



United States
Department of
Agriculture

Federal Grain
Inspection
Service

Annual Report to Congress, 1994



Authority

The United States Grain Standards Act, as amended, requires the Administrator of the USDA Federal Grain Inspection Service to submit to the Senate and House Committees on Agriculture on December 1 of each year a report on the effectiveness of the official grain inspection and weighing system for the prior fiscal year, and to develop recommendations for legislative changes to accomplish the objectives of the Act.

The Act also requires the Administrator to submit a summary of valid complaints received from foreign purchasers and prospective purchasers of U.S. grain and of their resolution by the U.S. Department of Agriculture during the prior fiscal year. That summary is included as part of this Annual Report.

Mission

The mission of the Federal Grain Inspection Service is to facilitate the marketing of grain, oilseeds, pulses, rice, and related commodities by establishing descriptive standards and terms; accurately and consistently certifying quality; providing for uniform official inspection and weighing; carrying out assigned regulatory and service responsibilities; and providing the framework for commodity quality improvement incentives to both domestic and foreign buyers.



United States
Department of
Agriculture

Federal Grain
Inspection
Service

P.O. Box 96454
Washington, DC
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December 1, 1994

Honorable E (Kika) de la Garza
Chairman, Committee on Agriculture
U.S. House of Representatives
Washington, DC 20515

Honorable Patrick J. Leahy
Chairman, Committee on Agriculture,
Nutrition, and Forestry
United States Senate
Washington, DC 20510

Dear Mr. Chairmen:

In compliance with the United States Grain Standards Act, as amended, the Federal Grain Inspection Service (FGIS) is submitting its fiscal year 1994 Annual Report to Congress. The report summarizes the Agency's responsibilities, accomplishments, program activities, and financial status. This will be the last report submitted by FGIS as an independent agency. As part of the USDA reorganization, on October 20, 1994, FGIS was combined with the Packers and Stockyards Administration to form the new Grain Inspection, Packers and Stockyards Administration.

Fiscal year (FY) 1994 was a year of great change for FGIS. We undertook major initiatives to prepare for the future and to better serve our customers.

In May 1994, FGIS submitted a cost-containment plan to Congress that reaffirms the Agency's commitment to using its human and fiscal resources effectively, integrating state-of-the-art technology into the official grain inspection and weighing system, and ensuring appropriate and timely responses to changes in the U.S. grain marketing system. The plan outlines significant changes FGIS is undertaking in its organizational structure, quality control and assurance program, financial management approach, information management processes, and employee development programs to enhance program delivery and customer satisfaction.

During FY 1994, FGIS began streamlining its organizational structure, both at headquarters and in the field. In concert with the USDA reorganization and Secretary Espy's commitment to streamlining through managed attrition, FGIS offered buyouts to its employees. Forty-eight employees, or approximately 8 percent of FGIS' workforce, applied for and received a buyout. This staffing reduction accompanied a plan to reduce the number of field locations from 31 to 24 and realign the management structure to better serve our customers and carry out the mission of the Agency.



The Federal Grain Inspection Service
is an agency of the
United States Department of Agriculture

Honorable E (Kika) de la Garza
Honorable Patrick J. Leahy

The restructuring and downsizing efforts are complemented by a long-term process called Excellence through Continuous Improvement that focuses on strengthening the Agency's organizational culture and making quality and customer service priorities. The process will include identifying FGIS' organizational strengths and weaknesses; developing an annual quality improvement plan; and providing all FGIS employees with training on the continuous improvement process, technical and statistical skills, and interpersonal relations.

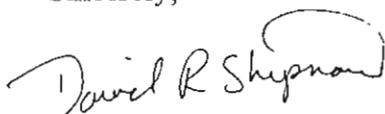
On the program side, FGIS continued to respond to the needs of our domestic and international customers. Key program accomplishments included: providing needed information by implementing new services, such as official testing for 29 pesticide residues in wheat; addressing the needs and concerns of domestic and international customers of U.S. grain by prohibiting the application of water to grain, except for milling, malting, or other processing operations; facilitating the marketing of grain by amending the official U.S. standards for soybeans and rice to meet the market's needs; and ensuring compliance with the U.S. Grain Standards Act and the Agricultural Marketing Act of 1946 by performing operational reviews and conducting investigations into alleged violations.

FGIS' operating revenues from fees during FY 1994 were \$30.6 million, with obligations of \$33.3 million, yielding a negative net operating margin of \$2.7 million and an overall operating reserve of \$8.4 million. The \$2.7 million operating loss is attributable to lower revenues due to a reduced workload demand associated with declining exports, and decreases in processed commodity testing and rice shipments. The loss also is attributable to the one-time cost associated with streamlining efforts, e.g., the buyout of 48 employees in June. We will experience real savings from the buyouts beginning in February 1995, when the savings surpass the one-time buyout cost.

Administrative and supervision costs represented 21 percent of total program costs, which is below the statutory limit of 40 percent. Appropriated obligations of approximately \$11.5 million, plus revolving fund obligations of \$33.3 million totalled \$44.8 million. The fee-supported activities ended fiscal year 1994 at 74 percent of the total obligations.

FGIS remains committed to quality and to ensuring that the customers of the official grain inspection and weighing system receive service that is of the highest quality.

Sincerely,



David R. Shipman
Acting Administrator

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The mention of firm names or trade products does not
imply that they are endorsed or recommended by the
U.S. Department of Agriculture over other firms or
similar products.

Outlook 1995

Prohibition on Adding Water to Grain

On October 14, 1994, FGIS published a final rule prohibiting the application of water to grain, except for milling, malting, or other processing operations. The prohibition, which will become effective on February 11, 1995, applies to all grain handlers, not just those receiving official inspection and weighing services.

The action was undertaken in response to producers' and trade representatives' concerns over the addition of water to grain. FGIS' review of water usage concluded that water often was used to increase the weight of grain and not to suppress dust for safety and air quality purposes. Consequently, on August 4, 1993, FGIS proposed to revise the regulations under the U.S. Grain Standards Act (USGSA) to prohibit the application of water to grain.

FGIS received 341 comments on the proposal from various segments of the grain industry, including producers, end users, grain handlers, foreign buyers, associations, and researchers. Of the comments received, 215 supported or generally supported the proposal and 126 opposed it. Of those opposed, 77 recommended regulating the use of water, 11 suggested that grain be marketed on a dry matter or fixed moisture basis, and 38 offered no other alternatives. Supporters of the proposal contend that the primary purpose of applying water is to increase the weight of the grain and, thereby, gain a market advantage. Those opposing the proposed rule contend that water is an effective and economical means of controlling grain dust, and is essential to meet safety and air quality standards.

In FY 1995, FGIS will work closely with the grain industry to implement the final rule. To enforce the prohibition, the Agency will conduct special monitoring reviews to ensure compliance, establish a toll-free telephone number to receive violation reports, dispatch quick response teams to investigate reported violations, and vigorously initiate and/or recommend appropriate corrective actions including imposing criminal and civil penalties.

Field Restructuring

FGIS has determined that its current field structure and staffing profile cannot meet the future needs of the national grain and weighing inspection system or ensure the integrity, viability, and efficiency of the system. To effectively respond to changing market conditions and technology, FGIS is streamlining and consolidating its resources into fewer, but better staffed and equipped field offices. FGIS will reduce its field structure from 31 to 24 locations.

In the **export market**, FGIS personnel provide daily onsite inspection and weighing services to grain elevators. In Texas, FGIS currently maintains export field offices in Beaumont, Corpus Christi, Houston, and League City. FGIS will convert the Beaumont and Corpus Christi locations to suboffices and close the Houston field office. The League City, TX, field office will then serve as the single location that manages all FGIS export operations in Texas. The three export field offices currently located in the New Orleans, LA, area (Belle Chasse, Destrehan, and Lutcher, LA) also will be consolidated into one office that will serve as the single location that manages official export operations at Louisiana Gulf ports. These consolidations will streamline the managerial and administrative field operations and strengthen daily service delivery to customers.

In the **domestic market**, FGIS oversees the operations of State and private agencies authorized to provide official grain inspection and weighing service. FGIS will close offices in Indianapolis, IN; Omaha, NE; Peoria, IL; and Plainview, TX, and transfer their program responsibilities to other existing FGIS field offices. Again, these consolidations will streamline managerial and administrative operations. New monitoring and quality control

methodologies are being employed to enhance oversight of the national inspection system with a more streamlined organizational structure.

Implementation of the restructuring will occur throughout most of FY 1995, with most changes occurring during the second quarter.

Quality Assurance Program

In January 1994, FGIS established a "fact finding team" to evaluate the effectiveness of its quality assurance (QA) program. An integral part of the evaluation was consulting with relevant internal and external customers. The team met with four focus groups: industry, FGIS front-line inspectors, FGIS quality assurance specialists, and FGIS and official agency management. Based on information obtained from these sessions, FGIS is redesigning its QA program to improve program effectiveness and contain or reduce operating costs.

Beginning in FY 1995, six locations will participate in an 18-month pilot to test and more fully develop a redesigned QA process. State-of-the-art computer technology will be used to provide real-time monitoring of inspection data, and proven analytical and problem solving tools will be adopted to enhance decision-making processes. The goal is to gradually phase in the new program, with full implementation in FY 1996.

During FY 1995, all FGIS employees, from front-line inspector to the senior manager, will receive training to enhance their understanding of the language and tools that will be used to evaluate FGIS' quality assurance processes. This training will include: quality awareness, customer service, workforce diversity, problem solving, and statistical process control.

Fee Schedule

FGIS is proposing to change the manner in which it assesses fees for its inspection and weighing account. The Agency currently charges fees on an hourly basis. This concept supports a structure wherein general operating costs are averaged together. Furthermore, under the current fee structure, enhanced customer efficiency reduces Agency revenue at a rate greater than the corresponding reduction in operating costs. This creates a need to increase the hourly rate to recover costs even when operations are streamlined to reflect customer efficiencies.

The new fee concept under consideration would establish independent accounts and fees for specific services (i.e., individual tests), thus providing customers with information to better assess the value of specific inspection services and tests. Furthermore, the new fee structure, if adopted, would allow FGIS to balance operating costs with revenue and still pass savings on (in the form of fewer billable hours) to customers who invest in operational efficiencies.

The Agency's financial management activities and proposed fee structure will not result in significant direct cost savings. They will, however, contribute to creating an environment in which program improvements can be readily assessed for financial impact and in which overall financial management is a priority consideration for program managers. This environment will foster cost-conscious decision making throughout the Agency.

Test Weight Study

FGIS commissioned the USDA Economic Research Service (ERS) to study the economic importance of test weight in marketing Soft Red Winter wheat in the United States. The study responds to Soft Red wheat growers' concerns about the economic impact of test weight limits established in the U.S. standards for wheat. They have reported that wheat millers assess unfair price discounts for lower test weight despite research that indicates that test weight is not a good indicator of flour yield or quality. Wheat millers contend that test

weight is more than a flour yield indicator; it is a good indicator of physical quality and processing efficiency. FGIS determined that sufficient data are not available to identify the advantages and disadvantages of changing the test weight limits in the official U.S. standards for wheat. Therefore, an independent economic study was needed before considering action to change the standards. The study is scheduled for completion in FY 1995.

**Excellence through
Continuous Improvement**

FGIS has initiated Excellence through Continuous Improvement, a long-term process that will strengthen the Agency's organizational culture and help us make quality and customer service our priorities. The process will include conducting a survey to identify FGIS' organizational strengths and weaknesses; developing an annual quality improvement plan; and providing all FGIS employees with training on the continuous improvement process, technical and statistical skills, and interpersonal relations.

Scholarship Program

In FY 1995, FGIS will establish an Agency scholarship program for Hispanic Americans that will be similar to the USDA 1890 Scholarship Program for African American students. The program will assist Hispanic American students interested in pursuing careers in agriculture. It will provide financial assistance for college, tutorial assistance, a computer, mentoring, paid work experience during the summer, and possible employment upon graduation. The selection process for the program will be ongoing and the selection of the first scholarship recipient will be made during FY 1995.

