

OFFICE OF THE BUDGET COMMISSION
COLUMBIA SOUTH CAROLINA

January 14 1946

To the General Assembly:

During the political campaign of 1946 for nomination of a Democratic candidate for Commissioner of Agriculture, frequent criticisms were voiced concerning the management and operation of a seed grading laboratory in the Wade Hampton Office Building, by the Commissioner of Agriculture. As soon as the primaries were over, the Budget Commission directed the State Auditor to audit the records of the Seed Grading Laboratory, and to report same, together with all pertinent facts in connection with its operation, to the Commission.

The audit was duly performed and, upon receipt of the report, a date was fixed and published for an open hearing on the matter by the Budget Commission. This hearing was conducted on October 2, 1946 in the Finance Committee Room of the Senate, and was open to the press and the public.

At the hearing, statements and testimony were submitted by the following persons.

- Mr. Chovine Sprott, Secretary and Treasurer of the Seed Grading Laboratory.
- Mr. J. Roy Jones, Commissioner of Agriculture.
- Mr. R. T. Doughtie, Supervisor of Cotton Seed Grading for the U. S. Department of Agriculture.
- Mr. E. H. Lawton, President and Treasurer of the Hartsville Oil Mill.
- Mr. D. M. Lipscomb, Secretary of the S. C. Cottonseed Crushers Association.

No other testimony was offered.

From the evidence submitted, the conclusions of the Budget Commission are as follows:

1. That the seed grading laboratory was organized at the request, and operated under the supervision, of the United States Department of Agriculture.

2. The laboratory was located in the Wade Hampton Office Building, in space used by the South Carolina Department of Agriculture, and was operated altogether as a private enterprise, a situation which, under ordinary circumstances, should not be permitted but which, under the existing circumstances, appears largely justifiable, because,

(a) The work was considered of extreme importance to the cotton growers of the state in connection with the enforcement of war measures under the Federal program, and

(b) No other adequate facilities existed in the state for the performance of the work, and laboratories outside of the state were unable to handle it, and

(c) Federal Regulations prohibited the performance of the work by a state owned or controlled laboratory.

3. That the operation of the Seed Grading Laboratory did not interfere with the required work of the State Department of Agriculture.

4. That, as a matter of policy, the laboratory should be removed from state property, but that since no other adequate facilities have been, or are presently, available, the present arrangement be permitted to continue for the remainder, but no longer than the end, of this fiscal year.

5. That there are no actionable circumstances in connection with the operation of the laboratory, within the province of the Budget Commission, but that its duty lies in fully reporting the result of its investigation to the General Assembly.

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A stenographic record of the statements and testimony presented at the hearing of October 2, 1946, together with the report of the State Auditor, is attached hereto.

Respectfully submitted,

THE BUDGET COMMISSION

Governor

Chairman Finance Committee

Chairman Ways and Means Committee

7. 453

SOUTH CAROLINA SEED GRADING LABORATORY

COLUMBIA, SOUTH CAROLINA

September 25, 1942

to

August 31, 1946

REPORT OF THE STATE AUDITOR TO THE
STATE BUDGET COMMISSION
ON THE
SOUTH CAROLINA SEED GRADING LABORATORY

During the campaign for nomination of State Commissioner of Agriculture, frequent charges were made that the South Carolina Seed Grading Laboratory, conducted in the Laboratories of the State Department of Agriculture, had been improperly managed. These charges gained considerable publicity and were the subject of some comment throughout the State, both in the press and by the public generally. Taking cognizance of this situation, the State Budget Commission, at its first meeting after the Primaries, directed the State Auditor to conduct an audit of the operation of the South Carolina Seed Grading Laboratory, and to report same to the Commission as soon as the work had been completed.

In view of the contention by the operators of the Seed Grading Laboratory that its functions and operations were in no way connected with the State Department of Agriculture or the State Government, it was considered necessary for the State Auditor to obtain permission to inspect the records of the Laboratory for the purpose of making the audit. The following letter was therefore addressed to Mr. Chovine Sprott, Secretary and Treasurer:

LETTERHEAD STATE AUDITOR

August 22, 1946

Mr. Chovine Sprott, Sec. & Treas.
South Carolina Seed Grading Laboratory
Columbia, South Carolina

Dear Mr. Sprott:

The State Budget Commission has instructed me to audit the records of the Seed Grading Laboratory which has been operated in the offices and laboratories of the State Department of Agriculture for the past few years. It is my understanding that there is a question as to whether or not the functions and business of the Seed Grading Laboratory are connected in any way with the State Government.

It is, therefore, requested that our office be given access to the records of the Laboratory for the purpose of making this audit according to the directions of the Budget Commission.

Very truly yours,

/s/ J. M. SMITH
State Auditor

In reply the following was received:

LETTERHEAD SOUTH CAROLINA SEED GRADING LABORATORY

August 24, 1946

Mr. J. M. Smith, State Auditor
Wade Hampton Office Building
Columbia, South Carolina

Dear Mr. Smith:

This will acknowledge your letter of August 22, in re audit of the records of the South Carolina Seed Grading Laboratory.

I will be glad to give you access to all records of the Laboratory. I note that you state there is a question as to whether or not the functions and business of the Seed Grading Laboratory are connected in any way with the State Government.

Mr. J. M. Smith (cont'd)

August 24, 1946

The only connection with the State Government is the rent which we paid the Sinking Fund Commission, but I will be very glad to have you go over these records which will conclusively establish this fact. You can count on me to give you any assistance in this manner possible and please do not hesitate to call on me.

Yours very truly,

/s/ CHOWINE SPROTT
Secretary & Treasurer

Access having thus been gained to the records of the Laboratory, the audit was begun immediately and report of same is herewith submitted to your Honorable Body.

It should be pointed out that the Laboratory has been operated altogether as a private enterprise as far as its finances are concerned. There is no State Law requiring that this particular work be performed by the State Department of Agriculture, and therefore no authority for the charging of fees in connection therewith. In conformity with this contention by its operators, no records of the Laboratory have ever been submitted for audit to the State Auditor, nor has any information as to the existence of the Laboratory, or the manner of its operation, ever been imparted to the State Auditor, or the Budget Commission.

It is believed that the history and purpose of the Laboratory will best be explained by the following letter which was written by Mr. Jones, Commissioner of Agriculture, to the Secretary of the State Sinking Fund Commission on June 28, 1943:

LETTERHEAD OF THE STATE DEPARTMENT OF AGRICULTURE

June 28, 1943

Honorable Sam B. King, Secretary
South Carolina Sinking Fund Commission
Wade Hampton Office Building
Columbia, South Carolina

Dear Mr. King:

In 1942 the United States Government by executive order took over the entire cotton seed crop of the South and made contracts with the oil mills to crush these seed for them and dispose of the products under the supervision of the Commodity Credit Corporation. A sustaining price of \$50 a ton was placed on seed of medium grade, which was established as a standard, with premiums for those seed analyzing above the standard and deductions for seed analyzing below the standard.

This grading program was under the supervision of Dr. G. S. Meloy, In Charge, Grading and Marketing Cotton Seed and Products, Agricultural Marketing Administration, Washington, D.C. Dr. Meloy called on me to cooperate with him by taking over the seed grading in this State since there was no other laboratory in the State which would handle this work. The South Carolina Department of Agriculture Laboratory was not equipped to handle this class of work but it seemed to be an important part of the war effort and I requested the Contingent Fund Commission to transfer funds from the contingent fund for this purpose. This request was denied and it seemed for the time that no arrangement could be made for this important operation.

Representative of the oil mills in the State, however, got together and agreed to loan necessary equipment to me and support this seed grading operation financially because it was of vital importance that this work be carried on.

This equipment was set up wherever space could be found among the pieces of equipment of the Department of Agriculture laboratory on the sixth floor of the Wade Hampton Office Building. The volume of seed graded was far more than I anticipated. On account of this large volume and the fact that the oil mills are paying for this seed grading I do not feel like continuing it for another year without authority from you to use the space in the Wade Hampton Office Building required for this work and without compensation for it. It is to be remembered that this is vital temporary war work and at this time I am not definitely informed as to whether or not the government will continue this program this year but I have every reason to believe that they will. I believe that a reasonable amount for you to charge for the space used for this

Mr. Sam B. King (cont'd)

June 28, 1943

work would be \$600 per year. I am sure that no one connected with this program would have any objection to paying that much but I do think that more than that would be excessive.

