

DEPARTMENT OF AGRICULTURE

Agricultural Marketing Service

7 CFR Part 981

[Docket No. FV99-981-4 FIR]

Almonds Grown in California; Revisions to Requirements Regarding Credit for Promotion and Advertising Activities

AGENCY: Agricultural Marketing Service, USDA.

ACTION: Final rule.

SUMMARY: The Department of Agriculture (Department) is adopting, as a final rule, without change, the provisions of an interim final rule revising the requirements regarding credit for promotion and advertising activities prescribed under the administrative rules and regulations of the California almond marketing order (order). The order regulates the handling of almonds grown in California and is administered locally by the Almond Board of California (Board). The order is funded through the collection of assessments from almond handlers. Under the terms of the order's regulations, handlers may receive credit toward their assessment obligation for certain expenditures for marketing promotion activities, including paid advertising. This rule revises the requirements regarding the activities for which handlers may receive such credit by allowing maximum credit for promoting almond products, under certain conditions. The changes are intended to encourage and support almond product development and thus increase the demand for almonds. The changes also clarify existing regulations.

EFFECTIVE DATE: March 3, 2000.

FOR FURTHER INFORMATION CONTACT: Martin Engeler, Assistant Regional Manager, California Marketing Field Office, Marketing Order Administration Branch, F&V, AMS, USDA, 2202 Monterey Street, suite 102B, Fresno, California 93721; telephone: (559) 487-5901, Fax: (559) 487-5906; or George Kelhart, Technical Advisor, Marketing Order Administration Branch, Fruit and Vegetable Programs, AMS, USDA, room 2525-S, P.O. Box 96456, Washington, DC 20090-6456; telephone: (202) 720-2491, Fax: (202) 720-5698.

Small businesses may request information on complying with this regulation by contacting Jay Guerber, Marketing Order Administration Branch, Fruit and Vegetable Programs, AMS, USDA, P.O. Box 96456, room 2525-S, Washington, DC 20090-6456;

telephone (202) 720-2491, Fax: (202) 720-5698, or E-mail: Jay.Guerber@usda.gov.

SUPPLEMENTARY INFORMATION: This rule is issued under Marketing Order No. 981, as amended (7 CFR part 981), regulating the handling of almonds grown in California, hereinafter referred to as the "order." The marketing order is effective under the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601-674), hereinafter referred to as the "Act."

The Department of Agriculture is issuing this rule in conformance with Executive Order 12866.

This rule has been reviewed under Executive Order 12988, Civil Justice Reform. This rule is not intended to have retroactive effect. This rule will not preempt any State or local laws, regulations, or policies, unless they present an irreconcilable conflict with this rule.

The Act provides that administrative proceedings must be exhausted before parties may file suit in court. Under section 608c(15)(A) of the Act, any handler subject to an order may file with the Secretary a petition stating that the order, any provision of the order, or any obligation imposed in connection with the order is not in accordance with law and request a modification of the order or to be exempted therefrom. A handler is afforded the opportunity for a hearing on the petition. After the hearing the Secretary would rule on the petition. The Act provides that the district court of the United States in any district in which the handler is an inhabitant, or has his or her principal place of business, has jurisdiction to review the Secretary's ruling on the petition, provided an action is filed not later than 20 days after the date of the entry of the ruling.

This rule continues in effect revisions to the requirements regarding credit for promotion and advertising activities prescribed under § 981.441 of the administrative rules and regulations of the order. The order is funded through the collection of assessments from almond handlers. Under the terms of the order's regulations, handlers may receive credit towards their assessment obligation for certain expenditures for marketing promotion activities, including paid advertising. This rule continues in effect revisions to the requirements regarding the activities for which handlers may receive such credit by allowing maximum credit for promoting almond products, under certain conditions. The changes also clarify existing regulations. The changes are intended to encourage and support

almond product development and thus increase the demand for almonds. This rule was unanimously recommended by the Board at a meeting on July 12, 1999, with additional justification approved via facsimile vote during the week of August 30, 1999.

