

revenues from other productive enterprises would likely push a large number of these handlers above the \$5,000,000 annual receipt threshold. All of the 90 producers may be classified as small entities based on the SBA definition if only their revenue from spring onions is considered. When revenues from all sources are considered, a majority of the producers would not be considered small entities because receipts would exceed \$750,000.

This rule increases the assessment rate established for the Committee and collected from handlers for the 2002–03 and subsequent fiscal periods from \$0.05 to \$0.085 per 50-pound equivalent of onions. The Committee recommended 2002–03 expenditures of \$463,297 and an assessment rate of \$0.085 per 50-pound equivalent. The assessment rate of \$0.085 is \$0.035 higher than the 2001–02 rate.

In October 2002, 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 Committee recommended the increased rate to fund a major market development program to promote the consumption of South Texas onions without having to draw a large amount from reserves.

The Committee reviewed and recommended 2002–03 expenditures of \$463,297, which included increases in research and promotion programs. Prior to arriving at this budget, the Committee considered information from various sources, including the Executive Committee and the Research and Market Development Subcommittees. Numerous alternative expenditure levels were discussed by these groups based upon the relative value of various research and promotion projects to the onion industry. The assessment rate of \$0.085 per 50-pound equivalent of assessable onions was then determined by dividing the total recommended budget by the quantity of assessable onions, estimated at 5.5 million 50-pound equivalents for the 2002–03 fiscal period.

The quantity of assessable onions for the 2002–03 fiscal period was initially estimated at 5.5 million 50-pound equivalents. Thus, the \$0.085 rate would have provided \$467,500 in assessment income, and income derived from handler assessments would have been adequate to cover the \$463,297 budget. This is approximately \$4,203

above the anticipated expenses, which the Committee determined to be acceptable.

As mentioned earlier, the Committee met again on January 6, 2003, to discuss reports of a 26 percent onion acreage reduction, and recommended an amended budget totaling \$325,400, based on a revised production estimate of 4,070,000 fifty-pound equivalents. The revised budget includes reduced promotion and research expenditures of \$170,500 and \$47,898, respectively. The Committee did not recommend changes to 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).

A review of historical information and preliminary information pertaining to the upcoming fiscal period indicates that the grower price for the 2002–03 fiscal period could range between \$8.60 and \$9.25 per 50-pound equivalent of onions. Therefore, the estimated assessment revenue for the 2002–03 fiscal period as a percentage of total grower revenue could be about 1 percent.

This action increases the assessment obligation imposed on handlers. While assessments impose some additional costs on handlers, the costs are minimal and uniform on all handlers. Some of the additional costs may be passed on to producers. However, these costs are offset by the benefits derived by the operation of the marketing order. In addition, the Committee's meetings were widely publicized throughout the South Texas onion industry and all interested persons were invited to attend the meetings and participate in Committee deliberations on all issues. Like all Committee meetings, the October 8, 2002, and January 6, 2003, meetings were public meetings and all entities, both large and small, were able to express views on this issue.

This rule imposes no additional reporting or recordkeeping requirements on either small or large South Texas onion handlers. As with all Federal marketing order programs, reports and forms are periodically reviewed to reduce information requirements and duplication by industry and public sector agencies.

USDA has not identified any relevant Federal rules that duplicate, overlap, or conflict with this rule.

A proposed rule concerning this action was published in the **Federal Register** on December 26, 2002 (67 FR 78751). Copies of the proposal were also mailed to all onion handlers on December 26, 2002, by the Committee staff. Finally, the proposed rule was made available through the Internet by the Office of the Federal Register and USDA. A 30-day comment period ending January 27, 2003, was provided for interested persons to respond to the proposal. Eight comments were received during the comment period; six were in support of the assessment rate increase as published, and two comments opposed the proposed assessment rate increase.

One commenter in support of the increased assessment rate noted that the Committee, recognizing tight economic conditions in recent years, reduced the assessment rate two years ago and budgeted a deficit by setting an artificially low assessment rate. This commenter, as well as another commenter, believes the Committee allowed its reserves to get too low, and both fully support the assessment rate increase. The commenter also noted that the projected volume of onions would be low due to decreased plantings. Both commenters state that in spite of the Committee making further cuts in the original budget, decreased production dictates that the assessment rate be increased.

Another comment in support of the increased assessment rate noted that, without the increase the Committee would not be able to meet its research and marketing program obligations the industry has always funded. Two other favorable comments expressed the need for continuing to promote Texas onions in order to be able to compete with other onion-producing areas.

One comment, representing a grower and shipper in District 2 (Laredo-Winter Garden) of the South Texas onion order production area, stated that over half of District 2's season is not covered by the order. The commenter opposes the increased assessment rate because he believes that the Rio Grande Valley growers and shippers gain more from the Committee's research and marketing program activities. While it is true that the regulatory period, which the Committee approved, ends June 4 each year and only includes part of District 2's season, District 2 handlers do not pay assessments during the latter part of their onion season. District 2 growers and shippers continue to receive the benefit of the assessment because all Texas onions grown in the production area covered by the marketing order are promoted. Consequently, USDA