Functions and Responsibilities

The Federal Grain Inspection Service (FGIS) was created by Congress in 1976 to manage the national grain inspection system, which initially was established in 1916, and to institute a national grain weighing program. The goal of creating a single Federal grain inspection entity was to ensure development and maintenance of uniform U.S. standards, to develop inspection and weighing procedures for grain in domestic and export trade, and to facilitate grain marketing.

FGIS administers uniform, national grain inspection and weighing programs established by the U.S. Grain Standards Act, as amended (hereinafter, the Act). Services under the Act are performed on a fee basis for both export and domestic grain shipments. The Act requires generally that export grain be inspected and weighed; prohibits deceptive practices and criminal acts with respect to the inspection and weighing of grain; and provides penalties for violations.

In administering and enforcing the Act, FGIS:

- * establishes and maintains official U.S. grain standards for barley, canola, corn, flaxseed, oats, rye, sorghum, soybeans, sunflower seed, triticale, wheat, and mixed grain;
- * promotes the uniform application of official U.S. grain standards by official inspection personnel;
- * establishes methods and procedures, and approves equipment for the official inspection and weighing¹ of grain;
- * provides official inspection and weighing services at certain U.S. export port locations², and official inspection of U.S. grain at certain export port locations in eastern Canada along the St. Lawrence Seaway;

¹. Official Inspection. The determination by original inspection, reinspection, and appeal inspection and the certification by official personnel of the kind, class, quality, or condition of grain under standards provided for in the Act; or, the condition of vessels and other carriers or receptacles for the transportation of grain insofar as it may affect the quality of such grain under other criteria approved by the Administrator. (The term "officially inspected" shall be construed accordingly.)

Official Weighing. (Class X Weighing). The determination and certification by official personnel of the quantity of a lot of grain under standards provided for in the Act, based on the actual performance of weighing or the physical supervision thereof, including the physical inspection and testing for accuracy of the weights and scales, the physical inspection of the premises at which weighing is performed, and the monitoring of the discharge of grain into the elevator or conveyance. (The terms "official weight" and "officially weighed" shall be construed accordingly.)

². Export Port Locations. Commonly recognized ports of export in the United States or Canada, as determined by the Administrator, from which grain produced in the United States is shipped to any place outside the United States. Such locations include any coastal or border location, or any site in the United States that contains one or more export elevators and is identified by FGIS as an export port location.

- * delegates qualified State agencies to inspect and weigh grain at certain U.S. export port locations;
- * designates qualified State and private agencies to inspect and weigh grain at interior locations;
- * licenses qualified State and private agency personnel to perform inspection and weighing services;
- * provides Federal oversight of the official inspection and weighing of grain by delegated States and designated agencies;
- * provides review inspection services³ of U.S. grain in the United States and at certain export port locations in eastern Canada;
- * investigates, in cooperation with the USDA Office of Inspector General, alleged violations of the Act and initiates appropriate corrective action; and
- * monitors the quality and weight of U.S. grain as received at destination ports, and investigates complaints or discrepancies reported by importers.

Mandatory Services

Under provisions of the Act, most grain exported from U.S. export port locations must be officially weighed. A similar requirement exists for inspection, except for grain which is not sold or described by grade. Intercompany-barge grain received at export port locations also must be officially weighed. And, the Act requires that all corn exported from the United States be tested for aflatoxin prior to shipment, unless the contract stipulates that testing is not required.

Mandatory official inspection and weighing services are provided by FGIS on a fee basis at 54 export elevators. Eight delegated States provide official services at an additional 21 export elevators under direct FGIS oversight.

Grain exporters shipping less than 15,000 metric tons of grain abroad annually are exempt from mandatory official inspection and weighing requirements. Grain exported by train or truck to Canada or Mexico also is exempt from official inspection and weighing requirements.

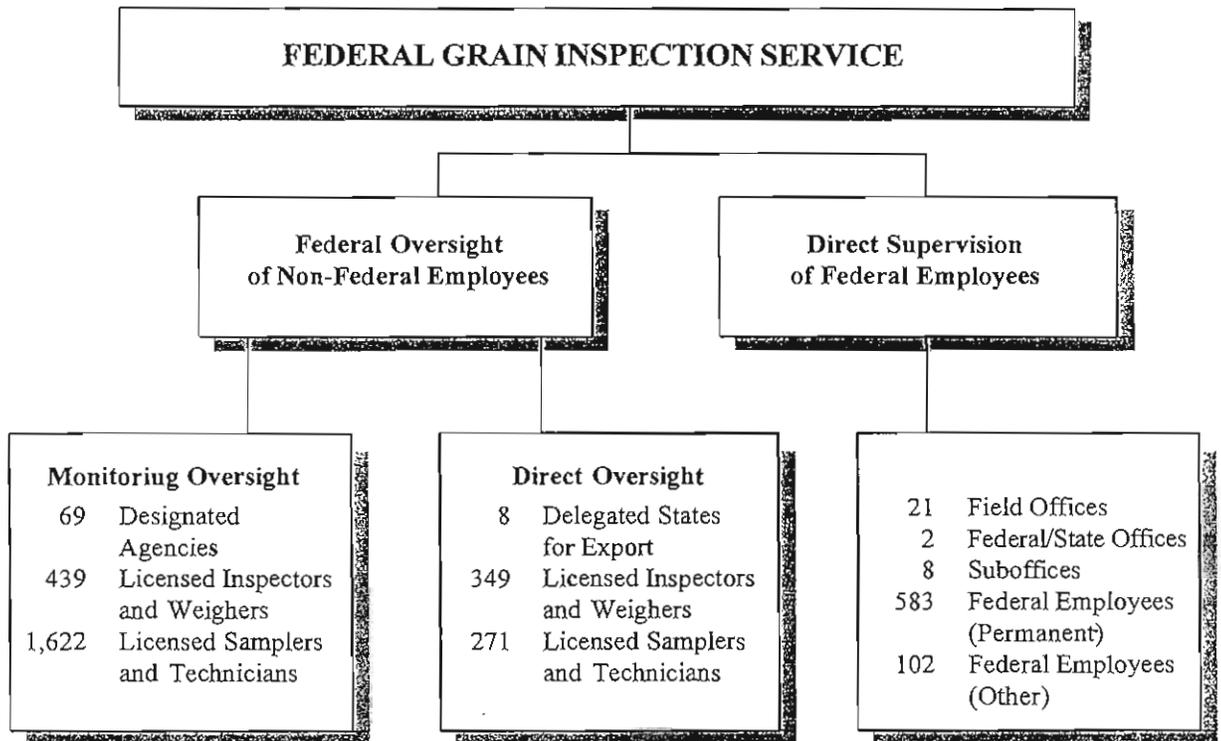
³ Review Inspection Service. A reinspection, appeal inspection, or Board appeal inspection service performed when discrepancies are alleged between the true quality of the grain and the inspection results.

Permissive Services

Official inspection and weighing of U.S. grain in domestic commerce are performed upon request and require payment of a fee by the applicant for services. Domestic inspection and weighing services are provided by 69 designated agencies that employ personnel licensed by FGIS to provide such services in accordance with regulations and instructions. FGIS supervisory and administrative costs have been funded by user fees since October 1, 1981.

Under the Agricultural Marketing Act of 1946 (hereinafter, the AMA), FGIS administers and enforces certain inspection and standardization activities related to rice, pulses, lentils, and processed grain products such as flour and corn meal, as well as other agricultural commodities. Services under the AMA are performed upon request on a fee basis for both domestic and export shipments by either FGIS employees or individual contractors, or through cooperative agreements with States.