The order provides authority for the Board to incur expenses for administering the order and to collect assessments from handlers to cover these expenses. Section 981.41(a) provides authority for the Board to conduct marketing promotion projects, including projects involving paid advertising. Section 981.41(c) allows the Board to credit a handler's assessment obligation with all or a portion of his or her direct expenditures for marketing promotion, including paid advertising, that promotes the sale of almonds, almond products, or their uses. Section 981.41(e) allows the Board to prescribe rules and regulations regarding such credit for market promotion, including paid advertising activities. Those regulations are prescribed in § 981.441.

The Department implemented several Board-recommended changes to the regulations regarding the criteria that must be met for handlers to receive credit for their promotional activities in July 1999 (64 FR 41023; July 29, 1999). However, the Department did not implement one Board recommendation concerning credit for promoting almond products at that time because of concerns regarding the lack of specified criteria to be used in reviewing claims and concerns about the claims review process. The Board and its staff reconsidered the issue, further developed the concept, and submitted a revised recommendation addressing the Department's concerns. The Department issued an interim final rule published in the **Federal Register** on November 1, 1999, implementing the revised recommendation (64 FR 58763). This rule continues in effect the provisions of that interim final rule.

Prior to implementation of the interim final rule, regulations crediting handlers' promotion of almond products limited any such credit to the portion of the product weight represented by almonds, or the handler's actual payment, whichever was less. This limitation, previously specified in § 981.441(e)(iv), was included because it was believed that while promoting almond products was important, such activity might also promote and increase sales of other ingredients in the product. Therefore, the amount of credit handlers could receive was established at less than the maximum of 66⅔ percent. This maximum level is specified in § 981.441(a).

The almond industry has historically been one of rapid growth. Recent years have been no exception, as almond acreage has increased substantially in the last decade. When coupled with increasing yields, production is expected to achieve record levels in coming years. The industry is faced with the prospect of selling these larger crops at a profitable return to producers. In order to achieve this, it is recognized that consumption and demand for almonds must be increased. Because a substantial portion of almonds are used as ingredients, an important method of increasing almond consumption is through increasing the consumption of almond products.

The previous regulations allowing only partial credit for promotion of all almond products were believed to have created a disincentive for handlers to develop, create and promote almond products. Therefore, the Board recommended and the Department implemented revised regulations to allow maximum credit-back to handlers for promoting almond products, under certain conditions. This rule continues in effect those revised regulations.

Since November 2, 1999, the effective date of the interim final rule implementing these changes, handlers have been able to receive credit against their assessment obligations in an amount not to exceed 66 $\frac{2}{3}$ percent of their proven expenditures for qualified activities for promotion of almond products. To receive this level of credit, the product must be owned or distributed by the handler and such ownership or distributorship must be stated on the package. Handler ownership or distributorship is required to eliminate the possible occurrence of utilizing industry funds to promote businesses outside the almond industry.

In addition, the product must display the handler's brand, or the words "California Almonds" on the primary, face label. This requirement is intended to ensure that the clear intent is to promote the consumption and use of California almonds, which is the basic requirement for all promotion under the almond order.

Under the rule, maximum credit is not allowed for promotion of mixed nut products. In the case of mixed nuts, and for other promotional activities of almond products that do not meet the aforementioned criteria, the amount of credit allowed continues to be the lesser of 66 $\frac{2}{3}$ percent of the handler's actual payment or that portion of the product weight represented by almonds. Mixed nuts do not qualify for the maximum credit because the thrust of eligible credit-back promotion activities is to

promote the consumption and use of California almonds, not other nuts. Also, many almond handlers are involved in handling and marketing other nuts, and almond funds could possibly be used to promote other nut industries and other nuts. Therefore, mixed nuts continue to be subject to the reduced level of credit-back based on the portion of the product weight represented by almonds. Accordingly, appropriate changes made by the interim final rule to § 981.441(e)(4) continue in effect unchanged.

Finally, this rule continues in effect specific language in the introductory text of § 981.441(e)(4) clarifying that no promotion of almonds or almond products shall be eligible for credit-back if the promotion results in price discounting of the handler's product. An example of price discounting is as follows. A retail store routinely places advertisements in a local newspaper for various products in an attempt to attract customers. The advertisement includes a handler's almonds. The handler makes arrangements with the retailer to pay for the advertisement. In essence, this "discounts" the price of the product to the retailer. While these types of arrangements occur, it is not the intent of promotion under the almond order to subsidize such activities through the credit-back program. Price discounting has not been allowed under the program, and this rule adds specific language to the regulations for clarity.