I trust that you can present this matter to the Sinking Fund Commission at the next meeting and that they will make a definite decision immediately. This is important because the new crop of cotton seed will soon be coming in and I may be called on any day by the Federal Government as to whether or not I will continue my cooperation with them in this work this season.

Respectfully yours,

/s/ J. Roy Jones,
Commissioner of Agriculture

J:SR

Copies to:
Hon. Olin D. Johnston, Governor
Hon. John M. Daniel, Attorney General
Hon. E. C. Rhodes, Comptroller General
Hon. Jeff B. Bates, State Treasurer
Hon. Edgar A. Brown, Barnwell, S. C.
Hon. J. Morrison Tuten, Estill, S. C.

Replies by the Secretary of the Sinking Fund Commission to this letter were as follows:

LETTERHEAD OF THE SINKING FUND COMMISSION

June 28, 1943

Honorable J. Roy Jones
Commissioner of Agriculture
Columbia, South Carolina

Dear Mr. Jones:

I have yours of the 28th instand with reference to the grading of cotton seed in this State under the Government Conservation Program and in this connection you desire an understanding with the Sinking Fund Commission for a continuation of the present space now used in

Honorable J. Roy Jones (cont'd)

June 28, 1943

your laboratory for this purpose. Be advised it shall be my pleasure to bring this matter to the attention of the Sinking Fund Commission at its next meeting and it is entirely possible that I shall request that you accompany me for the purpose of discussing the matter before these gentlemen.

With every good wish, I am

Very truly yours,

/s/ SAM B. KING
Secretary

SBK:sj

Encl.

Copies to:

Hon. Olin D. Johnston, Governor
Hon. Jeff B. Bates, State Treasurer
Hon. John M. Daniel, Attorney General
Hon. E. C. Rhodes, Comptroller General
Hon. Edgar A. Brown, Barrwell, S. C.
Hon. J. Morrison Tuten, Estill, S. C.

LETTERHEAD OF THE SINKING FUND COMMISSION

July 1, 1943

Honorable J. Roy Jones
Commissioner of Agriculture
Columbia, South Carolina

Dear Mr. Jones:

Further reference is made to your letter of June 28th in which you requested authority from the State Sinking Fund Commission to use space on the sixth floor of the Wade Hampton Office Building for grading of cotton seed under the United States Government Conservation Program.

The Commission considers this work highly important and therefore at its meeting on June 30 approved your request. The Commission also approved a rental charge of \$600.00 per annum for the space used.

Yours very truly,

/s/ SAM B. KING
Secretary

SBK:sj

It should be noted that the letter of the Commissioner of Agriculture, quoted above, was written on Stationery of the State Department of Agriculture and signed by Mr. Jones, as "Commissioner of Agriculture". Nothing in his letter could have indicated to the members of the Sinking Fund Commission that the work was to be performed other than by the State Department. The statement in his letter that the Budget Commission had been requested to supply funds for the operation (a request of which the Budget Commission has no record) would lead to the belief that it was contemplated that the Laboratory be operated in connection with the work of the State Department. The payment of rent for necessary space would not indicate private operation of the Laboratory, since the Federal Government now pays rent for space in State Buildings in at least one other State Department, (and formerly more than one) where cooperative work is performed. It may also be pointed out that, although the Commissioner's letter is dated June 28, 1943, the work of the Laboratory was actually begun in September, 1942.

As stated above, the Budget Commission has no record of the matter ever being brought to its attention, and the only reference to the subject in the minutes of the Sinking Fund Commission is as follows:

(Excerpt from minutes of meeting of Sinking Fund Commission on June 30, 1943.)

"The Secretary submitted request of the Department of Agriculture for a continuance of space now used by them for seed grading purposes. The request was granted."

The work of the Laboratory was begun in September, 1942. Practically all of the grading was done in the cotton harvesting season, so that the

Laboratory actually operated only about four months of each year. Revenue was derived from a fee which was charged for the grading of each sample submitted. This fee was \$2.25 per sample during the 1942 season, and \$2.75 per sample during the 1943, 1944, and 1945 seasons. Total operating revenues for the four seasons amounted to \$87,616.15. Of this amount \$8,112.25 was remitted by check to the Treasurer of the United States "for supervision". The remaining \$79,503.90 was available for operation of the laboratory.

A statement of receipts and disbursements for the four years of the Laboratory's operation is presented on page 11 of this report. A detailed statement of the personal service item is carried on pages 15 to 17. Personal service payments were made to sixty employees of the Department of Agriculture, and to two people who have not been employed in the Department during the four year period. These payments range from negligible to considerable amounts as shown by the statement referred to. No record was offered, and we were advised that none was kept, to show the time devoted to this work by employees of the Department of Agriculture.

Payments to J. Roy Jones amount to \$8,302.50, from which Federal Income Tax deductions were made and remitted amounting to \$1,363.50. In connection with these payments to Mr. Jones, the following explanation is offered by the Secretary and Treasurer of the Laboratory:

LETTERHEAD OF THE SOUTH CAROLINA SEED GRADING LABORATORY

September 5, 1946

Mr. J. M. Smith, State Auditor
Wade Hampton Office Building
Columbia, South Carolina

Dear Mr. Smith:

Reference is made to the audit of the Seed Grading Laboratory books with special reference to the item "J. Roy Jones, Contingencies". I have discussed this item with you in person, but for the records I would like to make the following statement:

Sometime after the Seed Grading Laboratory began operations, Mr. Jones felt that a reserve should be built up to indemnify the Laboratory and him personally, against any contingencies or liabilities which might arise. He suggested that the Seed Grading Laboratory make regular purchases of bonds for this purpose.

Since the Seed Grading Laboratory was paying out practically everything taken in for equipment, supplies and personal services, the expenses were practically the same as the revenue. Therefore, it was making no money and not subject to tax. If the Seed Grading Laboratory had purchased bonds, this would, of course, change the tax status, and I suggested to Mr. Jones that he allow me to pay him in amounts that he felt would indemnify him and the Seed Grading Laboratory, just as if it were for personal services, and that he could purchase the bonds and we (the Seed Grading Laboratory) would hold them to take care of any contingencies which may arise.

This was done and Mr. Jones deposited with the Seed Grading Laboratory coupon bonds in an amount which we agreed had a valuation of \$7,000.00. Such an arrangement could be made with Mr. Jones since no state funds whatever were involved.

Please do not hesitate to call on me for any further assistance I can give you.

Yours very truly,

/s/ CHOVINE SPROTT
Secretary & Treasurer

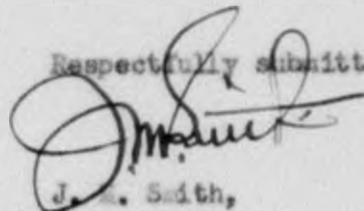
The bonds referred to in the above letter are held by the book-keeper of the Laboratory, and consist of six, one thousand dollar, State

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of North Carolina, 4% bonds, the present market value of which would probably approach \$7,000.00 as stated in the letter.

The equipment used is located in the Laboratory of the Department of Agriculture. Some of the pieces are bulky and the space occupied is considerable, although a minor portion of the Department's entire laboratory space. The pieces of equipment are generally stamped, or marked, to indicate ownership by the South Carolina Seed Grading Laboratory. There is no evidence that any of the equipment or supplies were paid for from the appropriated funds of the State Department, although many of the invoices for same were made to the State Department of Agriculture.

Respectfully submitted,



J. M. Smith,
State Auditor

Columbia, South Carolina
September 10, 1946.

