited into a fund which would be available without fiscal year limitation for the expenses of the Service.

Although the Department has no objection to the provisions dealing with fees to be charged and their deposit in the fund, we cannot, based on this limited interest, make a recommendation concerning the enrolled enactment.

Sincerely yours,



George H. Dixon



UNITED STATES CIVIL SERVICE COMMISSION

WASHINGTON, D.C. 20415

CHAIRMAN

October 14, 1976

Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D.C. 20503

Attention: Assistant Director for
Legislative Reference

Dear Mr. Lynn:

This is in reply to your request for the views of the Civil Service Commission on enrolled H.R. 12572, "To amend the United States Grain Standards Act to improve the grain inspection and weighing system and for other purposes."

Our main concern with this legislation is section 10 of the bill which amends section 8(e) of the United States Grain Standards Act to provide that the Department of Agriculture may hire grain inspectors without regard to the competitive hiring provisions of title 5 United States Code, if such inspectors were licensed by the Department on or before the date of the bill's enactment. This provision is intended to enable the Department to absorb State or private agency grain inspectors whose functions are taken over by the Federal Government as a result of the legislation. In our view it opens the way for noncompetitive entry to the competitive service for many of the approximately 2,000 employees the Department of Agriculture estimates it will need for the new grain inspection function.

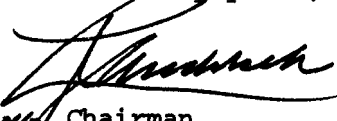
The Civil Service Commission has extensive, albeit more stringent, regulatory procedures covering the conversion to Federal appointment of public or private employees whose functions are taken over by the Federal Government. We therefore believe that this legislation's special exemption of State and private grain inspectors from title 5 U.S.C. hiring provisions is unnecessary and undesirable. However, we understand this provision will be used on a limited basis, and will not place inspection positions in the excepted service.

Far more serious in our view would have been the additional benefit provisions for State and private inspectors which appeared in earlier versions of this legislation. These included full retirement, leave, and retention credit for periods of non-Federal service. In our voluntary report on H.R. 12572 of May 14, 1976, we recommended that these provisions be stricken. Congress largely adopted these recommendations, but retained the title 5 U.S.C. hiring exemption.

While we consider the title 5 U.S.C. exemption as a defect in the Act, we do not recommend that the President veto H.R. 12572 on this basis.

By direction of the Commission:

Sincerely yours,



Acting Chairman



**GENERAL COUNSEL OF THE
UNITED STATES DEPARTMENT OF COMMERCE**
Washington, D.C. 20230

OCT 14 1976

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Lynn:

This is in reply to your request for the views of this Department concerning H. R. 12572, an enrolled enactment

"To amend the United States Grain Standards Act to improve the grain inspection and weighing system, and for other purposes,"

to be cited as the "United States Grain Standards Act of 1976".

The purpose of H. R. 12572 is to amend the United States Grain Standards Act so as to improve the existing grain inspection and weighing system at export port locations and at other locations. Under the provisions of the bill original inspection at all points at which grain is loaded for export (export port locations) would become a Federal responsibility, with State participation limited to existing qualified State agencies. Inspection at other than export port locations could be conducted by State and private inspection agencies to be designated by the Administrator of the Federal Grain Inspection Service which is established within the Department of Agriculture by section 4 of the bill. Official weighing of all grain for export would be by Federal or State personnel or would be supervised by Federal or State personnel.

This Department would have no objection to approval by the President of H. R. 12572.

Enactment of this legislation is not expected to involve any increase in the budgetary requirements of this Department.

Sincerely,

A handwritten signature in dark ink, appearing to read "J. T. Smith".

General Counsel





DEPARTMENT OF STATE

Washington, D.C. 20520

OCT 15 1976

Dear Mr. Lynn:

This is in reference to your request of October 13 for the views of the Department of State regarding Enrolled Bill H.R. 12572, an Act to amend the United States Grains Standards Act to improve the grain inspection and the weighing system, and for other purposes.

