

could lead to the further consolidation of firms in the wholesaling sector. The proposed rule does not specify the systems that affected wholesalers must put in place to implement mandatory COOL. Instead, wholesalers 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. In addition, wholesalers have the option of supplying covered commodities to retailers or other suppliers that are not covered by the proposed rule.

Manufacturers: Any manufacturer that supplies retailers or wholesalers with a covered commodity will be required by retailers to provide country of origin information to retailers so that the information can be accurately supplied to consumers. Most manufacturers of covered commodities will likely print country of origin information on retail packages supplied to retailers. Of the manufacturers potentially impacted by the proposed rule, SBA defines those having less than 500 employees as small.

The 2000 Statistics of U.S. Businesses (Ref. 9) provides information on manufacturers by employment size. For livestock processing and slaughtering there is a total of 3,098 firms. Of these, 2,981 firms have less than 500 employees. This suggests that 96 percent of livestock processing and slaughtering operations would be considered as small firms using the SBA definition.

For seafood product preparation and packaging there is a total of 741 firms. Of these, 714 have less than 500 employees and thus, 96 percent are considered to be small firms.

For frozen fruit, juice, and vegetable manufacturers there is a total of 163 firms. There are 131 of these firms that are considered to be small. This suggests that 80 percent of the frozen fruit, juice, and vegetable manufacturers would be considered as small using the SBA definition.

There are a total of 140 roasted nuts and peanut butter manufacturers. Of these 140 firms, 121 could be considered as small. This results in 86 percent of the operations being considered small.

In general, approximately 95 percent of the manufacturers are classified as small businesses. This indicates that most of the manufacturers of covered commodities impacted by the proposed rule would be considered as small entities as defined by SBA.

Manufacturers are included as intermediaries and additional costs for these firms are discussed in the

previous section addressing wholesalers. Manufacturers of covered commodities will encounter increased costs in complying with the mandatory COOL. Manufacturers like 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 manufacturers have indicated that they may limit the number of sources from which they procure raw products. These changes in business practices could lead to the further consolidation of firms in the manufacturing sector. The proposed rule does not specify the systems that affected manufacturers must put in place to implement mandatory COOL. Instead, manufacturers 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.

Producers: Producers of the covered commodities fish, perishable agricultural commodities, and peanuts are directly impacted by this proposed rule. Producers of cattle, hogs, and sheep, while not directly covered by this rule will nevertheless be impacted because covered meat commodities are produced from livestock. Whether directly or indirectly impacted, these producers will more than likely be required by handlers and wholesalers to create and maintain country of origin information and transfer it to them so that they can readily transfer this information to retailers.

SBA defines a small agricultural producer as having annual receipts less than \$750,000. The 1997 Census of Agriculture (Ref. 16) shows there are 1,011,809 farms that raise beef cows, and USDA estimates that 20,696 of these have annual receipts greater than \$750,000. Thus, at least 98 percent of these beef cattle farms would be classified as small businesses according to the SBA definition. Similarly, an estimated 93 percent of hog farms would be considered as small and an estimated 99 percent of sheep and lamb farms would be considered as small.

Based on 1997 Census of Agriculture information, 92 percent of vegetable farms, 94 percent of fruit, nut, and berry farms, and 91 percent of peanut farms could be classified as small.

Based on 1998 Census of Aquaculture data, USDA estimates that at least 90 percent of fish and shellfish farming operations are small.

Similar information on fishing operations is not known to exist. However, it is assumed that the majority of these producers would be considered as small businesses.

At the production level, agricultural producers and fish harvesters will need to create, if necessary, and maintain records to establish country of origin information for the products they sell. This information will need to be conveyed as the products move through the supply chains. In general, additional producer costs include the cost of establishing and maintaining a recordkeeping system for the country of origin information, animal or product identification, and labor and training. Based on USDA's knowledge of the affected industries as well as comments received on the voluntary guidelines (67 FR 63367), USDA believes that producers already have much of the information available that could be used to substantiate country of origin. Cattle, hog, and lamb and sheep producers may have a slightly larger burden for recordkeeping than fruit, vegetable, and peanut producers because animals can be born in one country and fed and slaughtered in another country.

The costs for producers are expected to be relatively limited and should not have a larger impact on small producers than large producers. Producer costs are estimated to range from \$235 million to \$578 million, or an estimated \$180 to \$443 per firm. As with other affected businesses, lower-range costs for producers arise from setting up and maintaining a recordkeeping system. Average startup costs for setting up such recordkeeping systems are estimated at \$60 and recurring costs are estimated at \$121 per producer operation. In the case of producers, the firm and the establishment are considered as one and the same, with the exception of a small number of fishing operations. Thus, costs per firm and per establishment are the same after rounding to the nearest dollar. At the high end of the range, implementation costs are estimated \$443 per producer operation. 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.

Economic impact on small entities: Information on sales or employment is not available for all firms or establishments shown in Table 1. However, it is reasonable to expect that this proposed rule will have a substantial impact on a number of small businesses. At the wholesale and retail levels of the supply chain, the efficiency of these operations may be impacted as