The Board recommended that these changes be applied retroactively to August 1, 1999. This would allow the revised regulations to apply to all promotional activities conducted from the beginning of the 1999-2000 crop year forward. The crop year began August 1, 1999, and ends July 31, 2000. Section 981.441 specifies the procedures that the Board follows in granting credit and billing handlers. The effective date of the interim final rule was November 2, 1999, and the provisions of the revised regulation will continue to be in effect from that date forward. Handler activities were conducted under program parameters in effect prior to the effective date of the interim final rule. Therefore, those parameters for activities conducted prior to the rule's effective date should be followed. Accordingly, handlers promoting products containing almonds prior to November 2, 1999, will be eligible to receive Credit-Back based on the portion of the product weight represented by almonds, or the handler's actual payment, whichever is less. For activities conducted on or after November 2, 1999, the activities must meet the revised criteria for handlers to

be eligible to receive Credit-Back at the maximum of 66 $\frac{2}{3}$ percent for promoting almond products. Submission of documentation should continue to be made in accordance with the provisions of the regulations as amended by the final rule that appeared in the July 29, 1999, **Federal Register** at 64 FR 41023.

Pursuant to requirements set forth in the Regulatory Flexibility Act (RFA), the Agricultural Marketing Service (AMS) has considered the economic impact of this action on small entities. Accordingly, AMS has prepared this final 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 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 105 handlers of California almonds who are subject to regulation under the order and approximately 6,000 almond producers in the regulated area. Small agricultural service firms have been defined by the Small Business Administration (13 CFR 121.601) as those having annual receipts of less than \$5,000,000, and small agricultural producers are defined as those having annual receipts of less than \$500,000.

Based on the most current data available, about 54 percent of the handlers ship under \$5,000,000 worth of almonds and 46 percent ship over \$5,000,000 worth on an annual basis. In addition, based on acreage, production, and grower prices reported by the National Agricultural Statistics Service, and the total number of almond growers, the average annual grower revenue is approximately \$195,000. In view of the foregoing, it can be concluded that the majority of handlers and producers of California almonds may be classified as small entities.

This rule continues in effect the provisions of an interim final rule made effective on November 2, 1999, revising the requirements regarding credit for promotion and advertising activities prescribed under § 981.441 of the administrative rules and regulations of the order, and clarifies the intent of one aspect of the existing regulations. The order is funded through the collection of assessments from almond handlers. Under the terms of the order's regulations, handlers may receive credit towards their assessment obligation for certain expenditures for marketing

promotion activities, including paid advertising. This rule continues in effect revisions to the requirements regarding the activities for which handlers may receive such credit by allowing maximum credit for promoting almond products, under certain conditions. The revisions also clarify existing regulations regarding disallowing promotional activities that result in price discounting. The changes are intended to encourage and support almond product development and thus increase the demand for almonds.

Prior to implementation of the interim final rule on November 2, 1999, regulations concerning crediting handlers' promotion of almond products limited any such credit to the portion of the product weight represented by almonds, or the handler's actual payment, whichever is less. This limitation was included because it was believed that while promoting almond products was important, such activity may also promote and increase sales of other ingredients in the product. Therefore, the amount of credit handlers could receive was established at less than the maximum of 66 $\frac{2}{3}$ percent. It is now believed that the potential for increasing demand for almonds by providing incentive through allowing maximum credit alleviates the prior concerns regarding promoting other ingredients.

Regarding the impact of this rule on affected entities, the changes specified herein regarding credit for product development are designed to provide incentive to almond handlers to create, develop, and promote almond products. Almonds are widely used as ingredients in other products, thus an important method of increasing almond consumption and demand is through increasing sales of almond products. Handlers in the almond industry will be rewarded for their innovation in developing almond products, while the entire industry will benefit from the resulting increased demand. Thus, the impact on all growers and handlers in the almond industry is expected to be positive. This is an additional tool for the industry to use to increase demand for their product in the face of increasing supplies.

The changes regarding price discounting clarify that handlers can not receive credit-back for promotional activities that result in price discounting of product. This activity has not been allowed under the regulations as it does not meet the intent of the program; the changes merely clarify the existing regulations. Disallowing price discounting results in a more efficient

and effective use of industry promotion funds.