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SEED GRADING LABORATORY

RECEIPTS AND DISBURSEMENTS

September 25 1942 to August 31 1946

Balance - September 25 1942 00

Receipts

J Roy Jones - Advance 1 000 00
Fees - Cotton Seed Grading 87 158 65
Fees - Soy Bean Grading 457 50

Total Receipts 88 616 15

88 616 15

Disbursements

Personal Service 59 352 25
U S Government - Supervisory Fees 8 112 25
Travel 238 84
Repairs 145 78
Office Supplies 824 02
Fuel Supplies 937 87
Chemical Supplies 4 913 88
Other Supplies 182 10
Office Equipment 102 69
Chemical Equipment 5 896 82
Licenses - Chemist 90 00
Rent - Sinking Fund Commission 2 400 00
J Roy Jones - Refund of Advance 1 000 00
General Expense 46 00
Unclassified Expense
Cash 80 00
Chovine Spratt 110 00
C H Stender 190 00
John L Dixon - Hauling Samples 350 00

Total Disbursements 84 972 50

Cash Balance - August 31 1946 3 643 65

88 616 15

STATEMENT OF CASH

August 31 1946

Cash Balance - August 31 1946 3 643 65

Cash as Audited

Cash in Bank

Lower Main St Bank
Per Statement 3 721 90

Less - Check Outstanding - #91 125 00

3 596 90

Cash in Office

Checks for Deposit 16 75

3 643 65

FEEES - COTTON SEED GRADING

September 25 1942 to August 31 1946

Anderson Cotton Oil Co Inc	Anderson	831 00
Buckeye Cotton Oil Co	Raleigh	227 75
Buckeye Cotton Oil Co	Charlotte	18 50
Buckeye Cotton Oil Co	Augusta	3 324 25
Carolina Oil Mill	Cheraw	443 50
Caldwell Oil Co	Spartanburg	29 25
A B Carpenter		2 75
Coker Pedigreed Seed Co	Hartsville	108 75
Central Oil and Milling Co	Clayton N C	16 50
Batesburg Fertilizer Co	Batesburg	2 75
W F Carter Gin Co	Cheraw	2 75
R F Doughty	Memphis	8 00
Elberton Oil Co	Elberton Ga	1 026 75
Farmers Cotton Oil Co	Wilson N C	1 967 75
Premont Oil Co	Premont N C	33 75
Fowler Gin Co	Kingstree	13 75
Greenville Cotton Oil Mill	Greenville	1 812 50
Greer Oil Mill & Feed Co	Greer	1 859 50
Hartsville Oil Mill Co	Hartsville	8 648 00
Hoke Oil and Fertilizer Co	Raeford N C	158 25
International Vegetable Oil Co	Savannah	538 50
Joyner E L	Camden	5 50
Rumphrey-Coker Co	Hartsville	8 25
Kershaw Oil Mill	Kershaw	5 488 25
Lancaster Cotton Oil Co	Lancaster	3 368 00
Laurinburg Oil Co	Laurinburg N C	502 50
Leesville Oil Mill	Leesville	1 223 50
Maxton Oil & Fertilizer Co	Maxton N C	1 966 00
Marion Cotton Oil Co.	Marion	3 856 50
Mooreboro Oil Mill	Mooreboro N C	2 25
Morgan J L	Augusta	2 75
Ninety-Six Manufacturing Co	Ninety-Six	1 531 00
Falsetto Oil Co	Bishopville	6 313 75
Fendleton Oil Mill	Fendleton	603 00
Planters Cotton Oil Co	Augusta	4 140 75
Mitchell Cox Lumber Co	Belton	2 75
Pine Level Oil Mill Co	Pine Level N C	265 50
Planters Cotton Oil and Ferts Co.	Rocky Mount N C	10 00
Prothro J D	Aiken	5 50
Richburg J E	Camden	2 75
Seneca Oil Mill	Seneca	33 75
The Southern Cotton Oil Co	Columbia	4 015 25
The Southern Cotton Oil Co	Camden	3 226 75
The Southern Cotton Oil Co	Davidson N C	2 017 25

(Continued)

Fees - COTTON SEED GRADING

September 25 1942 to August 31 1946

(Continued)

The Southern Cotton Oil Co	Orangeburg	2 680 50
The Southern Cotton Oil Co	Darlington	3 096 75
The Southern Cotton Oil Co	Sumter	2 350 25
The Southern Cotton Oil Co	Laurens	122 50
The Southern Cotton Oil Co	Bennettsville	2 573 75
The Southern Cotton Oil Co	Monroe N C	1 290 00
The Southern Cotton Oil Co	Gibson N C	694 75
The Southern Cotton Oil Co	Charlotte N C	1 028 75
The Southern Cotton Oil Co	Chester	156 50
The Southern Cotton Oil Co	Honea Path	87 50
The Southern Cotton Oil Co	Shelby N C	42 75
The Southern Cotton Oil Co	Savannah Ga	427 00
The Southern Cotton Oil Co	Spartanburg	682 75
The Southern Cotton Oil Co	Wadesboro N C	36 00
The Southern Cotton Oil Co	Augusta Ga	805 00
The Southern Cotton Oil Co	Greenville	28 00
The Southern Cotton Oil Co	Florence	79 75
The Southern Cotton Oil Co	Concord N C	448 25
Swift and Co Oil Mill	Shelby N C	303 50
Swift and Co Oil Mill	Greenwood	872 50
Swift and Co Oil Mill	Augusta Ga	1 392 90
Swift and Co Oil Mill	Columbia	5 174 50
Scarborough D E	North	2 75
Union Oil Mill	Union	910 75
Victor Cotton Oil Co	Gaffney	1 643 50
Victor Louis	Kline	2 75
Ware Shoals Oil Co	Ware Shoals	<u>558 75</u>

Total Fees - Cotton Seed Grading 87 158 65

SCHEDULE OF PERSONAL SERVICE

September 25 1942 to August 31 1946

	Sept 25 1942 to Aug 31 1943	Sept 1 1943 to Aug 31 1944	Sept 1 1944 to Aug 31 1945	Sept 1 1945 to Aug 31 1946	Total
*Adams C L	345 00	321 50	687 50	437 50	1 791 50
**Bennett J L	333 00	305 62			638 62
*Bodiford Vernice	10 00	77 81	31 25		119 06
*Bates Helen	10 00	70 00	31 25		111 25
*Brunson J M	10 00	70 00	31 25		111 25
*Baker Mrs L M		70 00	31 25		101 25
**Brown N L		70 00	31 25		101 25
xCannon Roy		25 00	50 00	50 00	125 00
*Clark Marian				312 50	312 50
*Coleman J W	310 00	1 015 50	1 406 30	875 00	3 606 80
*Corley F H	432 50	453 25	737 85	500 00	2 123 60
*Crosland Janie	45 00	101 50	31 25		177 75
*Crosland E H	10 00	132 50	31 25		173 75
**Dickert Y J	142 75				142 75
*DuVal Nora	10 00	70 00	31 25		111 25
*Dixon J L		179 62	740 00	750 00	1 669 62
*Grubbs Mrs M	20 00	75 82	293 75	281 25	670 82
*Goette B O	410 00	245 00			655 00
**Goette Mrs Ruth P		101 50	93 75		195 25
*Ginn R J	410 00	480 40	406 25	250 00	1 546 65
*Gibert A H	10 00	132 50	31 25		173 75
*Hodges Miss L H	20 00	114 00	31 25		165 25
*Hutto H A	338 60	431 62	682 75	375 00	1 827 97
**Harvin Mary B	10 00	82 50	31 25		123 75
**Hiott Harry	10 00				10 00
*Hook Mary Louise	10 00	70 00	31 25		111 25
xHornsby Julia		845 63			845 63
*Hart Mrs E	330 00	393 51	424 14	375 00	1 522 65

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(Continued)

SCHEDULE OF PERSONAL SERVICE

(continued)

Sept 25 1942	Sept 1 1943	Sept 1 1944	Aug 31 1945	Aug 31 1946	Total
15 00	81 05	62 50	4 181 30	1 621 20	158 55
10 00	2 500 00	31 25	182 09		223 34
60 00	441 50	300 00	62 50		801 50
35 00		62 50			62 50
10 00	70 00	31 25	31 25		111 25
60 00	126 50	31 25	31 25		217 75
185 00	201 50	148 75	148 75	187 50	1 022 75
302 25	599 00	791 05	156 25	375 00	2 067 30
10 00	105 56	156 25	312 50		271 81
10 00	70 00	312 50	62 50		392 50
290 00	384 00	218 75	218 75	218 75	1 111 50
435 75	518 80	977 00		750 00	2 681 55
10 00	20 00			100 00	30 00
10 00				100 00	100 00
290 00	333 70	218 75	218 75	62 50	407 75
367 50	476 37	2 042 30	2 042 30	1 625 00	4 511 17
510 00	2 854 00	2 406 30	2 406 30	1 750 00	7 520 30
448 00	505 15	1 022 55	1 022 55	875 50	2 850 70
323 25	445 60	1 022 55	445 60	750 00	2 545 40