Oversight Responsibilities

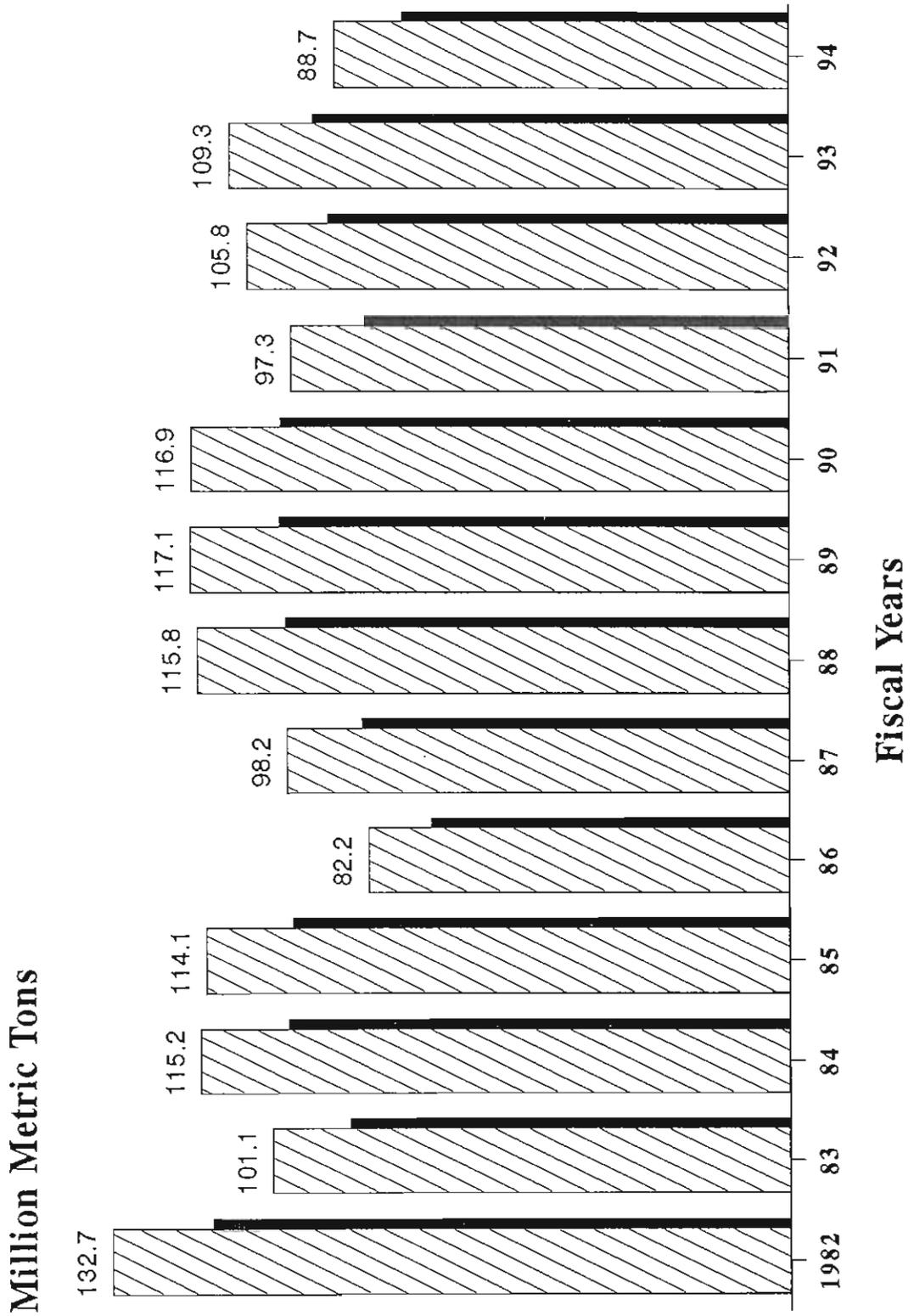


Type of Agency by State

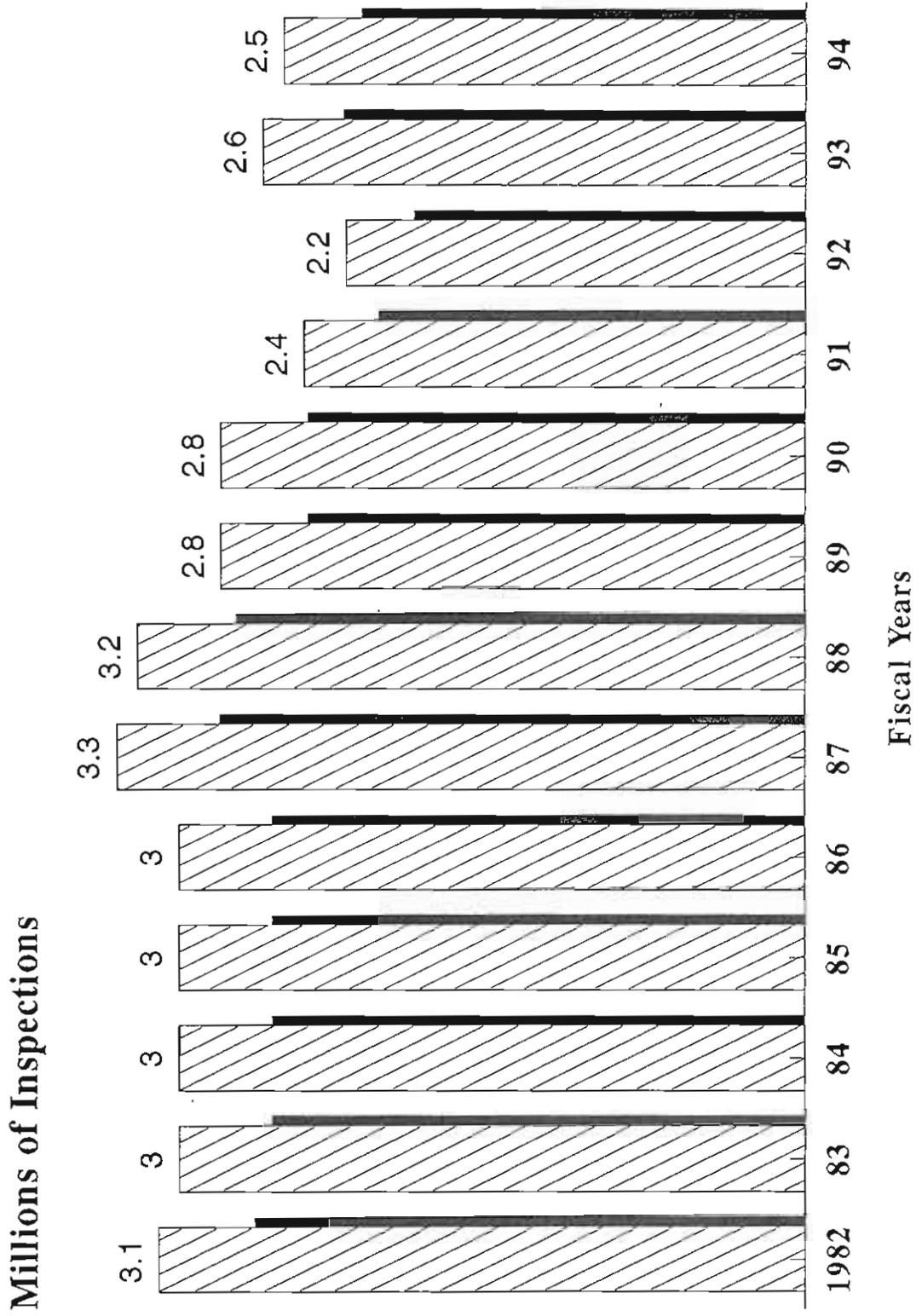
State	State Agencies		Private Designated Agencies	FGIS Locations
	Delegated	Designated		
Alabama	•	•		
Alaska				
Arizona				
Arkansas			•	•
California	•	•	•	•*
Colorado			•	
Connecticut				
Delaware				
Florida				
Georgia		•		•
Hawaii				
Idaho			•	•
Illinois			•	•
Indiana			•	•
Iowa			•	•
Kansas		•		•
Kentucky			•	
Louisiana		•		•
Maine		•		
Maryland				•
Massachusetts				
Michigan			•	
Minnesota	•	•		•
Mississippi	•	•		•
Missouri		•		•
Montana		•		
Nebraska			•	•
Nevada				
New Hampshire				
New Jersey				
New Mexico			•	
New York		•		
North Carolina		•		
North Dakota			•	•
Ohio			•	•
Oklahoma			•	
Oregon		•		•
Pennsylvania				
Rhode Island				
South Carolina	•	•		
South Dakota			•	
Tennessee			•	
Texas			•	•
Utah		•		
Vermont				
Virginia	•	•		
Washington	•	•		•*
West Virginia				
Wisconsin	•	•		
Wyoming			•	

* Federal/State office.

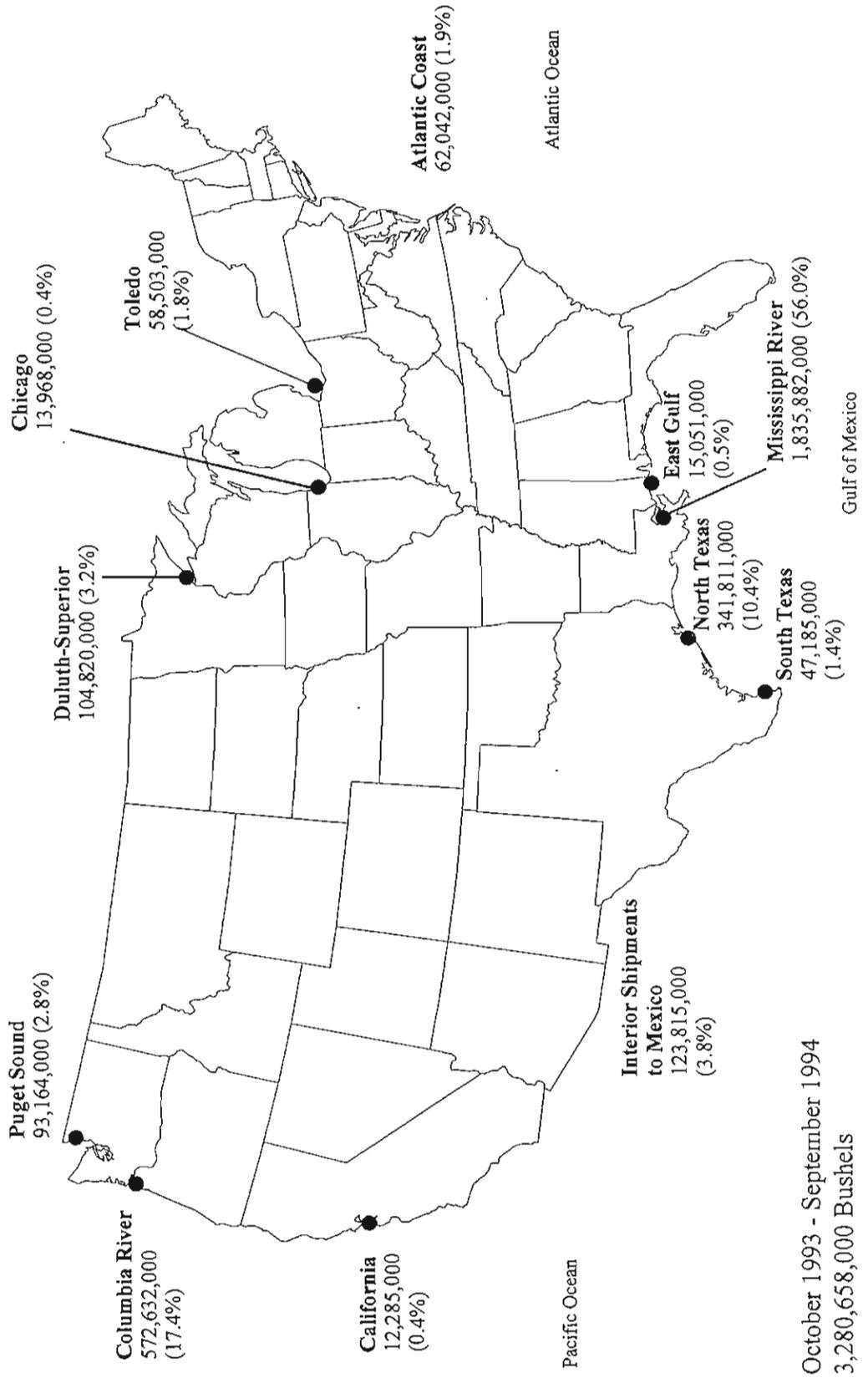
U.S. Agricultural Exports-Coarse Grains Wheat, Soybeans, Sunflower, Canola, and Rice



Number of Inspections Performed Under U.S. Grain Standards Act



Volume of U.S. Grain Inspected for Export by Area Fiscal Year 1994



October 1993 - September 1994
3,280,658,000 Bushels

Organizational Structure

FGIS is an Agency that reports to the Assistant Secretary for Marketing and Inspection Services, U.S. Department of Agriculture. The Agency currently is comprised of a headquarters unit, 21 field offices, 2 Federal/State offices, and 8 suboffices.

Three of the Agency's four headquarters divisions — Compliance, Field Management, and Resources Management — are located in Washington, D.C. The fourth — the Quality Assurance and Research Division — is located in Kansas City, Missouri.

FGIS Divisions

The Compliance Division ensures that the Act, applicable provisions of the AMA, and applicable regulations are implemented accurately and uniformly. The Division:

- * evaluates alleged violations and initiates preliminary investigations, and assists USDA's Office of Inspector General on investigations involving criminal violations of the Act and applicable provisions of the AMA;
- * initiates enforcement/administrative actions for violations of the Act and applicable provisions of the AMA;
- * administers the program for delegating State agencies and designating State and private agencies to provide official inspection and weighing, and monitors their performance;
- * reviews and, when appropriate, approves official agency fee schedules;
- * identifies and monitors official agency and licensee conflicts of interest;
- * registers firms that export U.S. grain;
- * conducts management evaluations and operational reviews of FGIS' programs, and monitors appropriate corrective actions;
- * responds to audits and surveys of FGIS programs;
- * coordinates litigation proceedings involving FGIS personnel and/or records; and
- * administers the program to ensure that management control and accountability comply with governmental standards.

The Field Management Division, the largest division within FGIS, directs and oversees the operation of all FGIS field offices, Federal/State offices, and delegated and designated agencies. The Division also:

- * establishes U.S. standards for grain, rice, and pulses;
- * develops inspection and weighing policies and procedures;
- * performs original inspection and weighing of export grain;
- * licenses official agency personnel;
- * samples and inspects processed grain products;
- * manages all field operations carried out through 31 offices (21 field offices, 2 Federal/State offices, and 8 suboffices) and the Commodity Testing Laboratory in Beltsville, Maryland;
- * provides quality assurance functions for the USDA Agricultural Stabilization and Conservation Service and the Department of Defense Personnel Support Center; and
- * tests processed grain products for producers, school lunch programs, military rations, and shipments to needy countries throughout the world.

The Quality Assurance and Research Division is responsible for research, methods development, technical training, and quality control programs. The Division:

- * develops new or improved tests and methods for determining grain quality;
- * provides reference standards for FGIS methods;

- * develops criteria and specifications for instruments to improve the reliability of grain inspection;
- * develops and maintains an agencywide quality control program covering all aspects of grading and inspection;
- * maintains the uniform application of grain and commodity standards;
- * renders final decisions on inspection appeals;
- * conducts technical training for field personnel; and
- * briefs representatives of importing countries on FGIS' functions and activities.

The Resources Management Division administers programs that provide budget, financial, regulatory, health, safety, and training services to the Agency. The division coordinates, evaluates, and negotiates all resources needed to provide administrative support services for FGIS operations.