The Department of State has no foreign policy objection to the Bill as enrolled. The provision in Section 8(i) authorizing an Agreement with the Government of Canada to enable the inspection of U.S. grain shipped from Canadian ports adequately meets concerns we had expressed earlier regarding the need for such authority in light of other provisions of the Bill.

The Bill otherwise appears to pertain to matters within the expertise of other agencies, and the Department defers to their views.

Sincerely,

A handwritten signature in cursive script that reads "Kempton B. Jenkins".

Kempton B. Jenkins
Acting Assistant Secretary
for Congressional Relations

The Honorable
James T. Lynn,
Director,
Office of Management and Budget.

Department of Justice
Washington, D.C. 20530

October 15, 1976

Honorable James T. Lynn
Director, Office of Management and Budget
Washington, D.C.

Dear Mr. Lynn:

In compliance with your request, I have examined a facsimile of the enrolled bill H.R. 12572, "To amend the United States Grain Standards Act to improve the grain inspection and weighing system, and for other purposes."

This bill will establish within the Department of Agriculture a Federal Grain Inspection Service and authorizes the Administrator of that Service to investigate the handling, weighing, grading, and transportation of grain and to set standards for classifying and weighing grain. Section 8 of the bill provides for a completely public (Federal-State) grain inspection and weighing program with respect to export port locations and a combination public and private program with respect to weighing and inspection of grain at locations other than export ports, both programs to be under the control and supervision of the Administrator. These provisions and all other sections of the bill except sections 12, 15, and 17 concern matters for which the Department of Agriculture is primarily responsible, and the Department of Justice defers comment on those provisions to that agency.

Section 12 of the bill amends Section 10 of the Grain Standards Act (7 U.S.C. 86) to provide for the refusal of inspection and weighing services to persons who have committed acts prohibited under 7 U.S.C. 87b or other Federal laws with respect to the handling, weighing, or official inspection of grain. Such persons would also be subject to civil penalties up to \$75,000 in addition to, or in lieu of, the

refusal of inspection services or the criminal penalties prescribed by 7 U.S.C. 87c.

Section 15 of the bill expands the prohibited acts section of the Grain Standards Act (7 U.S.C. 87b) to include prohibited acts occurring during weighing activities in addition to those already prohibited during inspection, loading, handling, and sampling activities. Section 15 also adds a subsection prohibiting anyone from preventing or impeding persons from observing the loading, weighing, sampling or inspection of grain in which those persons have a financial interest.

Section 17 of the bill amends the penalty provisions of the Grain Standards Act (7 U.S.C. 87c) by increasing the maximum penalties for first offenses from a fine of \$3,000 and/or imprisonment for six months to a fine of \$10,000 and/or imprisonment for one year, and for subsequent offenses from \$5,000 and/or imprisonment for one year to \$20,000 and/or imprisonment for five years. Additionally, certain acts prohibited by 7 U.S.C. 87b are exempted from these provisions and are made subject to the applicable penal sections of Title 18. Finally, Section 17 specifically includes weighing and inspection personnel of the Department of Agriculture as officers and employees of the United States within the protective provisions of Sections 111 and 1114 of Title 18.

The Department of Justice has no objection to Executive approval of this bill.

Sincerely,

A handwritten signature in cursive script, reading "Michael M. Uhlmann".

Michael M. Uhlmann
Assistant Attorney General

THE WHITE HOUSE
WASHINGTON

Bob Linder

Jim Cavanaugh returned
the grain inspection bill -
not acted on --- I told
him I would return to you
to hold until you have the
Cannon memo.

