

The NAC met on May 1, 2003, and recommended 2003–04 expenditures of \$4,173,438 and an assessment rate of \$0.20 per 25-pound container or container equivalent of nectarines on a 7 to 1 vote. In comparison, last year's budgeted expenditures were \$4,671,342. The assessment rate of \$0.20 is \$0.01 higher than the rate currently in effect.

The dissenting voter stated that the growers he represented did not support increasing the assessment rate. However, later in the meeting, following a discussion about the development of a nectarine fruit beverage, the dissenter indicated he no longer opposed the assessment increase because the CTFA intended to fund beverage development. He further stated that funds used to create more outlets for nectarines will provide a service to the industry.

The rate increase was recommended to ensure that the NAC could meet its 2003–04 anticipated expenses and carry over a financial reserve that will provide adequate funds at the beginning of the 2004 season before assessment collections begin. A financial reserve carryover of about \$400,000 is desirable because major expense outlays for seasonal promotions and other activities occur before assessments are received. Increasing the assessment rate from \$0.19 to \$0.20 per 25-pound container is expected to provide about \$220,400 in additional assessment revenue, and will allow the NAC to start the 2004 season with about \$438,374.

The major expenditures recommended by the NAC for the 2003–04 fiscal period include \$226,121 for salaries and benefits, \$142,612 for general expenses and industry activities, \$1,210,220 for inspection, \$138,929 for research, and \$2,263,061 for domestic and international promotion. Budgeted expenses for these items in 2002–03 were \$505,000 for salaries and benefits, \$309,039 for general expenses and industry activities, \$1,050,000 for inspection, \$138,018 for research, and \$2,574,160 for domestic and international promotion.

The 2002–03 and 2003–04 budgeted expenses differ somewhat because the NAC reorganized some expense categories for 2003–2004. NAC's total expenses are significantly lower this fiscal year compared to last fiscal year.

The 2003–04 NAC assessment rate was derived after considering the total NAC expenses of \$4,173,438; the estimated assessable nectarines of 22,004,000 25-pound containers or container equivalents; the estimated income from other sources, such as interest; and the need for an adequate financial reserve to carry the NAC into the 2004 season. The committee decided

that a financial reserve of \$400,000 is necessary to meet its obligations in the early part of each season, before handler assessments are billed and received. To meet these goals, the NAC recommended an assessment rate of \$0.20 per 25-pound containers or container equivalent. According to the committee, that assessment rate will result in an adequate financial reserve, yet one well within the maximum permitted by the order (one year's expenses; \$ 916.42).

#### **PCC Assessment and Expenses**

The PCC recommended, for the 1996–97 fiscal period, and USDA approved, an assessment rate of \$0.19 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 PCC also met on May 1, 2003, and recommended 2003–04 expenditures of \$4,086,316 and an assessment rate of \$0.20 per 25-pound container or container equivalent of peaches on a vote of 12 to 1. In comparison, last year's budgeted expenditures were \$4,678,883. The assessment rate of \$0.20 is \$0.01 higher than the rate currently in effect.

The dissenting voter stated that the growers he represented did not support increasing the assessment rate, and he, therefore, could not support the increase.

The rate increase was recommended to ensure that the PCC could meet its 2003–04 anticipated expenses and carry over a financial reserve for the PCC which will provide adequate funds at the beginning of the 2004 season before assessment collections begin. A financial reserve carryover of \$500,000 is desirable because major expense outlays for seasonal promotions and other activities occur before assessments are received. Increasing the assessment rate from \$0.19 to \$0.20 per 25-pound container is expected to provide about \$213,360 in additional assessment revenue, and will allow the PCC to start the 2004 season with about \$530,586.

The major expenditures recommended by the PCC for the 2003–04 fiscal period include \$226,121 for salaries and benefits, \$144,743 for general expenses and industry activities, \$1,206,414 for inspection, \$138,930 for research, and \$2,211,346 for domestic and international promotion. Budgeted expenses for these items in 2002–03 were \$505,000 for salaries and benefits, \$206,747 for general expenses, \$1,100,000 for inspection, \$142,186 for

research, and \$2,529,036 for domestic and international promotion.

The 2002–03 and 2003–04 budgeted expenses differ somewhat because the PCC reorganized some expense categories for 2003–2004. PCC's total expenses are significantly lower this fiscal year compared to last fiscal year.

The 2003–04 PCC assessment rate was derived after considering the total PCC expenses of \$4,086,316; the estimated assessable peaches of 21,336,000 25-pound containers or container equivalents; the estimated income from other sources, such as interest; and the need for an adequate reserve to carry the PCC into the 2004 season. The committee decided that a financial reserve of \$500,000 is necessary to meet its obligations in the early part of each season, before handler assessments are billed and received. To meet these goals, the PCC recommended an assessment rate of \$0.20 per 25-pound container or container equivalent. According to the committee, that assessment rate will result in an adequate financial reserve, yet one well within the maximum permitted by the order (one year's expenses; \$ 917.38).

#### **Continuance of Assessment Rates**

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

Although these assessment rates will be in effect for an indefinite period, the committees 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 rates. The dates and times of committee meetings are available from the committees' website or USDA. Committee meetings are open to the public and interested persons may express their views at these meetings. USDA will evaluate the committees' recommendations and other available information to determine whether modification of the assessment rate for each committee is needed. Further rulemaking will be undertaken as necessary. The committee's 2003–04 budget and those for subsequent fiscal periods will be reviewed and, as appropriate, approved by USDA.

#### **Initial 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,