The International Monitoring Staff (IMS) is part of the Office of the Administrator. The IMS:

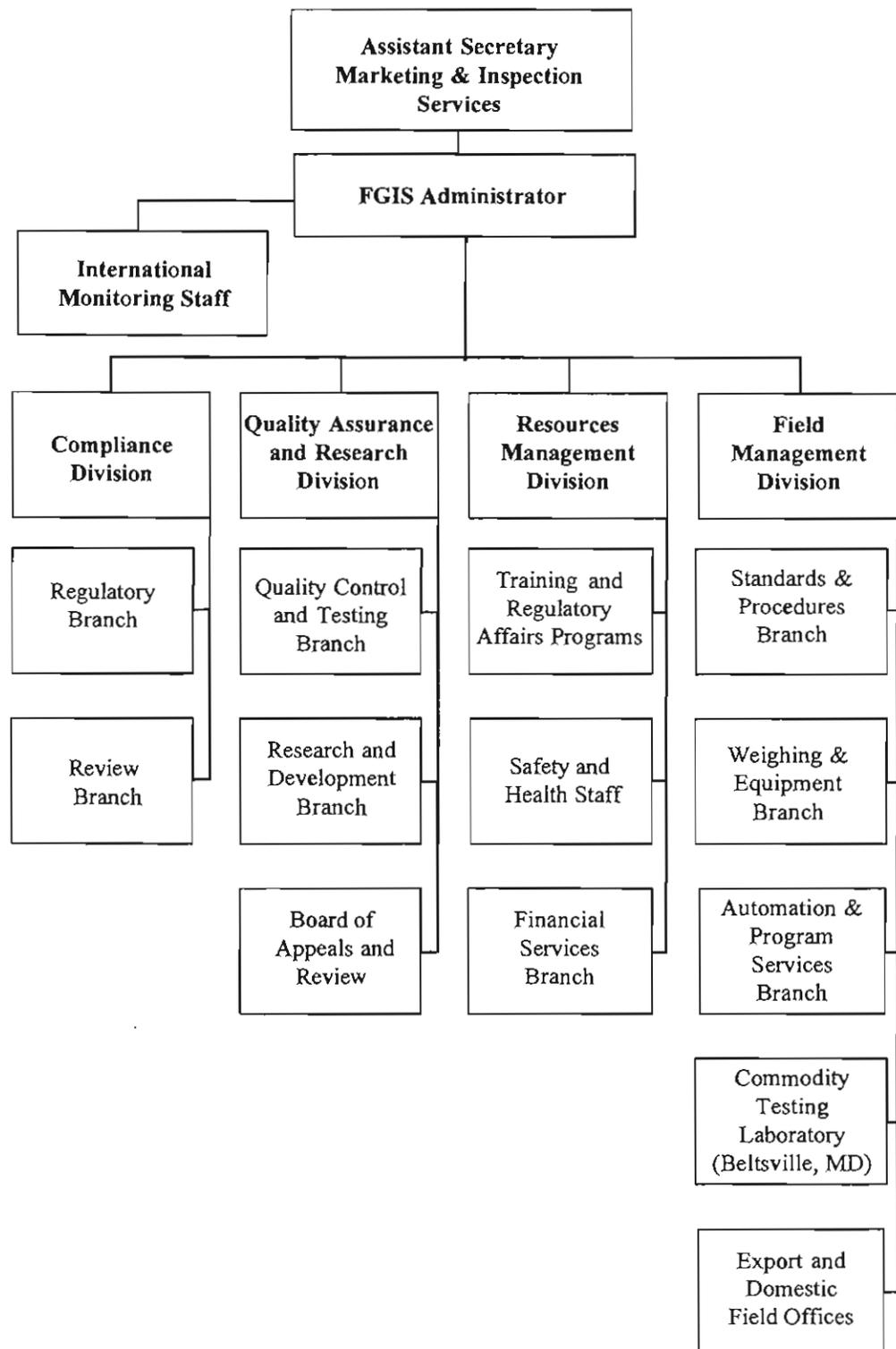
- * monitors the quality and weight of grain shipments between origin and destination ports;
- * responds to grain quality or weight complaints received through the Foreign Agricultural Service and other sources;
- * briefs representatives of importing countries (agricultural officials, buyers, end users, and others), both in the United States and abroad, on the roles and responsibilities of FGIS; and
- * works closely with USDA sister agencies, the Food and Drug Administration, and USDA cooperator organizations to increase awareness of FGIS' role and responsibilities in the United States and abroad.

Field Structure

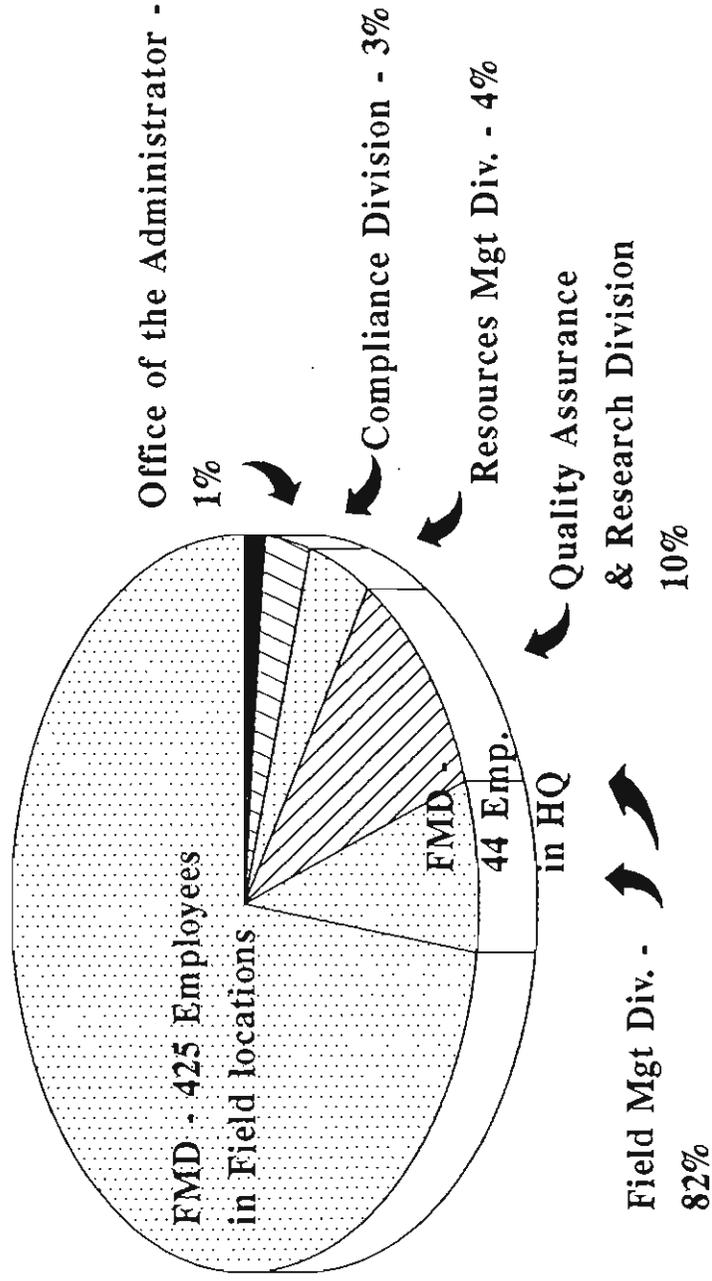
FGIS field personnel are located across the Nation, thus ensuring the availability of official inspection and weighing services anywhere in the United States. FGIS personnel also are located in eastern Canada to provide inspection of U.S. grain at Canadian ports.

In FY 1994, FGIS determined that its current field structure and staffing profile must be restructured to meet the future needs of the national grain and weighing inspection system and ensure the integrity, viability, and efficiency of the system. To effectively respond to changing market conditions and technology, FGIS is streamlining and consolidating its resources into fewer, but better staffed and equipped field offices. In FY 1995, FGIS will reduce its field structure from 31 to 24 locations.

