

Committee's operating reserve at an acceptable level.

The major expenditures recommended by the Committee for the 2003–04 fiscal period include \$74,661 for personnel and office expenses, \$30,000 for compliance, and \$20,000 for promotion expenses. Budgeted expenses for these items in 2002–03 were \$72,002, \$35,000, and \$170,500, respectively.

The assessment rate recommended by the Committee was derived by dividing anticipated expenses by expected shipments of South Texas onions. Onion shipments for the fiscal period are estimated at 4 million 50-pound equivalents, which should provide \$120,000 in assessment income. Income derived from handler assessments, along with interest income and funds from the Committee's authorized reserve, would be adequate to cover budgeted expenses. Funds in the reserve (currently \$256,982) would be kept within the maximum permitted by the order (approximately two fiscal periods' expenses, § 959.43).

The proposed assessment rate would continue in effect indefinitely unless modified, suspended, or terminated by USDA upon recommendation and information submitted by the Committee or other available information.

Although this assessment rate would be in effect for an indefinite period, the Committee would continue to meet prior to or during each fiscal period to recommend a budget of expenses and consider recommendations for modification of the assessment rate. The dates and times of Committee meetings are available from the Committee or USDA. Committee meetings are open to the public and interested persons may express their views at these meetings. USDA would evaluate Committee recommendations and other available information to determine whether modification of the assessment rate is needed. Further rulemaking would be undertaken as necessary. The Committee's 2003–04 budget and those for subsequent fiscal periods would 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, AMS has prepared this initial regulatory flexibility analysis.

The purpose of the RFA is to fit regulatory actions to the scale of business subject to such actions in order

that small businesses will not be unduly or disproportionately burdened. Marketing orders issued pursuant to the Act, and the rules issued thereunder, are unique in that they are brought about through group action of essentially small entities acting on their own behalf. Thus, both statutes have small entity orientation and compatibility.

There are approximately 78 producers of onions in the production area and approximately 37 handlers subject to regulation under the marketing order. Small agricultural producers are defined by the Small Business Administration (SBA) (13 CFR 121.201) as those having annual receipts less than \$750,000, and small agricultural service firms are defined as those whose annual receipts are less than \$5,000,000.

Most of the handlers are vertically integrated corporations involved in producing, shipping, and marketing onions. For the 2002–03 marketing year, the industry's 37 handlers shipped onions produced on 12,740 acres with the average and median volume handled being 114,454 and 91,792 fifty-pound equivalents, respectively. In terms of production value, total revenues for the 37 handlers were estimated to be \$73 million, with average and median revenues being \$1.97 million and \$1.58 million, respectively.

The South Texas onion industry is characterized by producers and handlers whose farming operations generally involve more than one commodity, and whose income from farming operations is not exclusively dependent on the production of onions. Alternative crops provide an opportunity to utilize many of the same facilities and equipment not in use when the onion production season is complete. For this reason, typical onion producers and handlers either produce multiple crops or alternate crops within a single year.

Based on the SBA's definition of small entities, the Committee estimates that 36 of the 37 handlers regulated by the order would be considered small entities if only their spring onion revenues are considered. However, revenues from other productive enterprises would likely push a large number of these handlers above the \$5,000,000 annual receipt threshold. All of the 78 producers may be classified as small entities based on the SBA definition if only their revenue from spring onions is considered. When revenues from all sources are considered, a majority of the producers would not be considered small entities because receipts would exceed \$750,000.

This rule would decrease the assessment rate established for the Committee and collected from handlers for the 2003–04 and subsequent fiscal periods from \$0.085 to \$0.03 per 50-pound equivalent of onions. The Committee unanimously recommended 2003–04 expenditures of \$124,661 and an assessment rate of \$0.03 per 50-pound equivalent. The proposed assessment rate of \$0.03 is \$0.055 lower than the current rate. The quantity of assessable onions for the 2003–04 fiscal period is estimated at 4 million 50-pound equivalents. Thus, the \$0.03 rate should provide \$120,000 in assessment income. Income derived from handler assessments, along with interest income and funds from the Committee's authorized reserve, would be more than adequate to cover budgeted expenses.

The major expenditures recommended by the Committee for the 2003–04 fiscal period include \$74,661 for personnel and office expenses, \$30,000 for compliance, and \$20,000 for promotion expenses. Budgeted expenses for these items in 2002–03 were \$72,002, \$35,000, and \$170,500, respectively. In addition, the Committee budgeted \$47,900 for production research in 2002–03.

The Committee reviewed and unanimously recommended 2003–04 expenditures of \$124,661, which included increases in administrative expenses and decreases in the compliance and promotion expenses. The Committee did not approve any production research program expenses for 2003–04. Prior to arriving at this budget, the Committee considered information from various sources, including the Research and Market Development Subcommittee. Numerous alternative expenditure levels were discussed based upon the relative value of various promotion projects to the onion industry. The assessment rate of \$0.03 per 50-pound equivalent of assessable onions was then determined by dividing the total recommended budget by the quantity of assessable onions, estimated at 4 million 50-pound equivalents for the 2003–04 fiscal period.

A review of historical information and preliminary information pertaining to the upcoming fiscal period indicates that the grower price for the 2003–04 fiscal period could range between \$9.05 and \$19.05 per 50-pound equivalent of onions. Therefore, the estimated assessment revenue for the 2003–04 fiscal period as a percentage of total grower revenue could range between .16 and .33 percent.

This action would decrease the assessment obligation imposed on