Trudy 10/18/76

P. S. The talking points were
with it.

TALKING POINTS FOR SIGNING OF GRAIN INSPECTION BILL

1. I AM PLEASED TO SIGN INTO LAW TODAY H.R. 12572, THE UNITED STATES GRAIN STANDARDS ACT OF 1976.
2. THIS LEGISLATION FILLS A REAL NEED -- A NEED TO GUARANTEE THE INTEGRITY OF OUR NATIONAL GRAIN INSPECTION AND WEIGHING SYSTEM SO THAT BOTH DOMESTIC AND FOREIGN BUYERS OF UNITED STATES' GRAIN CAN BE ASSURED OF THE QUALITY AND QUANTITY OF GRAIN THEY PAY FOR.
3. SINCE AN OPEN, HONEST, VIGOROUS INTERNATIONAL EXPORT MARKET FOR OUR AMERICAN GRAIN IS VITALLY IMPORTANT TO THE NATION AND OUR FARMERS, I AM COMMITTED TO DOING ALL THAT IS NECESSARY TO INSURE CONFIDENCE IN OUR GRAIN TRADING SYSTEM.
4. DURING THE PAST TWO YEARS THE DEPARTMENT OF AGRICULTURE HAS TAKEN A NUMBER OF ADMINISTRATIVE STEPS TO STRENGTHEN ITS SUPERVISION OF THE GRAIN INSPECTION SYSTEM, BUT WE ALSO NEEDED THE LEGISLATIVE IMPROVEMENTS WHICH I PROPOSED LAST YEAR.
5. NOW, THE PERMANENT LEGISLATIVE REFORMS PROVIDED IN H.R. 12572 -- COUPLED WITH THE ADMINISTRATIVE ACTIONS ALREADY UNDERTAKEN BY THE AGRICULTURE DEPARTMENT -- WILL PROVIDE OUR NATION WITH AN EFFECTIVE AND HONEST SYSTEM OF GRAIN INSPECTION AND WEIGHING -- ONE THAT IS MORE RESPONSIVE TO THE NEEDS OF BOTH BUYERS AND SELLERS OF U.S. GRAIN.
6. THIS NEW LAW PROVIDES FOR A COOPERATIVE APPROACH BETWEEN FEDERAL, STATE AND PRIVATE INSPECTION AND WEIGHING AGENCIES.

7. THIS COOPERATIVE APPROACH IS FAR SUPERIOR TO EARLIER CONGRESSIONAL PROPOSALS FOR TOTAL FEDERALIZATION OF INSPECTION AND WEIGHING.
8. ALSO, OTHER PROVISIONS OF THE BILL I AM SIGNING -- SUCH AS INCREASED CIVIL AND CRIMINAL PENALTIES, IMPROVED INVESTIGATORY POWERS AND EXPANDED OVERSEAS GRAIN SHIPMENT MONITORING -- WILL HELP THE DEPARTMENT OF AGRICULTURE PREVENT GRAIN INSPECTION AND WEIGHING IRREGULARITIES IN THE FUTURE.
9. ONE UNDESIRABLE PROVISION OF THIS BILL -- THE ESTABLISHMENT OF A SEPARATE FEDERAL GRAIN INSPECTION SERVICE WITHIN THE DEPARTMENT OF AGRICULTURE -- IS AN UNNECESSARY AND INEFFICIENT PROLIFERATION OF BUREAUCRACY.
10. HOWEVER, THE CRITICAL NEED FOR THIS BILL FAR OUTWEIGHS MY OBJECTIONS TO THIS ONE PROVISION.
11. THUS, IT IS WITH PLEASURE THAT I TODAY SIGN THE GRAIN STANDARDS ACT, WHICH WILL INSURE CONTINUED CONFIDENCE IN OUR INTERNATIONAL GRAIN TRADE SYSTEM AND THEREBY ASSIST IN MAINTAINING OUR FOREIGN TRADE BALANCE AND IN FEEDING THE HUNGRY WORLD.