Organizational Chart

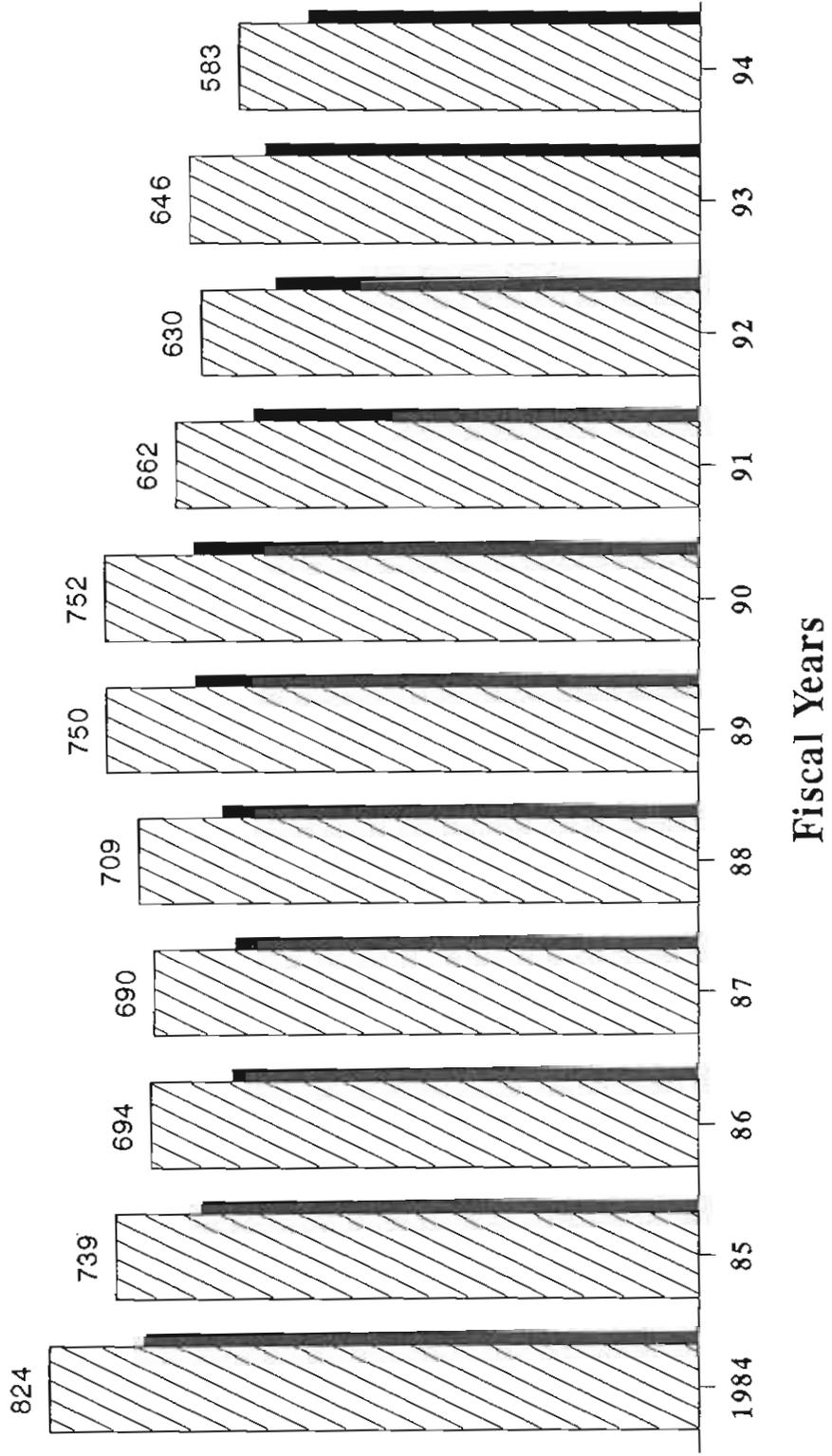


FGIS Permanent Full-Time Employees, FY 1994



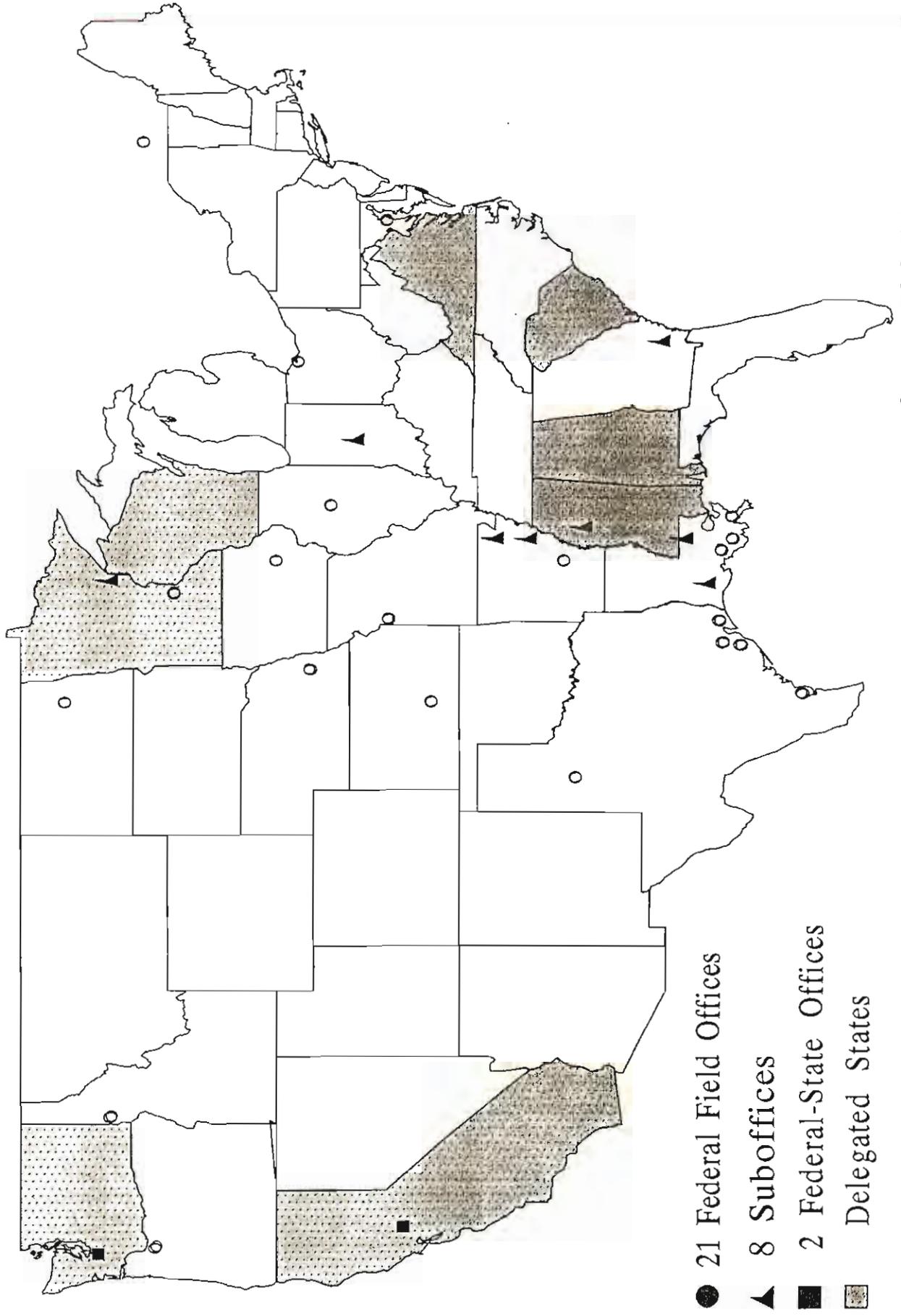
Federal Grain Inspection Service Full-Time Permanent Employment, FY 1984-94

Number of Employees



Federal Grain Inspection Service

Performance of Weighing and Inspection Services



Inspection and Weighing

ASCS Observation of Loading Service

Working with the Agricultural Stabilization and Conservation Service (ASCS), FGIS developed a modified observation of loading service for vessels loading overseas food assistance products shipped in paper bags. The service was developed at the request of ASCS to reduce the amount of damaged products being shipped overseas, to enhance the appearance of U.S. agricultural products in the international arena, and to improve the integrity of the foreign food assistance programs. FGIS began providing the service on August 1, 1994, on a 6-month trial basis. ASCS and FGIS will evaluate the effectiveness of the service after the trial period, determine whether to continue the service, and, if so, make any necessary modifications.

Automation Initiatives

Major export elevators continue to integrate automation into the official weighing and inspection programs. Two fully automated weighing supervision systems have been approved, four systems are being installed, and FGIS continues to receive inquiries from other elevators regarding automation initiatives. To increase FGIS' technical resources, the Agency hired an agricultural engineer to oversee future automation efforts.

FGIS is continuing to develop software to automate the export inspection statistical shiploading plan (better known as Cu-Sum). The new system will improve accuracy and efficiency by minimizing manual data collection and calculations, and will permit direct data sharing with customers and remote FGIS offices.

FGIS completed significant automation upgrades in its field offices during FY 1994. An automated system for customer billing that quickly and accurately transmits accounts receivable information to the National Finance Center (NFC) was installed at all FGIS field offices. In addition, an automated system was installed to prepare official inspection certificates, a key document merchandisers use when buying and selling grain.

Commodity Training/Handbook

In July 1994, FGIS began conducting processed commodity training at all field locations. Employees and cooperators are being trained in all aspects of the processed commodity inspection program, including the completely revised processed commodity inspection handbook that was published on August 1, 1994. The handbook was revised to provide a more concise explanation of FGIS processed commodity inspection procedures and to reflect current government food procurement programs administered by ASCS, the Department of Defense, and the Veterans' Administration. The training will be completed by February 1995.

Corn Gluten Feed

In August 1994, FGIS began testing corn gluten feed for starch, fat, protein, and moisture content. Corn gluten feed is a medium-protein, medium-energy ingredient used widely in complete feeds or concentrates for dairy and beef cattle, poultry, and swine. The product, usually presented in the form of pellets, has become a major agricultural export of the United States. A new Memorandum of Understanding between the United States and the European Union specifies that corn gluten feed imported from the United States must conform with specific starch, fat, and protein limits.

Factor	Maximum Limits
Starch	28.0 percent
Fat	4.5 percent
Protein	40.0 percent

In addition, FGIS reports the actual moisture content of each lot. FGIS quality certification will facilitate the export of this commodity to European buyers.

**Diverter-Type (D/T)
Samplers**

During FY 1994, FGIS placed increased emphasis on the installation and operation of automatic grain samplers used throughout the country. This renewed emphasis included onsite reviews, physical modifications of installations, when necessary, and five in-depth training sessions on D/T sampling presented to over 100 official inspection personnel from all field locations. In addition, the Mechanical Sampling Systems Handbook was updated.

**Fees -- Beltsville
Commodity Testing
Laboratory**

FGIS, under the authority of the AMA, has proposed increasing user fees for individual services at the Beltsville Commodity Testing Laboratory in Beltsville, Maryland. Fees for commodity laboratory testing services were last increased on August 1, 1984. The revised fees are intended to cover, as nearly as practicable, the projected operating costs for commodity laboratory services rendered. FGIS conducted a review of fees charged by numerous private laboratories for similar tests and found that FGIS' proposed fees were below the average charged by private laboratories.

Grain Cleaning Study

In June 1990, FGIS commissioned the USDA Economic Research Service to conduct a study to determine the costs and benefits of marketing cleaner wheat, corn, soybeans, barley, and grain sorghum. The study is part of FGIS' ongoing effort to evaluate how grain standards and inspection procedures should interact with the marketplace. The study also is the basis for implementing the requirements of Section 2005 of the Grain Quality Incentives Act of 1990 (7 U.S.C. 71 *et seq.* as amended by Title 20 Public Law No. 101-624). The report on wheat was completed in FY 1993.

FGIS received four separate reports comprising the corn study in FY 1994. The reports were: (1) The Costs and Benefits of Cleaning U.S. Corn: Overview and Implications, (2) Economic Implications of Cleaning Corn in the United States, (3) The Role of Quality in Corn Import Decisionmaking, and (4) country case study reports on "Determinants of Corn Import Demand."

The corn report concluded that although foreign buyers show a strong preference for clean corn, cleaning is not the solution to the U.S. corn cleanliness issue. The cost of cleaning corn above current levels at the least net-cost locations (i.e., at both inland subterminals and river elevators) would exceed all benefits by \$49 million per year. The cost of additional cleaning also would exceed benefits in both domestic and international markets at all points in the production-marketing system. The price of corn, not its quality, was regarded as the most important criterion in importers' purchase decision in most importing countries included in the study. The report concluded that the best way to address the corn cleanliness issue is to reduce breakage susceptibility in corn through careful selection of drying systems and development of genotypes or hybrid varieties that are less prone to breakage.

Reports on the costs and benefits of cleaning soybeans, barley, and grain sorghum are expected to be completed during FY 1995.

**Labor/Management
Partnership**

In accordance with Executive Order 12871, FGIS is working to establish a partnership council with the National Council of Federal Grain Inspection Locals, American Federation of Government Employees (AFL-CIO). The purpose of this council will be to further the Administration's effort to reform Government by involving the Agency's employee union representatives as full partners with management to identify problems and craft solutions to better serve the Agency's customers and mission.

**Pesticide Residue
Monitoring**

FGIS is assisting the Food and Drug Administration (FDA) in their "Pesticide Residue Incidence and Level Monitoring of Domestic and Imported Rice" program. According to a schedule prepared by FDA, FGIS is collecting one domestic rice sample per month from operating rice mills. The survey commenced in October 1993 and will end December 31, 1994. As of June 30, 1994, FGIS had collected 359 domestic rice samples which are being analyzed by FDA's Minneapolis District Laboratory for over 40 pesticides of primary interest to FDA. The results to date are similar to results of FDA's monitoring program for rice and rice products over the past several years.

The survey of U.S. wheat samples for the presence of pesticide residues continued in FY 1994. Chlorpyrifos methyl (Reldan) and malathion continued to be the only residues found in a statistically significant portion of the samples. Again, as in FY 1993, all of the residue concentrations found were well below EPA tolerance levels.

**Pesticide Residue
Testing Service**

Major U.S. wheat importers, including China, Japan, Mexico, and Korea, have expressed strong interest in having U.S. grain officially tested for the presence of specific pesticide residues. In response, FGIS began offering an official pesticide residue testing service for 29 pesticides in wheat on November 18, 1994. The service is available upon request. All samples are analyzed at the FGIS Technical Center in Kansas City, MO, using gas chromatography/mass spectrometry. Testing generally requires a minimum of 48 hours.

**Wheat Classification
Desk-Reference**

FGIS has developed a national wheat classification desk reference manual to help inspectors identify and properly classify atypical/problem wheat varieties. For ease of use, the manual is divided into five major wheat producing regions and subdivided by the different classes of wheat produced or marketed within these regions. Only the predominately grown wheat varieties from each State that generally do not conform to the kernel morphology typically associated with the respective class are addressed in the manual. The manual includes color illustrations of the top, side, and bottom views of each variety and a description of the characteristics normally or occasionally associated with the variety. Terms commonly used to describe kernel characteristics are listed and defined in the first section of the manual. The manual provides inspectors a quick reference guide for problem wheat varieties and is being used in conjunction with the wheat variety library (type samples) available at the various inspection points. Combined, these reference materials will help inspectors identify and properly class atypical wheat varieties grown and marketed in the United States.

Inspection Program Data

Item	Fiscal Years		
	1992	1993	1994
Quantity of Grain Produced* (MMt) ^{1/}	333.4	411.3	310.0
Quantity of Grain Officially Inspected (MMt)			
Domestic	143.9	147.7	134.7
Export by FGIS	85.6	87.9	72.2
by Delegated States	<u>17.8</u>	<u>18.8</u>	<u>14.1</u>
Total	247.3	254.4	221.0
Number of Delegated States/Official Agencies	72	72	69
Number of Official Original, Reinspection, and Commercial Inspections			
FGIS	146,405	165,847	156,379
Delegated States/Official Agencies	<u>2,218,069</u>	<u>2,448,420</u>	<u>2,329,278</u>
Total	2,364,474	2,614,267	2,485,657
Number of Grain Inspection Appeals			
Field Offices	4,946	9,481	*13,000
BAR	569	1,737	*3,500
Number of Commercial Inspections			
FGIS	2,633	10,630	7,022
Delegated States/Official Agencies	<u>36,681</u>	<u>128,371</u>	<u>181,249</u>
Total	39,314	139,001	188,271
Number of Wheat Protein Inspections			
FGIS	47,697	63,825	69,091
Delegated States/Official Agencies	<u>460,074</u>	<u>599,657</u>	<u>614,332</u>
Total	507,771	663,482	683,423
Number of Soybean Protein and Oil Inspections			
FGIS	11,444	14,180	12,974
Delegated States/Official Agencies	<u>4,344</u>	<u>4,715</u>	<u>3,580</u>
Total	15,788	18,895	16,554
Number of Aflatoxin Inspections	59,372	54,963	44,758
Number of Vomitoxin Inspections	-- ^{2/}	-- ^{2/}	55,711

* Estimate

^{1/} Million metric tons.

