

paper based system. Also, it will reduce the amount of human error inherent in manually entering data. Thus, electronic reporting of tobacco sales will provide a more effective method of monitoring quota and greatly reduce the likelihood of fraud.

Economic Evaluation

Electronic reporting is expected to save approximately \$500,000 annually by eliminating manual processing of reports and the related printing, delivery, handling, and storage expenses. In addition, personnel at the receiving stations may save as much as 20,000 hours of labor annually by not having to manually report each purchase. Thus, this proposed rule will cost buyers substantially less than complying with current requirements for manually reporting tobacco purchases.

Conclusion

Reports from receiving stations will be maintained separately from those of "auction warehouses" and "dealers," in addition to the reporting being done electronically. The proposed reporting changes will benefit both the buyer and FSA:

- Buyers will not have to maintain both a manual and an electronic accounting of the purchase; and
- FSA will receive more timely reports of tobacco marketings and not have to manually input sales information.

The Proposed Rule

For the reasons stated in the preamble, the Farm Service Agency proposes to amend Part 723 and Part 1464 of the Regulations of the Department of Agriculture as follows:

PART 723—TOBACCO

1. The authority citation for 7 CFR Part 723 will continue to read as follows:

Authority: 7 U.S.C. 1301–1314, 1314–1, 1314b, 1314b–1, 1314b–2, 1314c, 1314d, 1314e, 1314f, 1314i, 1315, 1316, 1362, 1363, 1372–75, 1421, 1445–1, and 1445–2.

2. Amend § 723.104 by adding the following terms to paragraph (b) in the proper alphabetical order:

§ 723.104 Definitions.

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Contract Purchase. A non-auction purchase of tobacco between a buying tobacco company and a producer, who have previously entered into a contract describing conditions of the purchase.

Contract Tobacco. Non-auction tobacco purchased by a tobacco buying

company from a producer in accordance with a contract describing conditions of the purchase.

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Floor Scrap. Scrap or leaves of tobacco that accumulate on a receiving station floor before purchase during the regular course of business.

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Purchase Date. Date on which the gross amount of the purchase price of first marketing of tobacco is determined.

Purchase Day. Calendar day the tobacco was marketed at a receiving station.

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Receiving Station. A buying company-designated place where producers market tobacco under contract with the buying company.

Receiving Station Agent. A representative of the receiving station.

Receiving Station Gross Pounds Purchased. Sum of the weight of all purchased producer tobacco on a receiving station floor.

Receiving Station Official. A buying company designee at the receiving station with legal authority to obligate the buying company and who will be a point of contact concerning the day-to-day operations of the receiving station.

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Staging area. An area within the receiving station in which producer tobacco is unloaded and prepared to be marketed.

3. In § 723.305 revise paragraph (a)(1) introductory text to read as follows and remove paragraph (e)(4):

§ 723.305 Issuance of marketing cards.

(a) * * *

(1) A marketing card (MQ–76, MQ–76–C, or MQ–77) shall be issued for the current marketing year for each farm having quota tobacco available for marketing. Cards shall be issued in the name of the farm operator except that:

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4. In § 723.309 revise paragraphs (b) and (c), and add paragraph (d) to read as follows:

§ 723.309 Persons to pay penalty.

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(b) **Receiving station purchase.** The penalty due on marketings by a producer through a receiving station purchase shall be paid by the receiving station official, who may deduct an amount equivalent to the penalty from the price paid to the producer.

(c) **Non-auction sale.** The penalty due on tobacco acquired directly from a producer or dealer, other than at an auction sale or receiving station purchase, shall be paid by the person

acquiring the tobacco, who may deduct an amount equivalent to the penalty from the price paid to the producer or dealer in the case of a sale.

(d) **Marketing outside the United States.** The penalty due on marketings by a producer or dealer directly to any person outside the United States shall be paid by the producer or dealer making the sale.

5. In § 723.310 revise paragraphs (a) and (c) to read as follows:

§ 723.310 Date penalty is due.

(a) **Payment of penalty.** Penalties shall become due at the time the tobacco is marketed, except that in the case of false identification or failure to account for disposition, the penalty shall be due on the date of such false identification or failure to account for disposition. The penalty shall be paid by remitting the amount due to the State FSA office not later than the end of the calendar week in which the tobacco becomes subject to penalty. A draft, money order, or check drawn payable to the Farm Service Agency may be used to pay any penalty, but any such draft, money order, or check shall be received subject to payment at par.

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(c) **Receiving station purchases or non-auction sales.** Receiving station purchases or non-auction sales of excess tobacco shall be subject to the full rate of penalty, and such shall be paid in full even though the penalty may exceed the proceeds for the sale of tobacco.

6. In § 723.311 revise paragraphs (b)(3), (d)(2), (d)(2)(i), and (e) and add paragraph (b)(4) to read as follows:

§ 723.311 Lien for penalty; liability of persons who are affiliated with indebted person or who permit the indebted person to use their identification card.

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(b) * * *

(3) In the case of an indebted dealer, the debt is entered on the debt record of the State FSA office for the State in which the dealer is required to file reports; and

(4) In the case of an indebted receiving station official, the debt is entered on the debt record of the State FSA office for the State in which the receiving station is located.

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(d)(1) * * *

(2) A dealer, warehouse operator or receiving station official who permits an indebted person to use such dealer's or warehouse operator's identification card or receiving station official's identification number to market tobacco shall be liable for the amounts due by the indebted person to the United States