STATEMENT BY THE PRESIDENT

I am pleased to sign into law H.R. 12572, the U.S. Grain Standards Act of 1976. This legislation fills a real need -- a need to guarantee the integrity of our national grain inspection and weighing system so that both domestic and foreign buyers of United States grain can be assured of the quality and quantity of grain they purchase.

Investigations conducted over the past two years by the Department of Agriculture, the FBI, the Justice Department and by several committees of the Congress, have identified numerous irregularities and instances of malfeasance in our grain inspection and weighing system.

I have indicated on a number of occasions that we must not permit this intolerable behavior in the grain inspection and weighing system to continue. An open, honest, vigorous international export market for our American grain is vitally important to the Nation and our farmers. I have been committed to doing all that is necessary to insure the confidence of our grain export customers in the American grain trading system.

During the past two years the Department of Agriculture has taken a number of administrative steps to strengthen its supervision of the grain inspection system, but it has been clear that legislative improvements are also needed. Consequently, my Administration proposed legislative changes

The permanent legislative reforms provided in H.R. 12572, coupled with the administrative actions already undertaken by the Agriculture Department, will provide our Nation with an effective and honest system of grain inspection and weighing -- one that is more responsive to the needs of both buyers and sellers of U.S. grain.

Specifically, H.R. 12572 provides for (1) a system of Federal/State grain inspection at export locations, with provision for "grandfathering in" qualified State agencies in existence as of July 1, 1976; (2) a system of State/private grain inspection at inland locations under strengthened Federal supervision, with authority for the Department to perform original inspections as needed; (3) a system of Federal/State official weighing and certification of weights of grain at export points -- here again with authority to grandfather in those qualified State agencies in existence as of July 1, 1976. There would be Federal supervision of weighing at export, but the extent of supervision at inland locations would be left to the discretion of the Department of Agriculture.

This new law provides for a cooperative approach between Federal, State and private inspection and weighing agencies. Such an approach is far superior to earlier Congressional proposals for total Federalization of inspection and weighing. It will provide more thorough inspection at a lower cost to taxpayers.

Other provisions of the bill I am signing -- such as increased civil and criminal penalties, improved investi-

H.R. 12572 has one undesirable provision. To administer the national grain inspection and weighing program, the bill provides for the creation of a separate Service, the Federal Grain Inspection Service, within the Department of Agriculture. I consider this addition to be unnecessary. Nevertheless, the critical need for this legislative improvement outweighs my strong objections to this one provision. Without the strong grain inspection and weighing reform measures included in this bill, our whole international grain trade is jeopardized.

I have with pleasure signed the Grain Standards Act, thus insuring continued confidence in our international grain trade system.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 19

Time: 200pm

FOR ACTION: Paul Leach *ml*
Max Friedersdorf *ml* cc (for information):
Bobbie Kilberg
Hall Seidman *ml*
NSC/S

Jack Marsh
Ed Schmults
Steve McConahey *ml*
Mike Duval

FROM THE STAFF SECRETARY

DUE: Date: October 20

Time: 1000am

SUBJECT:

H.R.12572-US Grain Standards Act of 1976

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

PCL
10/20/76

GRAIN INSPECTION AND WEIGHING

PROPOSED STATEMENT BY THE PRESIDENT ON SIGNING H.R. 12572 INTO LAW

I am pleased to sign into law ~~today~~ H.R. 12572, the U.S. Grain Standards Act of 1976. This legislation fills a real need -- a need to guarantee the integrity of our national grain inspection and weighing system so that both domestic and foreign buyers of United States' grain can be assured of the quality and quantity of grain they ~~purchase~~ **PURCHASE.**

Investigations ~~conducted~~ conducted over the past 2 years by the Department of Agriculture, the FBI, the Justice Department, ~~and the State Department~~ and by several committees of the Congress, have identified numerous irregularities and instances of malfeasance in our grain inspection and weighing system.