^{2/} New service implemented in FY 1994.

continued

Inspection Program Data,
continued

Item	Fiscal Years		
	1992	1993	1994
Number of Official Inspection Supervisions			
Field Office Grain Inspection.	39,862	34,984	*28,000
BAR Grain Inspection ^{3/}	9,812	8,352	2,621
Rice Free Fatty Acid	552	525	271
Soybean Protein and Oil	1,877	2,348	1,304 ^{4/}
Sunflower Oil	2,352	2,000	1,395 ^{4/}
Wheat Falling Number	69	0 ^{5/}	464 ^{7/}
Wheat Protein	46,650 ^{6/}	54,224 ^{6/}	25,306 ^{8/}
Aflatoxin	1,679	1,680	1,087
Vomitoxin	--	--	863 ^{2/}
Quantity of Rice Inspected (MMt) (milled basis)	3.9	4.6	5.2

* Estimate.

^{3/} Board of Appeals and Review.

^{4/} Reduced number of tests due to change from a weekly monitoring program to a periodic checktesting program.

^{5/} Falling Number monitoring was suspended pending implementation of a new analysis procedure.

^{6/} Includes field office and QARD samples.

^{7/} Increased number of tests reflects temporary parallel operation of a weekly monitoring program and a proposed checktesting program.

^{8/} Reduced number of tests reflects change from a two-level monitoring program to a single-level monitoring program.

Weighing Program Data

Item	Fiscal Years		
	1992	1993	1994
Official Weight Certificates Issued			
FGIS			
Class X*	80,849	89,760	83,907
Class Y**	<u>25,495</u>	<u>14,582</u>	<u>8,821</u>
Total	106,344	104,342	92,728
Delegated States/Official Agencies			
Class X*	37,214	46,846	30,340
Class Y**	<u>139,316</u>	<u>138,987</u>	<u>98,414</u>
Total	176,530	185,833	128,754
Exported Grain Weighed (MMt)			
FGIS	85.6	85.0	68.9
Delegated States	<u>17.8</u>	<u>18.8</u>	<u>14.1</u>
Total	103.4	103.8	83.0
Number of Certified Scales in Service			
Export Elevators	321	325	286
Number of Railroad Track Scales Tested	138	121	137

* Class X involves 100 percent supervision.

** Class Y involves a minimum of 25 percent supervision.

Research and Development Activities

Mycotoxins

Mycotoxins are toxic substances produced by a wide variety of molds and fungi. The FGIS procurement contract for quantitative aflatoxin test kits expired during FY 1994. Quantitative tests provide the actual concentration of aflatoxin present in analyzed samples. As a result, the performance specifications for these test kits were reviewed and revised specifications were published. Under the new procurement, test kit manufacturers who bid on the contract were asked to provide data showing that their products met the performance specifications. FGIS personnel then verified these data instead of performing lengthy evaluations. This greatly reduced the resources needed to evaluate such test kits. Two companies responded to this request and, after verification, their test kits were approved for use in the official inspection system.

FGIS-approved instruments and specifications are generally adopted by the grain industry. In addition, under a memorandum of understanding, FGIS performance specifications are used by the AOAC Research Institute to verify the performance of mycotoxin tests submitted to the Institute for evaluation.

A draft of the performance specifications for quantitative test kits used to measure deoxynivalenol (also known as vomitoxin or DON) is being developed. Future activities will include the publication of the specifications and a subsequent evaluation of the quantitative test kits submitted for approval.

Grain Odor

Musty, sour, and commercially objectionable foreign odors are important grain grading factors. The current official method for determining odors calls for inspectors to bury their faces in grain samples contained in shallow pans. FGIS and Agricultural Research Service (ARS) scientists are continuing to cooperate in the development of a sample holder that protects inspectors from inhaling particulate materials such as dust and mold spores. During FY 1993, members of the FGIS Board of Appeals and Review evaluated the holder in a blind sample study. The results indicated that using the holder did not change the odor designation given to samples or the level of odors detected. As a result, the sample holder was field tested in 10 FGIS field offices using a set of 24 samples containing a variety of different grain odors. Again, comparison of values obtained using the sample holder with those from the current official method showed that the holder did not significantly alter the types and levels of odors detected. As a result, ARS and FGIS personnel are proceeding with the transfer of this technology to a manufacturing firm. The goal of this project is the commercial production of the sample holder with subsequent use in the official inspection system.

Pesticide Residue Analysis

FGIS has been working to define analytical methods needed for the Agricultural Marketing Service's (AMS) Pesticide Data Program. Under a memorandum of understanding with AMS, FGIS will cooperate in the analysis of approximately 700 domestic wheat samples for the presence of over 30 different pesticide residues during FY 1995.

Wheat Classification

FGIS is continuing to work with ARS, AMS, and the industry-sponsored Wheat Classification Working Group to develop a wheat classification system based on objective test results rather than kernel morphology. The new classing system will differentiate between soft and hard wheats and will be able to detect wheat mixtures by separating kernel hardness into four categories (hard, semi-hard, semi-soft, and soft).

In 1994, data from a field test of six commercial prototypes of a single kernel hardness tester (SKHT) showed that the instruments could distinguish between soft and hard cultivars under field conditions. Variations of analyses from instrument to instrument were within

acceptable ranges, and FGIS inspectors reported that the instruments were user friendly. Data from the field study were used to develop a set of performance specifications for the procurement of commercial hardness testers.

FGIS has initiated the procurement of commercial SKHTs and will begin collecting information on their performance in the field. The SKHT units will be operational in FGIS field offices in FY 1995. During FY 1995, FGIS will continue to study the impact that the SKHT classification system will have on the wheat market. Information obtained during the year will be used to develop a proposal for a new wheat classification system.

FGIS also plans to propose offering single kernel analysis for wheat as an official service. The SKHT instrument currently provides information on kernel diameter (size), weight, moisture, and the hardness of 300 individual wheat kernels. The technology also may offer other information which was formerly unavailable, including, but not limited to, milling yield, tempering time predictions, and blending parameters to ensure specific flour properties.

Wheat Dockage

In FY 1994, FGIS initiated a study to evaluate possible changes to the special chess dockage procedure. Chess is a weed seed commonly found in some geographic areas where Hard Red Winter wheat is grown. FGIS has maintained a longstanding special dockage procedure to be used when excessive quantities of chess are present in a wheat sample.

FGIS and the industry recognized several problems with the application and results of the special dockage procedure. Industry indicated that chess should be considered dockage; but shrunken and broken kernels, which are usually removed as dockage in the special dockage procedure, should be considered shrunken and broken kernels and not dockage.

To address this concern, FGIS initiated a study of possible changes to the special dockage procedure. FGIS will take additional action on the issue based on results of the study and discussions with the industry.

Standardization Activities

Codex Alimentarius Commission

FGIS continues to serve as an active member of the U.S. Delegation to the Codex Alimentarius Commission's Committee on Cereals, Pulses, and Legumes.

Hard White Wheat

In July 1994, FGIS met with breeders, producers, grain handlers, marketing associations, and wheat researchers to discuss the importance of color in marketing Hard White wheat and how to improve the classification and marketing of Hard White wheat varieties. Specifically, participants addressed the need to revise the interpretive color sample used to define the color of Hard White wheat. As a result of the meeting, FGIS issued a program bulletin that relaxed the color requirement for Hard White wheats currently in production. This temporary procedure is scheduled to expire in July 1996.

In the interim, FGIS will work with those interested in the production and marketing of Hard White wheat to collect Hard White wheat samples from other exporting countries and information from domestic and potential foreign buyers regarding the importance of color. FGIS will then review the available data to determine the minimum color requirement for Hard White wheat. To further aid in classifying Hard White wheat, FGIS has directed research to identify means of objectively measuring color and the chemical properties of wheat.

NIRT Wheat Protein Testing

The unusually poor quality of the 1993 Hard Red Spring and Durum wheat crops contributed to discrepancies during the transition from near infrared reflectance (NIRR) to near infrared transmittance (NIRT) instruments for protein determinations. In November 1993, FGIS adjusted the NIRT calibration and baseline values for Durum wheat protein to respond to the overall quality of the 1993 Durum wheat crop. The revisions caused official protein results for the 1993 Durum wheat crop to more closely agree with the chemical reference method. At that time, FGIS announced that it would reevaluate the baseline value prior to the 1994 harvest. Following a reevaluation of the Durum calibration and baseline value, FGIS updated the official NIRT calibration for Durum wheat on July 5, 1994. The adjustment ensures agreement between the NIRT protein results and the protein reference method for future Durum wheat crops. The Soft White wheat calibration also was revised on July 5, 1994.

An updated Hard Red Spring wheat protein calibration was implemented in January 1994. The revision particularly improved official protein results for 1993 crop conditions, including frost, scab, sprout, and low test weight, that were causing low NIRT protein results.

FGIS observed significantly improved consistency among official wheat protein testing laboratories after implementing testing with the NIRT instruments. The differences among NIRT instruments were found to be about half as large as those among NIRR instruments.

Standardizing Commercial Grain Inspection Equipment

FGIS continues to play an active role in the cooperative effort with the National Conference on Weights and Measures (NCWM) to develop testing and calibration programs for grain moisture meters and near infrared (NIR) wheat protein analyzers for commercial trade. In FY 1994, FGIS was authorized as a National Type Evaluation Program (NTEP) Laboratory for evaluating grain moisture meters and tested several models of commercial meters. FGIS is developing a calibration data collection program to support NTEP grain moisture meters. FGIS will conduct NTEP evaluations of additional grain moisture meter models and is preparing to serve as an NTEP laboratory for evaluating NIR wheat protein analyzers during FY 1995.

U.S. Standards for Grain

Soybeans. On September 1, 1994, FGIS implemented revised soybean standards (59 FR 10569). The revised standards: (1) report the percentage of splits in tenths of a percent, (2) reduce the U.S. Sample grade criteria for stones from eight or more to four or more and reduce the U.S. Sample grade aggregate weight criteria for stones from more than 0.2 percent by weight to more than 0.1 percent by weight, (3) establish a zero tolerance for pieces of glass, (4) eliminate the grade limitation on purple mottled or stained soybeans and establish a special grade, Purple Mottled or Stained, (5) eliminate the grade limitation on soybeans that are materially weathered, (6) clarify the reference to Mixed soybeans in the standards, and (7) establish a cumulative total for factors which may cause a sample to grade U.S. Sample grade. FGIS will reconsider action regarding foreign material grade limits after completion of the ERS soybean cleaning report in December 1994.

Barley. FGIS is reviewing the barley standards to ensure that they are serving their intended purpose, are clear, and are consistent with FGIS policy and authority. FGIS has prepared a proposed rule based on comments received from the barley industry that will solicit input regarding (1) modifying the classification system of barley to better reflect current marketing practices by establishing two classes, "Malting Barley and Barley," (2) revising procedures to permit applicants the option of requesting either the malting standards or barley standards for malting types, (3) revising the standards for Two-rowed Malting barley by removing the "U.S. Choice" grade designation and combining the grading factors and limits for two- and six-rowed malting types onto a single grade chart, (4) amending the definition of "suitable malting type" to include other proprietary malting varieties used by private malting and brewing companies, (5) revising the dockage certification procedure by reporting results in half and whole percents, with fractions of less than one-half percent being disregarded, (6) amending the definition of "thins" to require the use of a single sieve (5/64 x 3/4 slotted-hole) only in the proposed class barley, and removing the grading limits from the standards but retaining the reporting of thins on the inspection certificate, (7) revising the standards by removing the grading limits for damaged kernels, heat damaged kernels, and foreign material in the proposed class barley, and (8) eliminating from the standards the numerical grade restriction for badly stained and materially weathered. FGIS anticipates publishing the proposed rule in FY 1995.

Corn. FGIS has prepared a proposed rule on amending the corn standards based on comments received from the corn industry. The Agency held meetings with the Grain Quality Workshop, the Iowa Corn Growers' Association, and the Iowa Department of Agriculture and Land Stewardship to discuss the corn standards. Based on comments received during these discussions, FGIS plans to publish a proposed rule in FY 1995 which will solicit comments regarding: (1) reporting test weight to the nearest tenth of a pound per bushel; (2) eliminating the count limit on stones and reducing the U.S. Sample grade aggregate weight tolerance from more than 0.2 percent by weight to more than 0.1 percent by weight; and (3) offering stress crack testing as official criteria.