(contd next)

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- Anderson Doris
- Jones David
- Jones Mrs H
- Jones J Roy
- Jones Lella
- Jones Henry
- Jones Annie
- Lenon Mrs H J
- Flowers Mr
- Hurray Mrs A L
- McDonald J M
- Matthews Isaac
- Magglin R H
- Anderson Joyce
- Miller Bertha
- Hayek R H
- Wyer Mrs C T
- Feltt C B
- Lowden Florida
- Robinson Jerryann
- Reynolds Joan I
- Roberts Mrs H C
- Shelly Mrs S B
- Wimpen R M
- Wright Christine
- Wickley J F
- Still Madeline
- Smith Mrs Beatrice
- Summers A C

SCHEDULE OF PERSONAL SERVICE
(continued)

	Sept 25 1942 to Aug 31 1943	Sept 1 1943 to Aug 31 1944	Sept 1 1944 to Aug 31 1945	Sept 1 1945 to Aug 31 1946	Total
*Stender C H	610 00	377 50	250 00	250 00	1 287 50
*Sweeney Georgia	10 00	88 70	31 25		129 95
**Toole Mary	10 00	26 25			36 25
*Umant Mrs H H	310 00	376 51	466 00	312 50	1 465 01
**Hiles F a	50 00	70 00	31 25		131 25
**Wolfe L S	10 00	88 80	31 25		130 05
Totals	7 328 60	17 119 86	21 380 09	13 463 70	59 352 25

* Denotes present employee of Department of Agriculture
 ** Denotes former employee of Department of Agriculture
 x Not employed by Department of Agriculture

HEARING BEFORE THE BUDGET COMMISSION ON
THE ORGANIZATION AND OPERATION OF THE
SOUTH CAROLINA SEED GRADING LABORATORY

October 2, 1946

HEARING BEFORE THE BUDGET COMMISSION ON
THE ORGANIZATION AND OPERATION OF THE
SOUTH CAROLINA SEED GRADING LABORATORY

October 2, 1946

Members of Budget Commission present: Governor Ransome J. Williams, State Senator Edgar A. Brown, Representative J. Morrison Tuten and State Auditor, J. M. Smith.

Meeting called to order by Governor Williams.

Governor Williams: Gentlemen, we are ready to hear the testimony in regard to the Seed Grading Laboratory.

Testimony of Mr. Chovine Sprott, Secretary and Treasurer of the Seed Grading Laboratory:

Mr. Sprott: Gentlemen, I have prepared a statement for your records, asking your consideration on the facts about the Seed Grading Laboratory; as to what, how and why this Government Project was started and operated in the Wade Hampton Office Building, and how and why I became connected with it. In this statement, I submit a signed statement, in his own handwriting, of Dr. G. S. Meloy of Washington, D. C., who was in charge of the Government Cottonseed Program at the time. Before I read this statement, I ask you to go back to 1942 and ask yourselves what you would have done in the light of the situation. The Government had taken over the cotton seed crop as a War emergency, and prices were based on grade. It was urgent that a laboratory be set up to grade the seed before it deteriorated.

Statement by Chovine Sprott, Secretary & Treasurer Seed Grading Laboratory:

"One day during the early fall of 1942, Mr. J. Roy Jones, South Carolina Commissioner of Agriculture, asked me to come into his office and meet Dr. G. S. Meloy, of Washington, D. C.

GSM (Dr. Meloy was in charge of the Government Cottonseed Program and he, in company with Mr. D. M. Lipscomb, Secretary of the South Carolina Cottonseed Crushers Association, were here to discuss with Mr. Jones a most important part of that program.

(Dr. Meloy explained that the United States Government had taken over the entire cottonseed crop as a war measure and that ceiling prices had been set on cotton seed products and a floor price on cotton seed. The government had made contracts with the oil mills for processing the seed and they were to settle with the ginners and farmers at a price based on grade with premium for seed above the basis and deduction for seed below the basis.

Mr. Jones told me that about a week or ten days before this a delegation of oil mill men composed of Mr. D. M. Lipscomb, Secretary of the South Carolina Cottonseed Crushers Association, Mr. Edgar Lawton of Hartsville, Mr. W. T. Mikell and Mr. Chris Fitzsimons of Columbia, called on him to ask his assistance in providing a

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laboratory to do this seed grading.

At that time there was no laboratory in South Carolina that could do this work. The Department of Agriculture laboratory had never graded a sample of cotton seed during its existence and had no equipment or supplies suitable for this purpose. Mr. Jones told these men that he would contact the Governor and if he could obtain money from the Contingent Fund to set up a grading laboratory, he would be willing to undertake the work. After a telephone conversation with Governor Jefferies, however, he found that funds would not be available until the legislature met and so advised this oil mill group. We could not wait until the Legislature met in January, 1943, because the 1942 seed crop would be lost.

Conditions went from bad to worse and the reason for Dr. (Meloy's trip to Columbia was to make a personal appeal to Mr. Jones. (He (Meloy) had exhausted every effort in the meantime to establish (a laboratory in South Carolina and conditions had changed from (chaotic to desperate. The only facility the government had in this GSM (section for grading was in Atlanta, Georgia and the laboratory (there was running about a month behind with samples. This delay (was ruinous to farmers and ginners, for during that delay the fatty (acid content would build up to such an extent that seed which would (have graded basis or above were found, after four weeks, to be far (below the basis, causing losses in some instances of as much as (fifteen dollars per ton.

Gentlemen, I might explain here that fatty acid is the element which makes an oil product rancid and when cottonseed, as well as butter, lard or other oil products begin to become rancid, it increases, as you well know, from day to day. So farmers were not only being delayed in getting a settlement for their seed but were also taking an awful licking on the grade. Some ginners were making settlement on the basis with farmers and weeks later when they got their report on the grade of the seed and settlement from the oil mill they were shocked and dismayed by the loss they had to sustain.

(Dr. Meloy wanted an agency to finance and do the work of seed GSM (grading under his complete control and supervision. The government (had approved a charge of \$2.25 per sample graded (later raised to (\$2.75); this was to be paid by the oil mills and 25¢ of it was to (be remitted to the government, the balance retained by the laboratory (to pay the cost of operation. He insisted that the laboratory would (have to be set up as a U. S. Government agency with the local agency (merely the cooperating factor.

Mr. Jones again called Governor Jefferies, and the Governor expressed great interest in doing everything possible for the benefit of the farmers. The Governor said he had no objection to the department cooperating with the Federal Government in the seed grading program and was extremely sorry that the contingent fund at that time had no money with which to start the work. The Governor requested Mr. Jones to work out some practical plan, and if he should be unable to do so to bring the matter to the attention of the Governor again. It was not brought to the attention of the Governor again because we worked out the plan as hereinafter outlined, and were not forced to ask the Budget Commission to provide financial assistance.

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Mr. Jones then asked me if I could work out any plan that would create an agency to cooperate with the government in this work. I immediately began a study of the situation and found that a great deal of money would have to be spent for equipment and supplies. Chemists and laboratory assistants were not available and there was no place outside of the Wade Hampton Office Building where such a laboratory could be set up.

(A laboratory cannot be set up in just any building, for
(special plumbing and electric wiring must be installed as an
(integral part of the building equipment. Drain pipes must be of du-
GSM rion instead of the conventional cast iron soil pipe and special
(electric wiring, non-flash switches and fuses must also be a part of
(the building equipment. I investigated the possibility of two
(suitable buildings in Columbia and found they were both in use and
(could not be obtained.

In my verbal report to Mr. Jones, I told him that the only possibility of setting up a grading laboratory would be to use some of the space of the agriculture department laboratory on the sixth floor of the Wade Hampton Office Building. A survey showed that this would crowd the grading laboratory as well as the agriculture department laboratory - a condition which is not only inconvenient but somewhat hazardous - but due to the emergency that existed, I thought it should be done to carry out this important government program. I also reported to him that I had talked to the personnel individually and in groups and that they were willing to undertake this work on an overtime basis. I found that I could buy on credit some equipment from the old Chas. W. Rice and Co. Laboratory which had been closed and dismantled soon after the death of Mr. Rice.
GSM (The oil mills were so anxious for this laboratory that they offered
(to lend some equipment and supplies from their private laboratories.
(They were also to pay the government approved fee of \$2.25 per sample, and as practical business men they could not understand why the laboratory could not operate.

