BUYING AND SELLING ON STANDARD GRADES AND SPECIFICATIONS

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The following article was presented in the form of an address before the Pacific Foreign Trade Council at San Francisco, March 5. It shows very clearly the need for standard specifications in all fields, and its importance to the oil and fat industries is being recognized by the activity of the American Oil Chemists' Society along these same lines.—*The Editor.*

The United States Bureau of Standards has issued a "National Directory of Commodity Specifications," under date of August 28, 1925 (Miscellaneous Specification No. 65). So far as I am aware, this is the first effective effort that has been made to co-ordinate specifications for all commodities. It is to be sincerely hoped that from this first co-ordination will grow a system of nationally accepted Commodity Standards. Of those now existing some will be eliminated as obsolete, others now too general, will be amplified and new ones will be prepared as the demand for them arises.

The foreword of this "National Directory of Commodity Specifications" appears under the name of Herbert Hoover. Those of us who are engineers have long looked upon Secretary Hoover as a Moses who, in many instances, has shown the way out of the unprofitable desert of misunderstanding to the profitable country of agreement, and the light which he used is "Exact Knowledge of the Facts."

I will quote a few lines from this foreword: "Specifications are the formulated, definite and complete statements of what the buyer requires of the seller."

To this I think should be added: *or of what the seller has to offer to the buyer;* for it sometimes happens that the buyer asks for grade or quality which the seller cannot supply because of crop conditions, raw material limitations or other valid reasons beyond the seller's control. Also the seller often has a new commodity to offer and is the one who must specify its suitability and limitations.

To continue the quotation:

"Specifications must be adapted to the best practice of production and distribution. Their formulation requires the services of chemists, physicists, engineers and what not. *But,* '(and note well this 'but')' beyond this it requires something that has too often been neglected, and that is the added experience of the producer, the manufacturer and the user. No economy is to be obtained by formulating such a specification for an article as will require that it be specially manufactured when an article largely produced for commercial consumption will give equal service, or by setting up of such requirements as will necessitate increased cost of production without compensation in service."

"Buying on Specification" means simply knowing exactly what you want, asking for it and insisting on getting it.

"Selling on Specification" means knowing exactly what you have to sell and supplying your buyer exactly the same product each time.

Now when we add the word "Standard" and say "Buying and Selling on Standard Grade and Specification" we are going another step ahead; for that means that we are going to see first if we cannot adapt our requirements so that they will be filled by a Standard Specified Article instead of specifying an article which is a little off standard size or color, or of a purity which is unnecessary. Also, it means that the seller knows just what requirements he has to meet and he will not waste time nor money in offering a product that is not up to standard.

Application of knowledge to service requirements;
Co-ordination of similar demands:
Elimination of non-essential differences;
Balancing of cost against service improvement;
Taking fullest advantage of existing commercial varieties;
Formulation of adequate test or inspection methods.

These are given as the essentials in writing Standard Specifications. If these essentials are followed, the result will inevitably be the raising and stabilizing of the Quality of American Production.

In foreign trade, if we offer for sale "Standard" goods and always supply what we offer, we will get repeat orders. If—there is another "if" —if our customers fully understand what our standards mean as compared with their ideas of what they want. This calls for patience and a sincere effort on our part to get our customers point of view, whether that customer be in India, China, Japan or South America.

Further, importers have the further great problem of establishing such standards in foreign countries as will enable them to *buy* there under specifications which will enable them to sell in this country without regrading or reclassification.

In other words, what we have to work for is Buying and Selling under World Standards and Specifications. But first we must, as far as possible, and as rapidly as possible put our own house in order by conscientious, consistent, co-operative effort to find out what requirements the purchased article should meet and to furnish goods to meet these requirements, not once only, but every time.

To digress for a moment from Foreign Trade—You are all, doubtless, more or less familiar with the work of the Underwriters Laboratories at Chicago. The Standards for Materials of Construction and Manufactured Forms set up by these Laboratories are all the results of engineering tests, chemical analysis, etc. and also of industrial conferences between manufacturers, users and the laboratory representatives.

Now that is a point I wish to make: no satisfactory workable standards can be set up which do not combine the results of the best thought of the

manufacturer or producer and the user. These two may frequently require the assistance of engineers, chemists and as Mr. Hoover says "what not," in setting up these standards, and in devising tests to determine whether or not the standards are complied with.

Standards are not fixed and unchangeable. The world grows, we develop new materials for old uses and new uses for old materials. We improve products, and what fully met the requirements last year may not meet the requirements next year, and so our standards will have to be raised.

Not so many years ago Peanuts were bought and sold as Fair Average Quality Field Run. In some parts of the world they still are; but, as far as my experience goes, to only a limited extent in this country. The seller said the goods he sold *were* Fair Average Quality Field Run, the buyer (when he got the goods) perhaps said they were not Fair Average Quality. One man's opinion was frequently as good as anothers for no one could satisfactorily establish what Fair Average Quality meant in this case. There we have all the necessary elements of a nice little court case from which no one profited except the lawyers and they are not generally classed as importers and exporters.

Now, however, the seller offers 1925 crop Peanuts, Count 30-32, which will pass the spot test. A disinterested third party or the buyer himself can very quickly determine whether the goods are up to standard or not. If they are not, the seller knows it and he is not faced with the idea that perhaps the buyer is just trying to crawl out. On the other hand, if they are up to Standard the buyer can't reject because he knows he'll be licked if he goes to court, for the standard is a gauge of the commodity which is understandable and can be used by anyone who has good eyes and can count.

You sell steel and fertilizer to the Oriental Countries. Two quite different commodities. The steel is sold under standards established by the U. S. Bureau of Standards and the American Society for Testing Materials. The Fertilizer is also sold under standards which have been set up by the producer and the buyer. The producer knows what is the average ammonia content of the particular kind of Fertilizer he handles and he knows also what is the safe maximum he can guarantee. The Oriental Buyer knows now what minimum ammonia content he will accept and the contract is written accordingly, based on a standard. But the standard in this and other cases must include another provision: the Herring Meal must be "in sound and merchantable condition." While the meal might have had satisfactory ammonia content at time of sampling, if it is not in sound merchantable condition at time of shipment, it may be wholly unsatisfactory on arrival at destination. Ultimately we shall have a "World Standard" for Herring Fertilizers, for instance, which will be

based on the data obtained by the producers and users, assisted by chemists, over a period of years, which standard will represent an acceptable workable average.

Specifications should not be unnecessarily exacting, for instance, if Soya Bean Oil having free fatty acid content of 3 per cent is suitable for use in paint oil manufacture, specify this upper limit instead of the customary 2 per cent and take advantage of the shaded price and leave the lower acid oil for other uses or later purchase.

On the other hand they should not be so loose as to invite substitution or evasion. They should be written with care and, when used in contract forms, should be most carefully checked to avoid any possible misinterpretation.

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