~~I~~ I have indicated on a number of occasions ^{that} we must not ~~allow~~ **PERMIT** this ~~kind of~~ intolerable behavior in the grain inspection and weighing system to continue. ~~Since~~ ^A n open, honest, vigorous international export market for our American grain is vitally important to the Nation and our farmers. ~~I~~ ^I **HAVE BEEN** committed to doing all that is necessary to insure the confidence of our grain export customers in ~~the American~~ ^{THE American} grain trading system.

During the past 2 years the Department of Agriculture has taken a number of administrative steps to strengthen its supervision

of the grain inspection system, but it has ~~also~~ been clear that legislative improvements are also needed. Consequently, my Administration proposed legislative changes last year. This proposal, ^{and others have} ~~along with others~~ ^{has} been carefully considered by Congress. ~~and~~ The bill which I am signing today is the result of ~~that process.~~ ^{deliberation.}

The permanent legislative reforms provided in H.R. 12572, ~~g~~ ^X coupled with the administrative actions already undertaken by the Agriculture Department, ~~g~~ ^X will provide our Nation with an effective and honest system of grain inspection and weighing -- one that is more responsive to the needs of both buyers and sellers of U.S. grain.

Specifically, H. R. 12572 provides for (1) a system of Federal/State grain inspection at export locations, with provision for "grandfathering in" qualified State agencies in existence as of July 1, 1976; (2) a system of State/private grain inspection at inland locations under strengthened Federal supervision, with authority for the Department to perform original inspections as needed; (3) a system of Federal/State official weighing and certification of weights of grain at export points -- here again with authority to grandfather in those qualified State agencies in existence as of July 1, 1976. There would be Federal supervision of weighing at export, but the extent

of supervision at inland locations would be left to the discretion of the Department of Agriculture.

~~Simply put,~~ ^T This new law provides for a cooperative approach between Federal, State and private inspection and weighing agencies. ^{Such an} ~~this~~ approach is far superior to earlier Congressional proposals for total Federalization of inspection and weighing. It will provide more thorough inspection at a lower cost to taxpayers.

~~Also,~~ ^O Other provisions of the bill I am signing -- such as increased civil and criminal penalties, improved investigatory powers and expanded overseas grain shipment monitoring -- will help the Department of Agriculture prevent grain inspection and weighing irregularities in the future.

~~H.R. 12572 has~~
I must note that there is one undesirable provision, ~~of H.R. 12572.~~
To administer the national grain inspection and weighing program, the bill provides for the creation of a separate Service, *
the Federal Grain Inspection Service, * within the Department of Agriculture. I consider this ^{addition} to be ~~an~~ unnecessary, ~~and~~
~~inefficient, duplication of responsibility.~~

↓
Same

Same 9/11 ↑
Nevertheless, the critical need for this legislative improve-

ment outweighs my strong objections to this one provision.
Without the strong grain inspection and weigh^{ing} reform measures
included in this bill, our whole international grain trade
is jeopardized.

I have
~~Thus, it is~~ with pleasure ~~that I have~~ today signed the Grain
Standards Act, *thus insuring* ~~which will insure~~ continued confidence in our
international grain trade system, ~~and thereby assist in main-~~
~~taining our foreign trade balance and in providing American~~
~~grain for the hungry world.~~

10/20/76 - 12:28 pm
m

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 20

Time: noon

FOR ACTION: Doug Smith

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date: October 20

Time: 500pm

SUBJECT:

H.R.12572-Grain Inspection

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

Doug: This statement was written by Paul Leach. It has been cleared by OMB and Agriculture.