As you well know, gentlemen, a State Department cannot collect money from oil mills or anyone else without a law authorizing it. And, they cannot disburse funds without a law appropriating it. So I reported to Mr. Jones that the only legal way that I knew of to set up the laboratory would be as an individual private enterprise for the sole purpose of cooperating with the government to get this particular job done. I told him that I would accept the responsibility of doing this if I could get \$1000.00, and if he would cooperate to the extent of allowing the laboratory on the sixth floor of the Wade Hampton Office Building and allow the personnel of the Department of Agriculture to work overtime. This he agreed to do with the distinct understanding that it was not to interfere with the work of the Department of Agriculture in any way; that the grading laboratory was to maintain a strict policy of analyzing official government samples only and that it was to be kept separate from the Department of Agriculture laboratory as far as it was physically possible to do so. He also agreed to loan the laboratory the \$1000.00 that I said would be necessary to begin operating.

He contacted the personnel of the Department of Agriculture individually and in groups and explained to them what he knew of

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the vital War necessity of the program and the fact that he did not know how long it would last. It was only for the purpose of doing this government work, and when the government program ended the operation of the grading laboratory would end. The laboratory was starting with nothing. Equipment and supplies would have to be bought before they would receive any compensation for their overtime duties.

Having this complete understanding with Mr. Jones, and having received his O. K. to go ahead with this work, I bought and had installed what equipment I could get from the old Chas. W. Rice and Co. Laboratory.

GSM (I borrowed equipment and supplies from the Hartsville Oil Mill, Hartsville, S. C., Planters Cotton Oil Co., Augusta, Georgia, and the Southern Cotton Oil Co., Columbia. Other purchases of immediate necessity were made and the seed grading laboratory began to function under a license issued by the government to Mr. R. M. Simpson.

All of the equipment brought in by the grading laboratory was labeled with a stencil, "Seed Grading Laboratory, Columbia, S. C." The Department of Agriculture had laboratory balances that could have been borrowed for weighing samples, also typewriters that could have been borrowed for making reports, but so strict was the policy of keeping this operation separate from the Department of Agriculture that the Seed Grading Laboratory bought its own balances and typewriters, as well as the other equipment it used. The Seed Grading Laboratory paid the gas bill during the seed grading season for all users of gas in the Wade Hampton Office Building, including the Board of Health Laboratory, because we could not get a separate meter, and rather than have someone criticize the way the bill was prorated, I thought it best for the seed grading laboratory to pay the whole amount.

We paid rent at the rate of \$600 a year to the Sinking Fund Commission for the space allowed us by the Department of Agriculture. The personnel worked from 6 o'clock in the morning until late at night, sometimes as late as 1 or 2 o'clock. They worked all day Saturday and very often all day Sunday, yet funds in sufficient amount to pay them any compensation for their overtime duties did not accrue for several months.

As evidence of the fact that this seed grading was done on overtime basis and did not interfere with the work of the Department of Agriculture Laboratory, I submit for your consideration the fact that the Department of Agriculture laboratory analyzed 19,360 samples during the year 1945-46. During the year 1941-42 (the year before the seed grading work began) the Department of Agriculture laboratory analyzed 18,904 samples. This large volume of samples could not have been analyzed if the personnel had not given the full time required for their Department of Agriculture duties.

In closing, I desire to state that from the very beginning of operation of the Seed Grading Laboratory, Mr. Jones made it clear that at no time was the work to interfere in any manner with that of the Department of Agriculture. I can, and do, unhesitatingly say that this procedure was strictly adhered to and I know of my own knowledge that such was the case.

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GSM (The undertaking was a war emergency measure at the insistence of the Federal Government. Its operation was for the benefit of farmers, ginners, oil mills and the war effort generally.

The work done resulted in the saving of many thousands of dollars to the agricultural interest of this state, together with facilitating the processing of cotton seed whose products were essential to the war effort in every particular. It is also a fact that until these seed were graded and tested it was a physical impossibility for the oil mills to fix the prices thereon, as every oil mill operator in this state will gladly testify.

I, personally, feel that those who gave of their time and labors for this effort deserve commendation for the effort which they put forth. At all times the enterprise was conducted on a strict business basis and all receipts and expenditures accounted for to the last penny.

It is, therefore, my conclusion, which I feel that I am at liberty to state, that the work which the Seed Grading Laboratory did was justified in every particular and that its results to the farmers, ginners, and oil mills and to the Federal Government are more than justified. "

The foregoing statement correctly sets forth the organization and operation of the seed grading laboratory as organized by me. "Under no circumstances could or would the laboratory have been established with any form of state control." I insisted that the responsible licensed chemist be absolutely under the control and supervision of the U. S. Department of Agriculture. I was in charge of the seed grading work for the U. S. D. A. until July 31, 1946. During all that time the work of the laboratory was absolutely satisfactory.

(signed) G. S. Meloy

This is to certify that the foregoing is a true and correct copy of the statement presented to the Budget Commission, Oct. 2, 1946, by Chovine Sprott, Secretary and Treasurer, Seed Grading Laboratory. It is also true and correct copy of statement made by Dr. G. S. Meloy in regard to the statement of Chovine Sprott with appropriate paragraphs initialed by Dr. Meloy.

(signed) Sara B. Shealy.

Senator Brown: Who is this Dr. Meloy:

Mr. Sprott: Dr. Meloy was the U. S. Government Representative in charge of seed grading under the U. S. Department of Agriculture. He has now retired and has been replaced by his able assistant, Mr. R. T. Doughtie, Jr.

Mr. Brown: Will you please read the statement of Dr. Meloy again.

Mr. Sprott: "The foregoing statement correctly sets forth the organization and operation of the seed grading laboratory as organized

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Mr. Brown: How much would it have cost the State to set up a seed grading laboratory and operate it?

Mr. Sprott: A laboratory would not have been set up at all. Our first thought was to set up a State Laboratory, but it developed, as stated by Dr. Meloy, that the Federal Government would under no circumstances have established a State controlled laboratory, regardless of any amount of money the State might put up.

Mr. Brown: And if this laboratory had not been set up, what would have been the effect on the farmer, ginner, oil mills, and the people generally?

Mr. Sprott: The situation was desperate. There were no facilities closer than Atlanta for grading seed; the seed deteriorate very rapidly in value and they would have lost millions.

Gov. Williams: Who owns and operates the laboratory in Atlanta?

Mr. Sprott: It is a private concern.

Mr. Brown: The only criticism is that the work was done in a State Building and by the Dept. of Agriculture employees?

Mr. Sprott: That seems to be it - that the work was done in a State building and by Dept. of Agriculture employees. But it was distinctly understood that no State equipment or supplies were to be used and the personnel would do the work on an overtime basis.

Mr. Brown: Did the State Dept. of Agriculture have any facilities whereby they could have operated a seed grading and testing laboratory at fees of \$2.25 or \$2.75, or whatever was charged?

Mr. Sprott: They had no authority to set it up and could not have collected any fees or distributed any money. It would not have been set up.

Mr. Brown: Then the Seed Grading Laboratory was set up by the Dept. of Agriculture employees as a private enterprise, paid rental to the State, bought or borrowed machinery and equipment and paid the state employees, for the specific purpose of carrying on vital War work?

Mr. Sprott: It was set up by the Federal Government and operated separately from the Dept. of Agriculture as a private concern. The State Dept. Chemist, Mr. R. M. Simpson was licensed by the government to be in charge of the laboratory.

Mr. Brown: Mr. Simpson was the chemist and all who did work under him drew some pay?

Testimony of Mr. J. Roy Jones, Commissioner of Agriculture.

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Statement - J. Roy Jones:

"In making a statement concerning the Seed Grading Laboratory, it is my understanding that this committee is desirous of knowing whether or not the Seed Grading Laboratory was operated as a state project. Let me first state that the history of the laboratory as furnished by Mr. Sprott is a complete picture of how and why this work was done. Personally, I am very proud of the fact that I had a part in this work.