Miscellaneous Grains. FGIS published an advance notice of proposed rulemaking to initiate discussion on a review of standards for sunflower seed, flaxseed, oats, rye, triticale, and mixed grain. Based on the six comments received and other available information, FGIS will publish a proposed rule during FY 1995.

U.S. Standards for Beans

On September 22, 1993, FGIS published in the *Federal Register* (58 FR 49248) an "Advance Notice of Proposed Rulemaking" that sought comments on several changes to U.S. Standards for Blackeye and Baby Lima Beans. The changes were recommended by the California Bean Shippers Association and the California Dry Bean Advisory Board, which stated that including the factor "clean-cut weevil-bored beans" in the Blackeye bean standards places them in an unfair position relative to other bean groups. They also contended that the present limits for "total defects," "blistered, wrinkled, and/or broken beans," and "splits" in the class Baby Lima beans are inconsistent with the standards for other classes of beans.

During the 60-day comment period, FGIS received one written comment. FGIS is continuing its review of the bean standards and anticipates publishing a proposed rule and a final rule during FY 1995.

U.S. Standards for Rice

In the December 23, 1993, *Federal Register* (58 FR 68015), FGIS revised the United States Standards for Rice by establishing a special grade for aromatic (scented) rice. Development of the new special grade was based on the evaluation of 14 comments. While most commenters were not opposed to the new special grade, some expressed concern about the effect of establishing the special grade on the eligibility of aromatic rice for price support loans. On November 4, 1993, the Agricultural Stabilization and Conservation Service (ASCS) published a final rule in the *Federal Register* that exempted aromatic rice with a special grade designation from the price support loan restrictions for rice. ASCS' action effectively resolved the outstanding concerns regarding aromatic rice.

Compliance Activities

Compliance is defined as the conformance with all requirements and procedures established by statute, regulation, instruction, or directive so that the managerial, administrative, and technical functions of FGIS are accomplished effectively.

The Compliance Division ensures, through reviews, evaluations, investigations and, as necessary, enforcement actions, that the Act, applicable provisions of the AMA, regulations, policies, and procedures issued thereunder are implemented accurately and uniformly.

Management Control Program

FGIS established and maintains, at all levels of the organization, an effective checks-and-balances system of program, accounting, and administrative control. Agency programs and activities are reviewed continually to ensure that they are fundamentally sound, are operating with sufficient controls and security measures, and comply with applicable statutes and regulations. The reviews of Agency programs and activities also assist FGIS management to effectively assess the national grain inspection and weighing system.

Compliance Reviews

Compliance reviews, a component of FGIS' management control program, are third-party reviews of FGIS' field office circuits. During FY 1994, FGIS personnel conducted compliance reviews of one FGIS field office to evaluate management effectiveness and procedural compliance and of 28 designated official agencies to ensure that they meet the criteria for designation. FGIS found various noncompliances, procedural inconsistencies, and problem areas within the national system; however, none of these findings appears to have affected the overall integrity of the Agency's programs, the inspection system, or the mission of the Agency. All identified problems have been or are being corrected. Overall, FGIS' offices are well-managed, performing satisfactorily, and meeting FGIS' mission. Follow-up compliance reviews were conducted in three field office circuits to ensure that appropriate action was taken to resolve previously identified problems.

As part of each compliance review, FGIS interviews applicants for service and official personnel to ensure that there is no discrimination in the delivery of official services. No instances of discrimination in service were identified in the FY 1994 reviews.

Delegation and Designation Program

Sixty-nine State and private agencies are designated to provide official services at interior locations. Of these, eight are State agencies that also are delegated to perform official inspection and weighing services at export locations.

Under triennial renewal procedures, 28 official agency designations automatically terminated in FY 1994. Twenty-four designations were renewed for 3-year terms after reviews of their performance were conducted. Two agencies' designations were not renewed — one did not apply for renewal, and FGIS determined that, due to insufficient business volume, official services were not necessary from the other. The two remaining official agencies' designations were renewed for 12-month interim periods to allow for resolution of noncompliances that were identified during reviews.

Conflicts of Interest

At the beginning of FY 1994, all five of the designated agencies granted discretionary conflict-of-interest waivers were operating without significant problems. One of the five agencies was sold to a new group of buyers, thereby eliminating the conflict for that agency.

Alleged Violations and Case Activity

At the beginning of FY 1994, 15 cases involving alleged violations of the USGSA and the AMA were pending further action. During FY 1994, 23 cases were opened and 23 were closed, leaving 15 cases pending action at the close of FY 1994. Alleged violations during FY 94 included: deceptive practices; improper inspection procedures; false load order grade for export grain; intimidation of official personnel; employee misconduct; altering official certificates; improper sampling procedures; and exporting without export inspection, weights, and grades.

To address the 23 cases opened in FY 1994, FGIS personnel conducted six onsite investigations, USDA's Office of Inspector General investigated one, the Kansas Bureau of Investigation investigated one, and one was referred to another USDA agency for investigation. The remaining cases were addressed by evaluating information gathered and submitted by FGIS field office personnel.

Enforcement Actions

FGIS took administrative action on 16 of the 23 cases closed during FY 1994. These actions included a \$15,000 civil penalty, a \$3,000 civil penalty, and 14 cautionary letters to various grain firms and official agencies. Three cases were closed due to insufficient evidence to substantiate a violation, two were referred to a currently opened case that involves the same grain firm, and official agencies implemented corrective actions in two cases.

Registration To Export Grain

During calendar year 1994, FGIS issued 89 Certificates of Registration to firms that export grain for sale; or handle, weigh, or transport grain for sale in foreign commerce.

Overview of Compliance Activities Fiscal Year 1994

Item	Fiscal Years		
	1992	1993	1994
Agency Delegations and Designations	72	72	69
Designations Renewed	26	21	24
State Delegations at Export Port Locations	8	8	8
Registration Certificates Issued to Grain Firms	89	92	89
Licensees:			
Inspectors	681	650	646
Weighers	106	101	99
AMA Inspectors	88	86	89
Total Samplers/Technicians (approximate)	2,121	1,931	1,979
USGSA Samplers	1,460	1,438	916
AMA Samplers	652	493	544

International Relations

Complaints from Importers In FY 1994, FGIS received 1 quantity and 29 quality complaints from importers on grains inspected under the Act. The complaints involved 38 lots loaded aboard 34 vessels.

Importers' complaints in FY 1994 involved approximately 861,403 metric tons, or about 1.1 percent by weight, of the total amount of grain exported during the year. The 48 quality and 2 quantity complaints FGIS received in FY 1993 represented approximately 1.6 percent of the total tonnage of grain exports.

Importers' Complaints 3-Year Summary

	Fiscal Year 1992	Fiscal Year 1993	Fiscal Year 1994
Quality Complaints	19	48	29
Quantity Complaints	2	2	1
Total	21	50	30
Export Volume Inspected (million metric tons)	103.0	106.7	81.6
Complaint Tonnage (million metric tons)	1.0	1.7	.8
Complaint Percentage	1.0	1.6	1.0

Summaries of complaints from importers, briefings presented to visiting trade and government teams, and FGIS activities involving international travel during fiscal year 1994 appear on the following pages.

**Summary of Complaints
Reported by Importers
on Inspection and
Weighing,
Fiscal Year 1994**

	Grain	Number of Complaints	Nature of Complaint
Africa			
Kenya	Wheat	1	Damaged kernels, foreign material, shrunken and broken kernels, total defects
Mozambique	Corn	1	Broken corn and foreign material, infestation
South Africa	Wheat	1	Test weight, protein
	Wheat	1	Heating, heat-damaged kernels
Asia			
Bangladesh	Wheat	1	Shrunken and broken kernels, damaged kernels
Japan	Wheat	1	Moisture
Malaysia	Wheat	1	Dockage, foreign material, damaged kernels, shrunken and broken kernels, total defects
Philippines	Wheat	1	Protein
Sri Lanka	Wheat	1	Protein
Thailand	Wheat	1	Dockage, foreign material, damaged kernels, shrunken and broken kernels, total defects
Europe			
Germany	Soybeans	1	Presence of plastic buckets
Italy	Wheat	1	Weight
Norway	Wheat	2	Vomitoxin
Russia	Corn	1	Damaged kernels
Slovenia	Barley	1	Dockage, foreign material
Latin America & Caribbean			
Colombia	Corn	1	Broken corn and foreign material
Costa Rica	Soybeans	1	Heat-damaged kernels
Dominican Republic	Corn	1	Damaged kernels, broken corn and foreign material
Ecuador	Wheat	1	Protein
El Salvador	Corn	1	Heat-damaged kernels, damaged kernels, broken corn and foreign material

**Summary of Complaints
Reported by Importers
on Inspection and
Weighing, continued
Fiscal Year 1994**

	Grain	Number of Complaints	Nature of Complaint
Guatemala	Wheat	1	Shrunken and broken kernels, contrasting classes
Jamaica	Corn	1	Damaged kernels
	Corn	1	Broken corn and foreign material
Nicaragua	Corn	1	Damaged kernels
Panama	Corn	1	Broken corn and foreign material
Venezuela	Corn	1	Moisture, damaged kernels, broken corn and foreign material
	Corn	1	Heat-damaged kernels, damaged kernels
Near East			
Egypt	Wheat	1	Dockage
	Wheat	1	Cottonseed
TOTAL		30	

**Summary of Briefings
with Visiting Trade and
Governmental Teams,
Fiscal Year 1994**

	Number of Teams
Africa	
Morocco	1
South Africa	1
Asia	
Bangladesh	1
Indonesia	1
Japan	13
Korea	4
Malaysia	1
Pakistan	1
People's Republic of China	6
Philippines	3
Singapore	1
Thailand	1
Vietnam	1

Summary of Briefings
with Visiting Trade and
Governmental Teams,
Fiscal Year 1994,
continued

	Number of Teams
Europe	
Albania	1
Belarus	1
Bulgaria	1
Czech Republic/Slovakia	1
Cyprus	2
Finland	1
Germany	1
Hungary	1
Kazakhstan	2
Malta	1
Norway	1
Poland	5
Romania	1
Russia	4
Slovenia	1
Spain	1
Turkey	1
United Kingdom	1
Ukraine	2
Latin America & Caribbean	
Argentina	1
Bolivia	1
Brazil	3
Chile	3
Colombia	2
Ecuador	1
Jamaica	1
Mexico	1
Panama	1
Peru	1
Venezuela	2
North America	
Canada	2
Mexico	2
Near East	
Egypt	4
Lebanon	2
Pacifica	
Australia	2
TOTAL	94

**Summary of Activities
Involving International
Travel, Fiscal Year 1994**

Purpose	Number of Travelers	Country Visited	Dates
1. To witness the weighing of a vessel transshipped through Canada at the request of the U.S. exporter.	1	Canada	11/1-11/7/93
2. To conduct training for Egyptian grain inspection personnel and check-test the inspection equipment at the request of the U.S. Feed Grains Council.	1	Egypt	11/4-11/24/93
3. To participate in the 1993 Mexican grain marketing conference.	1	Mexico	11/17-11/19/93
4. To be part of a USDA food safety and grain quality team which met with the Ministry of Food Affairs to assist them in drafting new food safety laws at the request of the Office of International Cooperation and Development.	1	Indonesia	12/3-12/17/93
5. To make presentations to importers at wheat procurement seminars, at the request of U.S. Wheat Associates.	1	Morocco, Egypt	1/29-2/8/94
6. To attend the 6th International Working Conference on Stored-Produce Protection and to meet with the Australian grain trade.	2	Australia	4/11-4/26/94
7. To give a presentation before the American Association of Cereal Chemists Milling and Baking Division Spring Technical Conference.	2	Canada	5/12-5/15/94
8. To advise Bulgarian Government officials on grain quality control and inspection procedures at the request of the Economic Research Service.	1	Bulgaria	5/19-6/4/94
9. To install and upgrade computers in the FGIS field office in Montreal.	1	Canada	5/24-5/27/94

**Summary of Activities
Involving International
Travel, Fiscal Year 1994,
continued**

Purpose	Number of Travelers	Country Visited	Dates
10. To participate in the 28th International Grain Industry program.	1	Canada	6/21-6/23/94
11. To meet with officials of the Canadian Grain Commission and to review the Montreal field office.	1	Canada	7/25-7/29/94
12. To meet with Government of Mexico officials regarding their draft proposed certification requirements for imported grains.	1	Mexico	8/30-8/31/94
13. To meet with the Canadian Grain Commission to discuss issues concerning cooperation in fulfilling our respective grain inspection responsibilities.	5	Canada	9/11-9/13/94

Grain Dust Explosion Data

FGIS receives information on grain dust explosions through the cooperation of universities, insurers, trade groups, FGIS personnel, and a news clipping service. FGIS does not investigate grain dust explosions, and the public sector is not required to report explosions to FGIS.