10/20 - copy sent for researching: mm
10/20 - Researched copy returned: mm



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Date: October 20

Time: noon

FOR ACTION: Doug Smith

cc (for information):

FROM THE STAFF SECRETARY

426
to Res 1:43 to DJS
10/20 6Am 10/20 5:24
6Am

DUE: Date: October 20

Time: 500pm

SUBJECT:

H.R.12572-Grain Inspection

ACTION REQUESTED:

___ For Necessary Action

___ For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

X For Your Comments

___ Draft Remarks

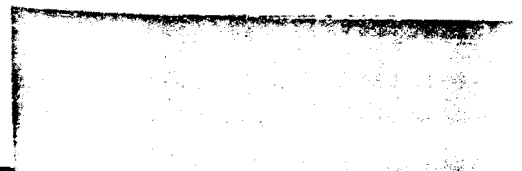
REMARKS:

please return to judy johnston, ground floor west wing

Doug: This statement was written by Paul Leach. It has been cleared by OMB and Agriculture.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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10/20/76

GRAIN INSPECTION AND WEIGHING

PROPOSED STATEMENT BY THE PRESIDENT ON SIGNING H.R. 12572 INTO LAW

I am pleased to sign into law today H.R. 12572, the U.S. Grain Standards Act of 1976. This legislation fills a real need -- a need to guarantee the integrity of our national grain inspection and weighing system so that both domestic and foreign buyers of United States' grain can be assured of the quality and quantity of grain they ~~purchase~~ ^{PURCHASE.}

Investigations, conducted over the past 2 years by the Department of Agriculture, the FBI, the Justice Department ~~and the~~ ~~District Attorney~~ and by several committees of the Congress, have identified numerous irregularities and instances of malfeasance in our grain inspection and weighing system.

As I have indicated on a number of occasions, we must not ~~allow~~ ^{PERMIT} this kind of intolerable behavior in the grain inspection and weighing system to continue. Since an open, honest, vigorous international export market for our American grain is vitally important to the Nation and our farmers, I ~~am~~ ^{HAVE BEEN} committed to doing all that is necessary to insure the confidence of our grain export customers in ~~the~~ ^{THE American} grain trading system.

During the past 2 years the Department of Agriculture has taken a number of administrative steps to strengthen its supervision

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of the grain inspection system, but it has also been clear that legislative improvements are also needed. Consequently, my Administration proposed legislative changes last year. This proposal -- along with others ~~has~~ ^{has} been carefully considered by Congress and the bill which I am signing today is the result of ~~that~~ ^{the} process.

The permanent legislative reforms provided in H.R. 12572 -- coupled with the administrative actions already undertaken by the Agriculture Department-- will provide our Nation with an effective and honest system of grain inspection and weighing -- one that is more responsive to the needs of both buyers and sellers of U.S. grain.

Specifically, H. R. 12572 ^{ok} provides for (1) a system of Federal/
State grain inspection at export locations, with provision for ^{ok}
"grandfathering in" ^{ok} qualified State agencies in existence as ^{ok}
of July 1, 1976; (2) a system of State/private grain inspection ^{ok}
at inland locations under strengthened Federal supervision,
with authority for the Department to perform original inspection ^{ok}
as needed; (3) a system of Federal/State official weighing ^{ok}
and certification of weights of grain at export points -- ^{ok}
here again with authority to grandfather in those qualified ^{ok}
State agencies in existence as of July 1, 1976. There would ^{ok}
be Federal supervision of weighing at export, but the extent ^{ok}


of supervision at inland locations would be left to the discretion of the Department of Agriculture.

Simply put, this new law provides for a cooperative approach between Federal, State and private inspection and weighing agencies. This approach is far superior to earlier Congressional proposals for total Federalization of inspection and weighing. It will provide more thorough inspection at a lower cost to taxpayers.

Also, other provisions of the bill I am signing -- such as increased civil and criminal penalties, improved investigatory powers and expanded overseas grain shipment monitoring -- will help the Department of Agriculture prevent grain inspection and weighing irregularities in the future.

I must note that there is one undesirable provision of H.R. 12572. To administer the national grain inspection and weighing program, the bill provides for the creation of a separate Service -- the Federal Grain Inspection Service -- within the Department of Agriculture. I consider this to be an unnecessary and inefficient proliferation of bureaucracy.