All of us can recall the cry for fats and oils made by the government, radio commentators and all newspapers in the summer and fall of 1942, which cry is still prevalent today. At that time, every man, woman and child in South Carolina was lending their hand in every possible way to the war effort. When the U. S. Government, through Dr. Meloy, approached me about seed grading, my first and only thought was to get the work done by any possible means. If the laboratory in my department had had the facilities for doing this work, I would have had no hesitance in appealing to the Governor, the Legislature, the Budget or Sinking Fund Commission, or any other authority with a view of working out some plan whereby this could be done. However, Dr. Meloy subsequently stated that he could not make any agreement with the State of South Carolina and it would have to be under complete federal control. He could only license a chemist who owned or had control of the equipment.

The project was started at the insistence and on behalf of the Federal Government as an emergency war measure and rather than being in the position of defending what I did, and what was subsequently accomplished by the Seed Grading Laboratory, I want to state here and now that I have no apologies, but rather have the satisfaction of feeling that in a time of stress my own patriotism and all of my fellow workers was not "weighed in the balance and found wanting." Were similar occasion to arise tomorrow, whereby the government called on me to exercise all power in my command for the production of essential war materials, I would again do all that I have done and feel a great pride in being able to help. I, therefore say, gentlemen, that my following remarks are not made in the defense of the workings of the Seed Grading Laboratory, for it needs no defense but rather it is my purpose to answer the unfair and untrue statements which were made and published during the political campaign which has recently ended.

For almost four years the Seed Grading Laboratory, under great stress of war-time conditions, performed a duty requested of it by the Federal Government. Throughout this entire time that it's business dealings were with the Federal Government, the oil mills of this state, many business men, our farmers, ginners and others had occasion from time to time to come in contact with its work. However, during the campaign the charge was made that the operation of the laboratory was done with great secrecy; that two hundred and fifty thousand dollars in fees had been collected with no proper accounting for their disbursement; that the seed grading laboratory was operated by the Department of Agriculture and that its work was so intermingled with that of the Department that it was in reality a state operated concern and as such all funds received and expenses paid were in behalf of the state of South Carolina. As stated, for four years not a word of criticism had been directed against its operations but during the recent political campaign certain individuals and interests sought to make of it a political

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football and scattered over the state false and unwarranted statements to such an extent that the laboratory in reality became a political issue.

With your permission it is now my purpose to lay before you answers to those charges and statements, not one of which had the least semblance of truth.

Great stress was laid that the operation of the laboratory was done in secrecy and that a veil of mystery surrounded its operations. I answer this by stating, and the facts will bear me out, that every oil mill man, ginner, many farmers and business men had daily dealings with the laboratory. Thousands of packages passed through the hands of every known public delivery service addressed to the Seed Grading Laboratory; reports were published on prices of graded seed tested by the laboratory; a great many people were working all hours of the night doing this job; reports and correspondence were scattered from one end of the state to the other, and in portions of Georgia and North Carolina, which the laboratory served. Last, and by no means least, a state-wide convention was held for those interested in the service with much publicity given to its meeting. At this convention the Federal Supervisor of the program of cottonseed grading was present and discussed seed grading in detail. Feeling that the service was of such a nature that it deserved all possible publicity, an exhibit of its work was placed in the 1945 fair exhibits at Columbia, Greenwood and Charleston, at which time thousands upon thousands of people of our state were told of its program and urged to assist in this war effort. Such facts I feel are conclusive proof that there was no element of secrecy to the operation of the laboratory.

Secondly, it was charged that the disbursement of the funds derived from the fees received for this work were irregular, and malicious and slanderous inferences were made that someone was unlawfully profiting from the operation of the laboratory. As Mr. Sprott's statement set forth, the laboratory was set up separate and distinct from anything connected with the operation of the Department of Agriculture. Its equipment, chemicals, and all accessories were purchased with funds of individuals. Not one penny, directly or indirectly, of the state of South Carolina was used in connection therewith. The personnel were largely employees of the state who were highly trained specialists, a group distinct unto themselves in having the qualifications to do this work. Many of them worked many times from six o'clock in the morning until nine (the time they report for duty for the state's work), and then from five in the afternoon until as late as two the following morning, including practically every Saturday afternoon and night and all day Sunday, in order that the work might be properly done. And here let me emphasize the fact that no where in the state of South Carolina was the Federal Government able to find a place where this work could be done. The equipment was purchased anywhere that it could be found and even then much had to be borrowed from the various oil mills throughout the state. I presume that you are aware of the fact that cotton seed are a perishable product. If kept for undue length of time they heat and the product thereafter derived from the seed are inferior in quality and in many instances incapable of being properly processed.

When we were called upon to do this work for the Federal Government, who had taken over the processing cottonseed, it simply 480

meant that if this work could not be performed that the farmer could not even sell his cottonseed for their true value for the reason that they could not be graded. Every oil mill man in this state will verify this statement. And, if we had been unable to perform this service there is not a shadow of a doubt but that thousands upon thousands of tons of cottonseed would have gone to waste. Hundreds of thousands of gallons of cottonseed oil would not have been available for the war effort; hundreds of thousands of tons of meal and cottonseed hulls would not have been available for the feeding of livestock, fertilizer, etc. I, therefore, say that the approximate sixty people who gave of their time and labor and talent did a worthy job, patriotically performed, and deserving of every penny which they received as compensation for their efforts. The records show, and the audit so reveals, that every one of them were paid by check, all fees due the U. S. Government were paid by check; all withholding taxes duly paid and accounted for and an accurate record kept of every penny received and paid out. I, therefore make the statement that insofar as the charges that there was improper disbursement of funds used in connection with the Seed Grading Laboratory is false and without foundation of fact. And, there was no secrecy connected with this. The fact that a number of individuals actuated solely by political motives demanded from time to time itemized audits of the books and requested other information for purely political motives and were not given such does not alter the situation. However, as the campaign progressed and more and more misleading statements were circulated and published, Mr. Spratt thought it to be to the best interest of all concerned to give all the requested information, and even went so far as to furnish the press an itemized statement of all receipts and disbursements. As the operation of the laboratory was not a public concern, I do not feel that Mr. Spratt would have been wrong had he refused to give out this information any more so than if a demand had been made of me, personally, for the receipts and expenditures in the operation of my farm or in any other private enterprise which a state official or employee might be engaged in. The mere fact that one is a state official or a state employee, in my opinion, does not debar him from any other activities provided such are not engaged in for the time which he has sold his services to the State. The same applies to the request of the State to have its auditors go over the books of the laboratory. The only thing in which the State of South Carolina was concerned was the rent which it received from the laboratory, but, as stated, the attempt to make a political foot ball out of the Seed grading Laboratory and to cast aspersions upon all of those who so faithfully served it during the stress of war, I personally am glad that the State auditors were given access to the books and have presented to you full and complete operations of the laboratory, for such report is proof conclusive that it was not a state operated project; that the state of South Carolina incurred no obligation in any manner by reason of its operation but that it did allow space to be used for its work, well knowing that such work was a war emergency measure. I have no doubt but that had the occasion demanded, proper authorities would have gladly given space in the State House or any other public building if the U. S. Government had so requested for other purposes similar to that for which the laboratory was established.

It almost became a slogan in the last political campaign of, "Where has the money gone". As Commissioner of Agriculture I have no official authority to answer that question, however, the audit prepared by your state auditor does answer it and answers it

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clearly and conclusively that the money had gone to those who did the work. As just plain Roy Jones I do tell you that every penny of that money was honestly handled as your state audit shows; that it was expended to promote a most worthy cause and that it was paid to the people who gave up most of their personal time to do the work so that the men of our Armed Forces could have fats and oils, so essential to the prosecution of the war. Those individuals did that which the State of South Carolina had no means to do, a job for which the Seed Grading Laboratory should have been praised, and not called upon to explain the whys and wherefores of the patriotic effort which its employees performed.

Now as to the question of whether or not the state contributed to the cost of operating the seed grading laboratory, the audit of your state auditor shows that the Seed Grading Laboratory bought all of its equipment it used, all of the chemicals it used, all accessories, paid more than its share of the gas bill, paid the state rent, paid its employees based on the type of work and amount of hours given to such work; paid all taxes for all funds received, paid the federal government its required fees, protected the employees while they worked, protected the government for whom the work was done and not in a single, solitary instance did the state of South Carolina directly or indirectly, have any connection with the grading work.

