

# Proposed Rules

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This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

## DEPARTMENT OF AGRICULTURE

### Office of the Secretary

#### 7 CFR Part 17

#### Regulations Governing the Financing of Commercial Sales of Agricultural Commodities

**AGENCY:** Foreign Agricultural Service, USDA.

**ACTION:** Advance Notice of Proposed Rulemaking.

**SUMMARY:** This document requests comments, prior to the publication of a proposed rule, concerning how to streamline and simplify the procedures used to arrange the purchase and shipment of commodities under the Public Law 480, title I program.

**DATES:** Comments in response to this document should be received by November 13, 1995.

**ADDRESSES:** Comments should be sent to: Mary T. Chambliss, Deputy Administrator, Export Credits, Foreign Agricultural Service, U.S. Department of Agriculture, room 4077, South Building, 14th and Independence, SW., Washington, DC. 20250-1031.

All comments will be available for public inspection during regular business hours in room 4549, South Building, U.S. Department of Agriculture, 14th and Independence Avenue, SW., Washington, DC.

**FOR FURTHER INFORMATION CONTACT:** Connie B. Delaplane, Director, P.L. 480 Operations Division, Foreign Agriculture Service, United States Department of Agriculture, 14th and Independence Avenue, SW, Washington, D.C. 20250-1033; telephone (202) 720-3664.

**SUPPLEMENTARY INFORMATION:** Title I of the Agricultural Trade Development and Assistance Act of 1954, as amended, (Pub. L. 480) authorizes the Commodity Credit Corporation (CCC) to finance the sale and exportation of agricultural commodities on concessional credit terms. 7 U.S.C. 1701 *et seq.*

CCC seeks comments and recommendations from the public on any ways in which the Pub. L. 480, title I program could be simplified or streamlined. Comments could include suggestions about program regulations, purchase authorizations, commodity and freight invitations for bids, letters of credit, letters of commitment, the sales approval process (including Form FAS-359, "Declaration of Sale"), ocean transportation (including Form CCC-106, "Advice of Vessel Approval") and any aspect of the program which could be improved.

#### Background

After CCC and the recipient country have signed a title I agreement, CCC issues a purchase authorization ("PA") which establishes general specifications for the commodity to be purchased, sets the contracting and delivery periods, and establishes conditions for CCC's financing of the commodity and any authorized ocean transportation costs. The recipient country issues, upon CCC approval, public Invitations for Bids (IFB's) for commodities and ocean transportation. These IFB's contain the country's requirements including precise commodity specifications, delivery dates, and payment documents. Subsequently the importer and suppliers of commodities and ocean transportation enter into contracts based on these public IFB's.

After the contracts have been entered into, the importer causes a letter of credit to be opened through a U.S. bank in favor of the commodity supplier; and a separate letter of credit in favor of the supplier of ocean transportation when CCC is financing any part of the ocean transportation. CCC also issues to that bank a Letter of Commitment pursuant to which CCC will reimburse the bank for payments made, or drafts accepted, under the letter of credit. See 7 CFR 17.15. In this manner, the supplier receives payment from the bank upon presentation of required documentation. The bank sends the documents to a specified Federal Reserve Bank, which debits CCC's account and sends the documents to CCC for post-audit.

In addition to soliciting comments generally on the Pub. L. 480, title I program, CCC is interested in receiving specific comments on three questions. First, could the PA be eliminated and the relevant portions of the PA be

incorporated into the financing regulations or the IFB's, as appropriate?

Second, because opening letters of credit can be time-consuming and costly for the importing country, should CCC simply pay the supplier directly for the commodity and ocean freight costs which are financed by CCC?

Finally, should CCC finance commodity contracts on a cost and freight basis, or a cost, insurance and freight basis, instead of requiring separate contracts for the commodity and the ocean transportation? Under these contracts the commodity supplier would be responsible for securing ocean transportation on U.S.-flag vessels as needed to meet the requirements of the Cargo Preference Act. In particular, comments are requested regarding the effect of such a change on small businesses, and on how CCC could identify the portion of the total offer price attributable to the commodity and that attributable to the ocean transportation. This is necessary to permit USDA to continue to perform price review on the commodity cost and provide the information necessary for the Maritime Administration to determine whether the U.S.-flag freight rate is "fair and reasonable."

CCC emphasizes that comments on any and all parts of the program are encouraged and that all comments will be carefully considered.

Signed at Washington, D.C. on July 17, 1995.

**Christopher E. Goldthwait,**

*General Sales Manager, Foreign Agricultural Service and Vice President, Commodity Credit Corporation.*

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## DEPARTMENT OF AGRICULTURE

### Agricultural Marketing Service

#### 7 CFR Parts 1005, 1006, 1007, 1011, 1012, 1013, and 1046

[Docket No. AO-388-A9, et al.; DA-95-22]

#### Milk in the Carolina and Certain Other Marketing Areas; Supplemental Notice of Hearing on Proposed Amendments to Tentative Marketing Agreement and Order

**AGENCY:** Agricultural Marketing Service, USDA.