

require the tracking, identification, and recordkeeping that will be needed for covered commodities, USDA believes that per-unit costs for implementation of the proposed rule will be lower than would be the case under the voluntary COOL guidelines.

As discussed above, USDA believes that intermediaries will bear a portion of the burden of COOL tracking and labeling, which will lower implementation costs for retailers. USDA believes that virtually all frozen fruits and vegetables will be labeled by suppliers, thus imposing minimal incremental costs for retailers. In addition, a high proportion of fresh fruits and vegetables arrive at retail with labels or stickers that may be used to provide COOL information. USDA believes that fresh fruit and vegetable suppliers will provide COOL information on these labels and stickers, again imposing minimal incremental costs for retailers. Overall, USDA assumes that upper range costs for retailers will be \$0.015 per pound of fresh and frozen fruits and vegetables, for a total of \$720 million.

USDA identified no quantitative studies of the costs of mandatory

labeling on the peanut sector. The implementation costs for peanut farmers are assumed to be similar to costs incurred by fruit and vegetable farmers, because both groups of growers likely maintain similar types of records and information that will be needed to substantiate country of origin claims. As with fruits and vegetables, peanut farmers deliver raw product to intermediaries for processing and processors distribute product to wholesalers for distribution to retail and other outlets. Lacking additional information on implementation costs, USDA anticipates that upper range costs for the peanut sector will be similar to costs faced by the fresh and frozen fruit and vegetable sector. Therefore, USDA estimates that costs per pound for each segment of the industry will be the same: \$0.00025 for producers, \$0.005 for intermediaries and \$0.015 for retailers. As a result, USDA estimates upper range costs for the peanut industry of \$1 million for producers, \$4 million for intermediaries, and \$3 million for retailers, for a total of \$8 million.

USDA estimates total upper range incremental costs for this proposed rule of \$589 million for producers, \$1,517

million for intermediaries, and \$1,787 million for retailers for the first year. Total upper range incremental costs for all supply chain participants are estimated at \$3.9 billion for the first year.

There are wide differences in average estimated implementation costs for individual entities in different segments of the supply chain (Table 6). At the lower range, costs are estimated at an average of \$180 per producer, \$4,048 per intermediary, and \$49,581 per retailer at the firm level. At the establishment level, lower range costs are estimated at an average of \$180 per producer, \$3,443 per intermediary, and \$6,018 per retailer. With the exception of a small number of fishing operations, producer operations are single-establishment firms. Thus, average estimated costs per firm and per establishment are the same after rounding to the nearest dollar. Retailers subject to the proposed rule operate an average of just over eight establishments per firm. As a result, average estimated costs per retail firm also are just over eight times larger than average costs per establishment.

TABLE 6.—ESTIMATED FIRST-YEAR IMPLEMENTATION COSTS PER FIRM AND ESTABLISHMENT

	Lower range firm	Costs per establishment	Upper range firm	Costs per establishment
Producer .....	\$180	\$180	\$443	\$443
Intermediary .....	4,048	3,443	50,086	42,602
Retailer .....	49,581	6,018	396,089	48,073

At the upper range, average estimated implementation costs per producer remain relatively small at \$443. Estimated costs for intermediaries are substantially larger, averaging \$50,086 per firm and \$42,602 per establishment. At an average of \$48,073, retailers have the highest average estimated costs per establishment. Retailers also have the highest average estimated costs per firm, \$396,089.

Whether at the lower or upper range of estimated costs, the costs per firm and per establishment represent industry averages for aggregated segments of the supply chain. Large firms and establishments likely will incur higher costs relative to small operations due to the volume of commodities that they handle and the increased complexity of their operations. In addition, different types of businesses within each segment are likely to face different costs. Thus, the range of costs incurred by individual businesses within each segment is expected to be large, with some firms

incurring only a fraction of the average costs and other firms incurring costs many times larger than the average. Comments submitted by retailers on the voluntary guidelines (67 FR 63367) suggest that USDA's range of average estimated costs per store is reasonable. These firms estimated costs at approximately \$26,000 to \$54,000 per store, while USDA's range of estimated costs is approximately \$6,000 to \$48,000 per store (Refs. 32, 33, and 34).

Average costs per producer operation can be calculated according to the commodities that they produce (Table 7). Lower range costs average \$190 for livestock operations, \$103 for fish operations, and \$101 for fruit, vegetable, and peanut operations. At the upper range, average estimated costs are lowest for peanut producers (\$101) and highest for hog operations (\$2,241).

TABLE 7.—ESTIMATED FIRST-YEAR IMPLEMENTATION COSTS PER PRODUCER OPERATION

Producer type	Lower range costs	Upper range costs
Cattle .....	\$190	\$356
Sheep .....	190	231
Hogs .....	190	2,241
Fish .....	103	252
Fruit & Vegetable .....	101	510
Peanuts .....	101	101
All .....	180	443

The spread between the estimated lower and upper range costs is greatest for hog operations. The primary reason for this is that the lower range cost estimate reflects estimated recordkeeping burden and depends primarily on the number of operations rather than the volume of production per operation.

The upper range cost estimate reflects estimated costs per head, and depends primarily on the volume of production