That such work at no time interfered with the normal duties performed by the Department of Agriculture is shown by the increased services which the department was called upon to do during the entire period in which this laboratory has operated. Four sessions of the legislature have convened and adjourned and not one word of complaint has been raised against the Department for the services requested of it. During this same time the finances of the Department of Agriculture have increased yearly, reaching an all time high record in 1945. These are the records of the Department of Agriculture, they speak for themselves and they cannot be proven otherwise. I, therefore, feel, gentlemen, that this clearly disposes of this much publicized statement.

Now to the last question about which so much was charged, with no proof whatsoever offered to substantiate it, that is, "Was the work of the Seed Grading Laboratory a State function?" As Commissioner of Agriculture I unhesitatingly answer, "No, it was not".

I realized this when I called upon the Governor of South Carolina asking if it would be possible to get help to establish this laboratory from the Contingent Fund. I am sure that he knew this when he stated to me that the Contingent Fund could not at that time provide help for the project of this nature and stated to me that he hoped some plan could be worked out in a practical way that would help the farmer out in this emergency. I know, and all of you know, that the state cannot perform any service on a fee basis unless there be a specific law to cover this service and had such been the case the work would have been mandatory. Neither do I believe that if the legislature had been called upon to make this a compulsory service that it could, or would, have been able to do it. After all, it was an emergency war measure to fill a war need. Its duration was unknown and the scope of its work undetermined. Moreover it was a Federal matter to be handled by the Federal Government as it saw fit, and I cannot conceive of any theory upon which I could have asked the state to do this work.

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Dr. Meloy, the Federal representative, made it quite plain that where he had set up seed grading laboratories in other states, it was not a state function, as the Federal Government would, at all times, exercise control and supervision of its work and that such laboratory, to operate properly would have to be definitely divorced from any political subdivision of the state. Dr. Meloy further stated ~~that~~ at the time that he would not authorize, nor could he sign, a cooperative agreement with the state, but that he would recognize and license a chemist and sign an individual agreement with him so that at all times the equipment and functions of the laboratory would be subject to federal control.

He designated Mr. R. M. Simpson, a specialist in analyzing oils, as the government licensed chemist. It therefore follows that when the Federal Government made as one of its provisions that the laboratory be not operated as a function of the state; that the set-up was certainly, in the eyes of the Federal Government, not connected with the Department of Agriculture, a subdivision of the state of South Carolina.

Not only this, gentlemen, you know, as well as I, that where the state of South Carolina is concerned every penny received and every penny expended has to be appropriated by the state legislature and that vouchers must go to the Comptroller General for every item purchased, or for any expenses incurred. State vouchers are incident to state funds. Then too, the fact that rent was paid for the space was a recognition that the function of the laboratory was independent. Likewise, those who did this work were paid on the basis of overtime and I have yet to hear of any State agency paying its salaried based employees for overtime.

Speaking of overtime, allow me to make one observation at this point. Several of the employees of the Seed Grading Laboratory were in no manner connected with the state of South Carolina and drew their entire salary from the grading laboratory. I know it to be a fact that many times when their work was slack they assisted state employees with such work as they were doing. The extra work furnished by these outside employees was given freely by them and no compensation whatsoever did they receive from the State.

In preparing a chemical analysis it is not possible, like bookkeeping or other routine work, to stop on the minute and there may have been from time to time a possible overlapping of work. I am not prepared to state to you that there may have been times when state employees on state time did perform some duties connected with the laboratory, but I know, however, at no time did the work performed by them for the State of South Carolina suffer, and, considering the war emergency effort involved, I do not believe that there is a man or woman in the state who would not have been willing for the state to contribute its part in thus lending its effort to win the war. I know of many state officials who patriotically went over the entire length and breadth of this state making speeches on behalf of the sale of bonds and doing other patriotic duties on what might be termed state's time. I do not feel that they are subject to criticism and I commend them. I was one of them, and I would do the same thing again. When our country was engaged in a life and death struggle for its existence, the niceties of technicalities should, and are, shoved into discard, but as stated, I know that at no time did the State of South Carolina suffer thereby. During the

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entire war period the total state laboratory analysis increased, with the total for 1945-46 being greater than the year before the seed grading work began. This was done in the face of many shortages, with the fact that several of our key chemists were at that time in the service of our country. Not one single time did the work lag or get behind and not one single citizen complained to me by reason of our laboratory not performing promptly and efficiently the full service for which it was established.

This is what lawyers would call "prima facie evidence" that the seed grading laboratory did not interfere with the regular state work.

Personally, I am proud of the record that your Department of Agriculture accomplished during the war years and I am equally proud that the seed grading laboratory was organized, set up and functioned in an efficient and capable manner, and I commend the work and labor of all of those who had a part in making its contribution to the war effort that cannot be measured in dollars and cents. Fortunately, the function of the two laboratories did not conflict and it was only the willingness of the members of the Department which made this possible, but, I say again, that had it been necessary to encroach upon some of the state's time to help win the war, I am sure that I would have rendered my decision in favor of the war effort with full confidence that the patriotic citizens would have backed me up one hundred percent.

In conclusion, I might state that none of us knew how long this program would last. I, personally, thought one or maybe two seasons. At first I was very active in the administration because I had organized the laboratory and it was only natural that those interested wrote to me or held their conferences with me. I soon saw this would bring about an embarrassing situation as my mail and conferences always carried the background of my official capacity as Commissioner of Agriculture.

I rectified this as time went along and passed this work on to Mr. Sprott. And, I want to pay high respect to him for the fine job he has done. He has conducted the Seed Grading Laboratory in an admirable manner and at the same time carried out my orders that the functions of the State Department of Agriculture be kept entirely separate from the Seed Grading Laboratory.

I apologize to you, Gentlemen, for presenting such a lengthy statement, but I feel that in view of the fact that these unwarranted charges against the laboratory were circulated throughout the length and breadth of this state, that it was my duty to give you the facts exactly as they are. "

Mr. Tuten: Is the work of the Laboratory as heavy now as it has been in the past, and is it having to be continued over there now?

Mr. Jones: Yes, it will have to be continued if you serve the farmers of the State like you should. It would have to continue for the balance of this season to take care of the present crop. Mr. Doughtie can testify on that matter.

Testimony of Mr. R. T. Doughtie, Jr., Supervisor of Cottonseed Grading for the U. S. Department of Agriculture:

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Mr. Doughtie: Gentlemen, I have not prepared a statement. This is my first experience in a hearing of this kind, but I think I can answer any questions you might wish to ask.

Mr. Brown: What we want is any light we can get on the subject about which we are now making inquiry. How the seed grading laboratory came to be set up; under whose direction it was set up; why the necessity for it; its purpose; and what would have been the condition if it had not been set up.

Mr. Doughtie: The laboratory was set up in 1942 at the request of the Federal Government to provide facilities for grading cottonseed. Federal officials and interested cotton seed oil men negotiated with Mr. Jones and Mr. Sprott in establishing the laboratory as a private enterprise cooperating with the war food administration. The Federal Government could not deal with a State agency. If the laboratory had not been established the entire seed grading program of the Commodity Credit Corporation in this State would have been jeopardized. There were two other states in 1942 that asked for a laboratory, but were told a Federal Laboratory would not be approved as a State functioning laboratory.

Question: What connection do you have with the Laboratory?

Mr. Doughtie: My job is primarily to see that the chemist is kept on the straight and narrow path in analyzing the seed, to see that equipment purchased is approved and the work is kept up to standard. The set-up was such that I had to make trips to examine the equipment, make requisition for needs for equipment and to see if the seed grading was up to standard.

Mr. Brown: And this was done?

Mr. Doughtie: Yes. The Federal Government could not approve a laboratory operated by the State of South Carolina, but they approved state chemist, R. M. Simpson to supervise the work. He had been licensed by the government as a chemist prior to that time, when he was with the Chas. W. Rice Laboratory. The Federal Government did not establish a precedent by licensing a state employee to work under government supervision. The regulation is that the chemist be a commissioned chemist or employee of a laboratory doing general commercial work. The Government makes no regulation for a State Laboratory.

