

however, would not be subject to the requirements of this proposed rule.

Retailers covered by this proposed rule must meet the definition of a retailer as defined by PACA. The number of such businesses is estimated from PACA data (Ref. 18). The PACA definition of a retailer includes only those retailers handling fresh and frozen fruits and vegetables with an invoice value of at least \$230,000 annually. Therefore, the number of retailers impacted by this rule is considerably smaller than the number of food retailers nationwide. USDA data indicate that there are 4,512 retail firms as defined by PACA that would thus be subject to the proposed rule. As explained below, most small food store firms have been excluded from mandatory COOL based on the PACA definition of a retailer.

The 1997 Economic Census data provide information on the number of food store firms by sales categories. Of the 67,916 food store, warehouse club, and superstore firms, USDA estimates that there are 66,868 firms with annual sales meeting the SBA definition of a small firm and 1,048 other firms. USDA has no information on the identities of these firms, and the PACA database does not identify firms by North American Industry Classification System code that would enable matching with Economic Census data. USDA assumes, however, that all or nearly all of the 1,048 large firms would meet the definition of a PACA retailer because most of these larger food retailers likely would handle fresh and frozen fruits and vegetables with an invoice value of at least \$230,000 annually. Thus, USDA estimates that 77 percent (3,464 out of 4,512) of the retailers subject to the proposed rule are small. However, this is only 5.2 percent of the estimated total number of small food store retailers. In other words, an estimated 94.8 percent of small food store retailers would not be subject to the requirements of the proposed rule.

USDA estimates retailer costs under the proposed rule from a low of \$224 million to a high of \$1.8 billion. Costs per retail firm are estimated to range from a low of \$49,581 to a high of \$396,089. At the low end of the range of estimates, additional costs arise from setting up and maintaining a recordkeeping system, which USDA expects will be accomplished by modification of businesses' current recordkeeping systems. Average startup costs for setting up such recordkeeping systems are estimated at \$1,309 and recurring costs are estimated at \$48,272 per retail firm. On an establishment basis, average startup costs are

estimated at \$159 and recurring costs are estimated at \$5,859 per retail establishment. At the high end of the range, implementation costs are estimated at \$48,073 per retail establishment. Costs at the upper range of the range of estimates cannot be disaggregated into startup and recurring costs, but rather represents total first-year costs associated with implementation of the proposed rule. Retailers will face recordkeeping costs, costs associated with supplying country of origin information to consumers, costs associated with segmenting products by country of origin, and possibly additional handling costs. These cost increases may result in changes to retailer business practices. The proposed rule does not specify the systems that affected retailers must put in place to implement mandatory COOL. Instead, retailers will be given flexibility to develop their own systems to comply with the proposed rule. There are many ways in which the proposed rule's requirements may be met and firms will likely choose the least cost method in their particular situation to comply with the proposed rule.

Wholesalers: Any establishment that supplies retailers with one or more of the covered commodities will be required by retailers to provide country of origin information so that retailers can accurately supply that information to consumers. Of wholesalers potentially impacted by the proposed rule, SBA defines those having less than 100 employees as small. Importers of covered commodities will also be impacted by the proposed rule and are categorized as wholesalers in the data.

The 2000 Statistics of U.S. Businesses (Ref. 9) provides information on wholesalers by employment size. For meat and meat products wholesalers there is a total of 3,185 firms. Of these, 3,057 firms have less than 100 employees. This provides information that indicates that approximately 96 percent of meat wholesalers are considered as small firms using the SBA definition.

For fish and seafood wholesalers there are a total of 2,897 firms. Of these, 2,837 firms have less than 100 employees. Therefore, approximately 98 percent of the fish and seafood wholesalers could be considered as small firms.

For fresh fruit and vegetable wholesalers there are a total of 5,355 firms. Of these, 5,113 firms have less than 100 employees, resulting in approximately 95 percent of the fresh fruit and vegetable wholesalers being classified as small businesses.

In addition to specialty wholesalers that primarily handle a single covered

commodity, there are also general-line wholesalers that handle a wide range of products. We assume that these general-line wholesalers likely handle at least one and possibly all of the covered commodities. Therefore, we include the number of general-line wholesale businesses among entities affected by the proposed rule.

The 2000 Statistics of U.S. Businesses provides information on general-line grocery wholesalers by employment size. There were 3,183 firms in total, and 2,983 firms had less than 100 employees. This results in approximately 94 percent of the general-line grocery wholesalers being classified as small businesses.

In general, over 94 percent of the wholesalers are classified as small businesses. This indicates that most of the wholesalers impacted by mandatory COOL may be considered as small entities as defined by SBA.

USDA estimates that intermediaries (importers and domestic wholesalers, handlers, and processors) will incur costs under the proposed rule ranging from a low of \$123 million to a high of \$1.517 billion. Costs per intermediary firm are estimated to range from a low of \$4,048 to a high of \$50,086. As with retailers, lower-range costs for intermediaries arise from setting up and maintaining a recordkeeping system. Average startup costs for setting up such recordkeeping systems are estimated at \$1,309 and recurring costs are estimated at \$2,739 per intermediary firm. Average startup costs are estimated at \$1,113 and recurring costs are estimated at \$2,330 per intermediary establishment. At the high end of the range, implementation costs are estimated at \$42,602 per intermediary establishment. Costs at the upper range of estimates cannot be disaggregated into startup and recurring costs, but rather represent total first year costs associated with implementation of the proposed rule.

Wholesalers will encounter increased costs in complying with the mandatory COOL. Wholesalers will likely face increased recordkeeping costs, costs associated with supplying country of origin information to retailers, costs associated with segmenting products by country of origin, and possibly additional handling costs. Some of the comments received on the voluntary guidelines (67 FR 63367) from wholesalers and retailers have indicated that retailers may choose to source covered commodities from a single supplier that procures the covered commodity from only one country in an attempt to minimize the costs associated with complying with mandatory COOL. These changes in business practices