Summary of Reported Grain Dust Explosions, Fiscal Years 1992-1994

	1992	1993	1994
Number of Explosions	7	4	17
Number of Injuries	6	4	27
Number of Deaths	1	1	1

Summary of Reported Grain Dust Explosions, Fiscal Year 1994

Facility	Location	Date	Injuries	Fatalities
Central Soya	Bellevue, OH	10/19/93	0	0
Paulaur Coop	Hamilton, NJ	10/25/93	9	0
Dorchester Farmers Coop	Dorchester, NE	10/27/93	0	0
Pier 86	Seattle, WA	11/03/94	0	0
Ag One	Millville, IN	11/17/93	1	0
Farmers Coop and Supply	Minden, NE	12/11/93	2	1
Continental Grain	Westwego, LA	12/14/93	0	0
ADM Milling Company	Mount Vernon, IN	01/11/94	1	0
Farmers Coop Association	Lawrence, KS	02/10/94	3	0
Grant County Feeders	Ulysses, KS	04/14/94	4	0
Archer Daniels Midland	Peoria, IL	04/18/94	2	0
Roush Products Company, Inc.	Cedar Rapids, IA	04/21/94	0	0
Spanglers Feed Mills	Mount Joy, PA	05/02/94	0	0
Penford Products Company	Cedar Rapids, IA	05/28/94	0	0
Rahr Malting Company	Shakopee, MI	06/17/94	1	0
Kropf Feed, Inc.	Harrisburg, OR	07/22/94	4	0
Riceland Foods	Jonesboro, AR	09/14/94	0	0

FGIS Liaison Activities

To ensure that the Agency remains abreast of the needs of the U.S. grain industry and of the latest technology available for the official inspection and weighing system, FGIS maintains constant and direct contact with a variety of trade, industry, and scientific organizations and working groups.

External Committees

American Association of Cereal Chemists

Cereal Foods World Editorial Advisory Board
Mycotoxins in Cereal Products Committee
Methods Committee
Near Infrared Committee
Protein Methods Committee

American Oil Chemists Society

Seed and Meal Analysis Committee
Uniform Methods Committee

American Railroad Engineering Association

Committee 34

American Society of Agricultural Engineering

AOAC International

Foods II
Joint Mycotoxin Committee

Codex Alimentarius Commission

Committee on Cereals, Legumes, and Pulses

National Conference on Weights and Measures

Technical Committee on National Type Evaluation
Technical Sector on Weighing
Technical Sector on Grain Moisture
Technical Sector on Wheat Protein

National Institute of Standards and Technology

Mid-America Measurement Assurance Program

NC-213

Financial Information

Buyouts

In FY 1994, FGIS offered buyouts to all of its employees. A total of 48 employees, or approximately 8 percent of FGIS' workforce, applied for and were approved to receive a buyout. FGIS expects to realize \$2.1 million in annual savings from the buyout.

Cost Containment Plan

In accordance with the requirements of Section 15 of Public Law 103-156, *U.S. Grain Standards Act Amendments of 1993* (November 1993), which reauthorized FGIS through the year 2000, FGIS submitted to Congress a comprehensive cost containment plan in May 1994. The plan describes the Agency's past, current, and future initiatives designed to streamline and maximize the efficiency of Agency operations, including standardization activities, in order to minimize taxpayer expenditures and user fees and to encourage the maximum use of official inspection and weighing services.

The report noted that since its establishment in 1976, FGIS has adapted its structure, operations, and services to respond to changing domestic and international marketing practices and technologies. Throughout all of the changes, FGIS remained committed to containing costs. By continuously improving the efficiency and effectiveness of its programs and operations, FGIS has contained the cost of its primary inspection and weighing program. The program cost \$0.236 per ton inspected in 1987 and \$0.246 per ton in 1993. This equates to a 0.7-percent increase per year since 1987. Particularly when compared to inflation and pay increases, it is clear that FGIS has aggressively controlled costs. However, FGIS will implement other measures to continue the efficient use of resources.

To improve the efficiency, effectiveness, and service delivery of the national grain inspection and weighing system, FGIS will work to use its human and fiscal resources effectively, integrate state-of-the-art technology into the system, and ensure appropriate and timely responses to changes in the U.S. grain marketing system. To that end, FGIS is undertaking significant changes in its organizational structure, quality control and assurance program, financial management approach, information management processes, and employee development program to enhance program delivery and customer satisfaction.

These initiatives will permit FGIS to operate more efficiently. The Agency will build on past accomplishments; continue to develop new plans to enhance its responsiveness, service delivery, and efficiency; and foster an organizational culture that promotes empowerment, customer service, and optimal efficiency and effectiveness in its operations.

Department of Treasury Financial Report

The General Accounting Office (GAO) report "Grain Inspection: Industry Views on the Decline in Official Inspection Costs" (April 1993) recommended that FGIS review its methodology for distributing overhead. In response, FGIS requested that the Financial Management Service of the U.S. Department of the Treasury conduct a financial management review of FGIS. Treasury's final report, which was completed in February 1994, included a number of recommendations for changing the overhead distribution process, including simplifying the overhead distribution system and using an activity-based cost method. As a result of the report, FGIS entered into an interagency agreement with Treasury to obtain their assistance in implementing their recommended changes to FGIS' financial management system.

**Status of Fee-Supported Accounts
Fiscal Year 1994**

Program	Revenue 9/30/94	Obligations 9/30/94	Profit/(Loss) 9/30/94	Unobligated Funds 9/30/94
U.S. Grain Standards Act				
Inspection and Weighing	\$20,662	\$21,415	\$(753)	\$2,639
Canadian Operations	268	343	(75)	(523)
Official Agencies	1,470	2,047	(577)	4,052
Registration	15	5	10	61
USGSA Subtotal	22,415	23,810	(1,395)	6,228
Agricultural Marketing Act of 1946				
Rice Inspection	3,501	4,022	(521)	(939)
Commodity Inspection	4,694	5,459	(765)	3,125
AMA Subtotal	8,195	9,481	(1,286)	2,185
FGIS Total Fiscal Year 1993	30,610	33,291	(2,681)	8,414

Dollars in Thousands

11/3/94

**Accounting History of FGIS
Appropriated and Fee Supported Funds**

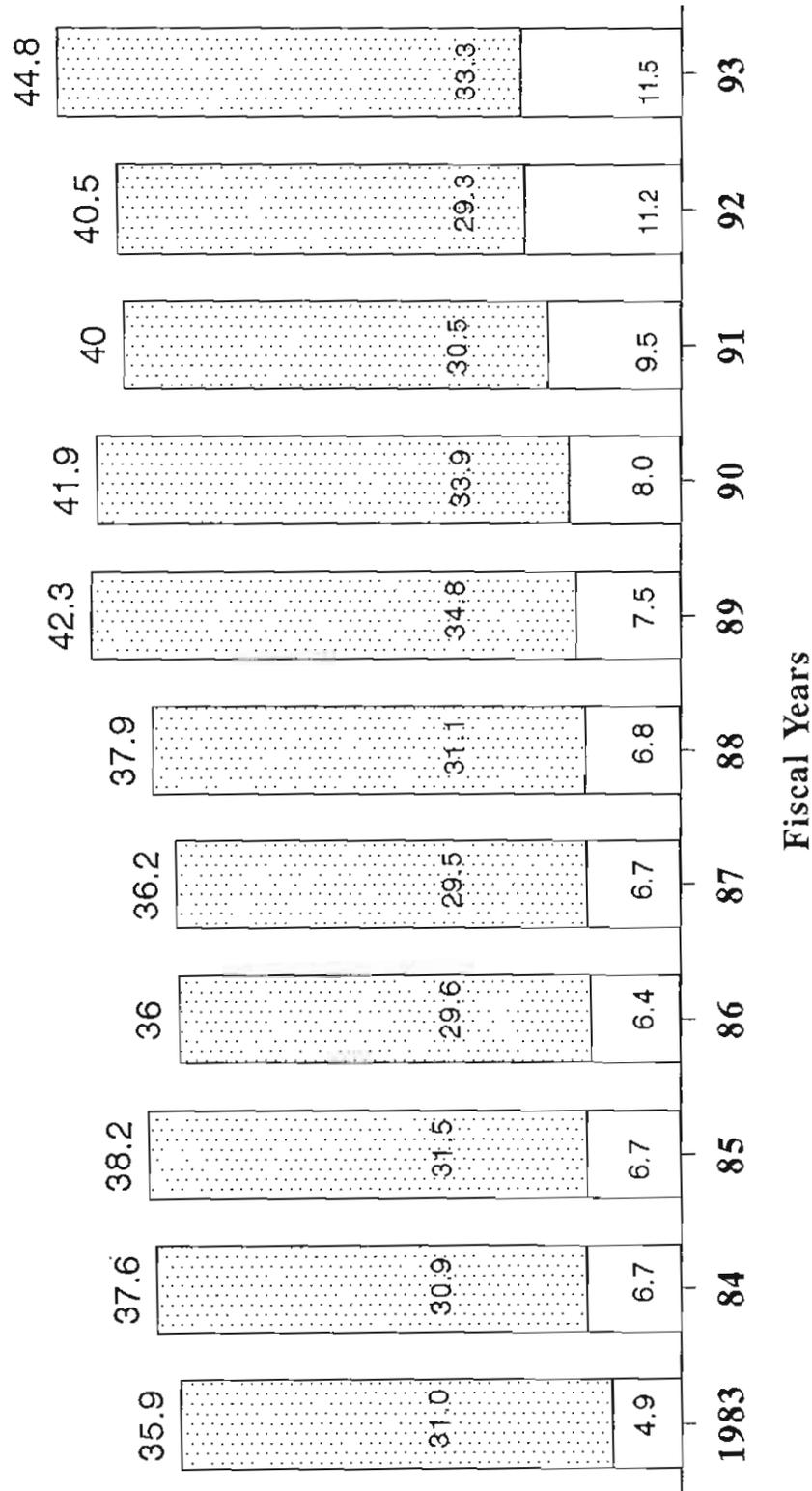
Description	FY 1986 Actual	FY 1987 Actual	FY 1988 Actual	FY 1989 Actual	FY 1990 Actual	FY 1991 Actual	FY 1992 Actual	FY 1993 Actual	FY 1994 Actual
Appropriated Funds									
Budget Authority	6,702	6,826	7,020	8,115	8,185	9,706	11,397	11,397	11,532
Total Obligations	6,396	6,694	6,806	7,496	8,017	9,527	11,232	10,676	11,495
Difference	306	132	214	619	168	179	165	721	37
Fee Supported Funds									
Fund Limitation	36,856	36,856	36,856	36,856	36,856	37,164	40,176	42,784	42,784
Total Obligations	29,558	29,517	31,094	34,795	33,943	30,456	29,249	33,074	33,291
Total Revenue	27,506	32,382	34,538	34,472	30,670	29,098	28,960	33,299	30,610
Profit/(Loss)	(2,052)	2,865	3,444	(323)	(3,273)	(1,358)	(289)	225	(2,681)
Total Obligations	35,954	36,211	37,900	42,291	41,960	39,983	40,481	43,750	44,786
Total Ceiling	43,558	43,682	43,876	44,971	45,041	46,870	51,573	54,181	54,316

Dollars in Thousands

11/3/94

FGIS Expenditures Supported by Users' Fees and Appropriations

Millions of Dollars



□ Appropriated ■ Fee