Mr. Brown: The Federal Government would not approve a State Laboratory but did approve State chemist, Mr. Simpson. Who would the Government contact if anything went wrong?

Mr. Doughtie: The Government does not have to contact anyone connected with the State. It would contact our licensed chemist who is responsible for the laboratory.

Mr. Tuten: Has the work of the laboratory come up to Govt. standards, and has it been beneficial to the farmers?

Mr. Doughtie: Yes, the nearest Government approved laboratory was in Atlanta, Ga. There was one - Thomas C. Law, in Macon, one in Savannah and one in Wilmington, N. C. The problem was that it was most difficult getting the samples any place except Atlanta. Savannah did not have enough equipment to do the work. The laboratory in Atlanta was behind with the samples.

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Mr. Brown: If the old Chas. W. Rice Laboratory had been in operation could they have done the work?

Mr. Doughtie: Yes, a commercial establishment could have done the Federal work. The State already had employees under the Federal Government who were familiar with the work, and fifty percent, if not more, of the Federal graders receive part of their pay from the states in which they are employed, and also receive government pay.

Mr. Tuten: Mr. Jones, I would like to ask the question as to whether or not the government wants this work continued.

Mr. Jones: Yes, they ask that the work be continued the balance of the season. The old crop of seed is still moving.

Mr. Doughtie: I hope nothing will be done to inactivate the laboratory at least until next July or August. Arrangements are being made whereby another commercial laboratory can be established, but it will be impossible to do it until next year, and the present crop should be handled by the existing laboratory.

Mr. Brown: And this would take care of the present crop? The Budget Commission must report to the Legislature and we want to know whether to request permission to continue the laboratory until next August.

Mr. Tuten: We would like to put in the record to the General Assembly whether or not it would be helpful to the farmers to continue the Laboratory until next August.

Mr. Doughtie: Without the laboratory the farmers would be delayed in getting their cottonseed to the market. The damage in value would be relatively high, for during delay the fatty acid content builds up and the seed begin to deteriorate.

Mr. Brown: And once the fatty acid content begins to go up the farmers' income begins to go down.

Mr. Doughtie: The sooner it is graded the better the prices.

Statement of Mr. E. H. Lawton, President and Treasurer of Hartsville Oil Mill:

Mr. Lawton: "Mr. C. C. Smith, in charge of the 1942 Cottonseed Program Processor Contract for Commodity Credit Corporation, designated South Carolina as one among other areas in which cottonseed should be purchased on the basis of United States standard grades.

The then existing seed grading laboratories were unable to handle the large volume of additional work thrown on them by this contract. President Hughes of the South Carolina Cottonseed Crushers' Association appointed a committee, of which I was a member, to cooperate with Dr. G. S. Meloy, in charge of seed grading for the Department of Agriculture, in arranging immediately for additional laboratory facilities for grading of cottonseed. This committee, after contacting Law & Company and other commercial laboratories and finding that they were unable to expand their facilities sufficiently to

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handle this additional business, contacted Commissioner Roy Jones and begged him to open a seed grading laboratory. We told him that it was necessary that this be done at once in order to promote the orderly marketing of cottonseed under Processor Contract. Commissioner Jones kindly consented to open such a laboratory, provided suitable apparatus and personnel could be obtained. My company loaned him a seed-drying oven and some other apparatus, and he was able to borrow additional apparatus from other companies. The laboratory was opened and approved by the Department of Agriculture, and since that time has analyzed cottonseed in an accurate and satisfactory manner. Our companies have paid the South Carolina Seed Grading Laboratory the regular commercial fee for all samples analyzed for us by them. We had nothing to do with the legal or financial setup of this laboratory and neither asked for nor received any compensation for apparatus loaned to them. Apparatus has since been returned to us.

We are deeply grateful to Commissioner Jones for opening and operating this laboratory and feel that he performed a necessary service for the farmers and oil mills of the State in so doing."

Governor Williams: Mr. Lawton, did the laboratory, in your opinion, render a service to the State?

Mr. Lawton: It definitely did render a service to the State. Our samples were thirty days behind and we were in a mess. I want to say that a distinct service was rendered to the State, the farmers, the business men, and also to the War effort.

Testimony of Mr. D. M. Lipscomb, Secretary S. C. Cottonseed Crushers Association:

Mr. Lipscomb: I have not prepared a statement, but I have some records I would like to present. I have here a telegram from Mr. C. C. Smith, in charge of the 1942 Cottonseed Program -

C O P Y

South Carolina Cottonseed Crushers Association
609 Palmetto Building
Columbia, S. C.

1942 Sep 5 PM 3 25

QA89
WB251 42 Govt-Washington DC 5 313P

D. M. Lipscomb, Secretary
South Carolina Cottonseed Crushers Association 609
Palmetto Bldg. Columbia SoCar--

IN VIEW OF LARGE VOTE AND IN ORDER TO PROCEED IN DEMOCRATIC WAY ALL UPLAND COTTONSEED IN SOUTH CAROLINA UNDER PROCESSORS CONTRACT SHALL BE PURCHASED BASIS UNITED STATES STANDARD GRADE. MELOY IN COLUMBIA TUESDAY AND WILL MAKE SUGGESTIONS ON METHODS UNTIL FULL EQUIPMENT AVAILABLE.

C. C. Smith

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Mr. Lipscomb: I also present a letter from Dr. Meloy about the situation:

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Adm.
Washington, D. C.

September 15, 1942

Mr. D. M. Lipscomb, Sec'y.
South Carolina Cottonseed Crushers Assn.
609 Palmetto Building
Columbia, S. C.

Dear Mr. Lipscomb:

I had quite a talk with Mr. Jones but I am not very sanguine of being able to work out the program with him. However, I am to meet with the folks in Columbia on Thursday, the 17th. In the meantime, I have just received the following telegram from Mr. Law:

"Under circumstances impossible for me to organize South Carolina situation my full time required here stop suggest if possible obtain leave of absence for Simpson and secure missing equipment from Southern Laboratories stop investigation indicates unsatisfactory to others to handle work at company laboratories stop would permit Simpson operate under our name but not interested in Habenicht proposition."

It does seem to me that Mr. Law's suggestion of securing a furlough or leave of absence without pay for Mr. Simpson, combined with the offer of the various mill laboratories to loan missing equipment, is the best prospect.

Mr. Simpson could operate the laboratory as his own or, as Mr. Law suggests, operate the laboratory for Law and Company.

Very truly yours,

(Signed) G. S. Meloy, in Charge
Grading & Marketing Cottonseed & Products
Cotton Branch.

C O P Y

Mr. Lipscomb: I contacted Mr. Jones about Mr. Simpson getting a leave of absence. Mr. Jones asked Mr. Simpson about it, but Mr. Simpson would not agree to leave the employ of the State. I asked Dr. Meloy about getting Mr. Jones to set up a laboratory. Most of our work in South Carolina was going to Atlanta. We had gotten to the point where we just could not get the work done. Dr. Meloy had an understanding with Mr. Jones that if the laboratory was set up, Mr. Simpson would be under the U. S. Department of Agriculture and that Mr. Jones would have nothing to do with the work of the laboratory.

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Governor Williams: Mr. Lipscomb, do you think a service was rendered the State?

Mr. Lipscomb: It distinctly was.

Mr. Doughtie: I would like to say that the cooperation given us since the Laboratory was set up has been as good, if not better, than that received in any other section.

Governor Williams Statement to the Press:

"We made a thorough investigation and every cent was accounted for. It went to the State employees who did the work. It is not up to us to say whether the department had a right to operate the laboratory as a private agency, or whether the state employees had a right to do overtime work. This is a matter for the Legislature to decide and not the Budget Commission. We are making a full report to the Legislature when it convenes in January."

Senator Brown's Statement to the Press:

"The Budget Commission is the Governor's advisory council and has to do almost solely with fiscal affairs and appropriations for operating the State Government. We have no right to say whether the Department of Agriculture employees should or should not engage in enterprises of this sort. All we can say is that everything not only should be right, but should look right."

"Copies of audit report of the Seed Grading Laboratory prepared by State Auditor J. M. Smith, were presented to the Press. "

E N D