Nevertheless, the critical need for this legislative improvement outweighs my strong objections to this one provision. Without the strong grain inspection and weigh^{ing} reform measures included in this bill, our whole international grain trade is jeopardized.


Thus, it is with pleasure that I have today signed the Grain Standards Act, which will insure continued confidence in our international grain trade system and thereby assist in maintaining our foreign trade balance and in providing American grain for the hungry world.

STATEMENT BY THE PRESIDENT

I am pleased to sign into law H.R. 12572, the U.S. Grain Standards Act of 1976. This legislation fills a real need -- a need to guarantee the integrity of our national grain inspection and weighing system so that both domestic and foreign buyers of United States grain can be assured of the quality and quantity of grain they purchase.

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I have with pleasure signed the Grain Standards Act, thus insuring continued confidence in our international grain trade system.

MEMORANDUM

#5826

NATIONAL SECURITY COUNCIL

October 20, 1976

MEMORANDUM FOR: JAMES M. CANNON

FROM: Jeanne W. Davis *JWD*

SUBJECT: *JWD* Enrolled Bill
H. R. 12572

The NSC staff has no objection to enrolled bill:

H. R. 12572-U. S. Grain Standards Act of 1976

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 20

Time: noon

FOR ACTION: Doug Smith

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date: October 20

Time: 500pm

SUBJECT:

H.R.12572-Grain Inspection

Wilbey on

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnstongground floor west wing

Doug: This statement was written by Paul Leach. It has been cleared by OMB and Agriculture.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

Date: October 19

Time: 200pm

FOR ACTION: Paul Leach
Max Friedersdorf
Bobbie Kilberg
Bill Seidman ✓
NSC/S

cc (for information): Jack Marsh
Ed Schmults
Steve McConahey
Mike Duval

FROM THE STAFF SECRETARY

DUE: Date: October 20

Time: 1000am

SUBJECT:

H.R.12572-US Grain Standards Act of 1976

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

*Approved
JWS*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James H. Cannon
For the President

10

Date: October 19

Time: 200pm

FOR ACTION: Paul Leach
Max Friedersdorf
Bobbie Kilberg
Bill Seidman
NSC/S

cc (for information): Jack Marsh
Ed Schmults
Steve McConahey
Mike Duval

FROM THE STAFF SECRETARY

DUE: Date: October 20

Time: 1000am

SUBJECT:

H.R.12572-US Grain Standards Act of 1976

Statement Attached

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

Recommend Approval. [Signature]

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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**James M. Cannon
For the President**

Date: October 19

Time: 200pm

FOR ACTION: Paul Leach
 Max Friedersdorf
 Bobbie Kilberg
 Bill Seidman
 NSC/S

cc (for information): Jack Marsh
 Ed Schmults
 Steve McConahey
 Mike Duval

FROM THE STAFF SECRETARY

DUE: Date: October 20

Time: 1000am

SUBJECT:

H.R.12572-US Grain Standards Act of 1976

ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply

x

 For Your Comments Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

*approval
 Kilberg 10/20/76*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James M. Cannon
 For the President

10

Date: October 19

Time: 200pm

FOR ACTION: Paul Leach ✓
Max Friedersdorf
Bobbie Kilberg
Bill Seidman
NSC/S

cc (for information): Jack Marsh
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FROM THE STAFF SECRETARY

DUE: Date: October 20

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SUBJECT:

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ACTION REQUESTED:

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- Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

OK PLZ

10/20/76

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James M. Cannon
For the President

D. K. -
matt.

PCL
10/20/76

GRAIN INSPECTION AND WEIGHING

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of the grain inspection system, but it has also been clear that legislative improvements are also needed. Consequently, my Administration proposed legislative changes last year. This proposal -- along with others ~~has~~ ^{has} been carefully considered by Congress and the bill which I am signing today is the result of ~~that~~ ^{the} process.

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