

periods from \$0.05 to \$0.085 per 50-pound equivalent of onions.

The South Texas onion marketing order provides authority for the Committee, with the approval of USDA, to formulate an annual budget of expenses and collect assessments from handlers to administer the program. The members of the Committee are producers and handlers of South Texas onions. They are familiar with the Committee's needs and with the costs for goods and services in their local area, and are thus in a position to formulate an appropriate budget and assessment rate. The assessment rate is formulated and discussed in a public meeting, where all persons directly affected have an opportunity to participate and provide input.

For the 2001–02 and subsequent fiscal periods, the Committee recommended and USDA approved, an assessment rate that would continue in effect from fiscal period to fiscal period unless modified, suspended, or terminated by USDA upon recommendation and information submitted by the Committee or other information available to USDA.

The Committee met on July 11, 2002, and unanimously recommended 2002–03 expenses of \$127,002 for personnel, office, compliance, and partial promotion expenses. The assessment rate and specific funding for research and promotion projects were to be recommended at a later Committee meeting.

The Committee subsequently met on October 8, 2002, and recommended 2002–03 expenditures of \$463,297 and an assessment rate of \$0.085 per 50-pound equivalent of onions. Ten of the 13 Committee members present voted in support of the \$0.035 per 50-pound equivalent increase and three voted against it. The three Committee members voting against the recommendation were producer handlers who basically did not approve of the research and promotion budgets. In comparison, last year's budgeted expenditures were \$449,190. The Committee recommended the increased rate to fund a major market development program to promote the consumption of South Texas onions. Without the increase, the Committee's reserve fund would drop to \$16,053. The Committee believes a reserve that low would not be adequate for its operations.

The major expenditures recommended by the Committee for the 2002–03 fiscal period included \$72,002 for administrative expenses, \$35,000 for compliance, \$260,500 for promotion, and \$95,795 for research projects. Budgeted expenses for these items in

2001–02 were \$75,190, \$30,000, \$254,000, and \$90,000, respectively.

The assessment rate recommended by the Committee was derived by dividing anticipated expenses by expected shipments of South Texas onions. At the October 2002 meeting, onion shipments for the fiscal period were estimated at 5.5 million 50-pound equivalents, which would have provided \$467,500 in assessment income.

Since then, however, the Committee has become aware that the South Texas onion acreage is approximately 26 percent less than last season's 16,148-planted acres. The Committee met January 6, 2003, to discuss reports of the reduced acreage. Based on the estimated 26 percent reduced production, shipments are estimated to be 4,070,000 fifty-pound equivalents. The Committee recommended a 40 percent reduction to a market development program previously funded at \$225,000 and a 50 percent cut to three onion research projects. The revised \$325,400 budget for 2002–03 includes reductions of \$90,000 and \$47,898 in promotion and research, respectively. The Committee did not recommend a change in the proposed assessment rate.

With shipments of 4,070,000 fifty-pound equivalents, assessment income in 2002–03 should total \$345,950. Income derived from handler assessments should be adequate to cover budgeted expenses. Funds in the reserve (currently \$204,350) would be kept within the maximum permitted by the order (approximately two fiscal periods' expenses, \$ 959.43).

The assessment rate established in this rule will continue in effect indefinitely unless modified, suspended, or terminated by USDA upon recommendation and information submitted by the Committee or other available information.

Although this assessment rate will be in effect for an indefinite period, the Committee will continue to meet prior to or during each fiscal period to recommend a budget of expenses and consider recommendations for modification of the assessment rate. The dates and times of Committee meetings are available from the Committee or USDA. Committee meetings are open to the public and interested persons may express their views at these meetings. USDA will evaluate Committee recommendations and other available information to determine whether modification of the assessment rate is needed. Further rulemaking will be undertaken as necessary. The Committee's 2002–03 budget has been reviewed and approved by USDA. Those for subsequent fiscal periods will

be reviewed and, as appropriate, approved by USDA.

Final Regulatory Flexibility Analysis

Pursuant to requirements set forth in the Regulatory Flexibility Act (RFA), the Agricultural Marketing Service (AMS) has considered the economic impact of this rule on small entities. Accordingly, AMS has prepared this final regulatory flexibility analysis.

The purpose of the RFA is to fit regulatory actions to the scale of business subject to such actions in order that small businesses will not be unduly or disproportionately burdened. Marketing orders issued pursuant to the Act, and the rules issued thereunder, are unique in that they are brought about through group action of essentially small entities acting on their own behalf. Thus, both statutes have small entity orientation and compatibility.

There are approximately 90 producers of onions in the production area and approximately 35 handlers subject to regulation under the marketing order. Small agricultural producers are defined by the Small Business Administration (SBA) (13 CFR 121.201) as those having annual receipts less than \$750,000, and small agricultural service firms are defined as those whose annual receipts are less than \$5,000,000.

Most of the handlers are vertically integrated corporations involved in producing, shipping, and marketing onions. For the 2001–02 fiscal period, the industry's 35 handlers shipped onions produced on 16,148 acres with the average and median volume handled being 152,446 and 136,810 fifty-pound bag equivalents, respectively. In terms of production value, total revenues for the 35 handlers were estimated to be \$39.9 million, with average and median revenues being \$1.1 million and \$1.0 million, respectively.

The South Texas onion industry is characterized by producers and handlers whose farming operations generally involve more than one commodity, and whose income from farming operations is not exclusively dependent on the production of onions. Alternative crops provide an opportunity to utilize many of the same facilities and equipment not in use when the onion production season is complete. For this reason, typical onion producers and handlers either produce multiple crops or alternate crops within a single year.

Based on the SBA's definition of small entities, the Committee estimates that all of the 35 handlers regulated by the order would be considered small entities if only their spring onion revenues are considered. However,