Alternatives to the changes were considered. One alternative was to leave the regulations as they existed prior to implementation of the interim final rule. However, this did not address the issue of providing incentive and encouragement to handlers to promote almond products. Another alternative was to allow maximum credit only for new or unique products, with the Board to determine what products fit that description. This alternative was initially recommended by the Board but was not implemented by the Department because of concerns regarding the lack of specified criteria to be used in reviewing claims, and concerns about the claims review process. A third alternative considered was to allow maximum credit-back for all promotions concerning almond products. However, it was determined that certain criteria should be applied to product promotions to meet the intent of the program, for the following reasons. To receive maximum credit-back, the product must be owned or distributed by the handler, to ensure that credit is not granted for promoting products or businesses outside the almond industry. Packages must be labeled with the handler's name or the words "California Almonds" to help ensure the intent is to promote the consumption and use of California almonds, which is the basic requirement for all promotion under the order. Mixed nuts are subject to a reduced level of credit-back because handlers are and can be involved in handling and marketing other nuts, and if maximum credit were allowed, this could result in almond industry funds being used to promote other nut industries and other nuts. Moreover, the thrust of eligible credit-back promotion activities is to promote the consumption of California almonds, not other nuts, and it would not be appropriate to give mixed nut products the full 66 $\frac{2}{3}$ credit.

This rule imposes no additional reporting or recordkeeping requirements on either small or large almond handlers. In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35), the information collection requirements that are contained in this rule have been previously approved by the Office of Management and Budget (OMB) and have been assigned OMB No. 0581-0071. As with all Federal marketing order programs, reports and forms are periodically reviewed to reduce information requirements and duplication by industry and public sector agencies. In addition, as noted in

the initial regulatory flexibility analysis, the Department has not identified any relevant Federal rules that duplicate, overlap or conflict with this rule.

Additionally, the Board meeting was widely publicized throughout the almond industry and all interested persons were invited to attend the meeting and participate in Board deliberations. Like all Board meetings, the July 12, 1999, meeting was a public meeting and all entities, both large and small, were able to express their views on this issue. The Board itself is composed of 10 members, of which 5 are producers and 5 are handlers.

Also, the Board has a number of appointed committees to review certain issues and make recommendations to the Board. The Board formed a task force in July 1998 to review its credit-back advertising program. The task force met periodically during the following months to review the program and consider appropriate changes. The task force presented its recommendations to the Board's Public Relations and Advertising Committee on November 13, 1998, and that committee presented its recommendations to the Board on December 2, 1998, and March 5, 1999. The Department subsequently implemented all of the Board's recommended changes, except for those relating to almond products. The Board again recommended the changes associated with almond products on July 12, 1999, and its Public Relations and Advertising Committee and staff developed further clarification and justification for those changes which were approved by a Board facsimile vote during the week of August 30, 1999. All of these meetings were open to the public, and both large and small entities were able to participate and express their views.

An interim final rule concerning this action was published in the **Federal Register** on November 1, 1999. Copies of the rule were mailed to all Board members and almond handlers. In addition, the rule was made available through the Internet by the Office of the Federal Register. That rule provided for a 60-day comment period which ended January 3, 2000. No comments were received.

A small business guide on complying with fruit, vegetable and specialty crop marketing agreements and orders may be viewed at the following website: <http://www.ams.usda.gov/fv/moab/.html>. Any questions about the compliance guide should be sent to Jay Guerber at the previously mentioned address in the **FOR FURTHER INFORMATION CONTACT** section.

After consideration of all relevant material presented, including the information and recommendation submitted by the Board and other available information, it is found that finalizing the interim final rule, without change, as published in the **Federal Register** (64 FR 58763, November 1, 1999) will tend to effectuate the declared policy of the Act.

List of Subjects in 7 CFR Part 981

Almonds, Marketing agreements, Nuts, Reporting and recordkeeping requirements.

PART 981—ALMONDS GROWN IN CALIFORNIA

Accordingly, the interim final rule amending 7 CFR Part 981 which was published at 64 FR 58763 on November 1, 1999, is adopted as a final rule without change.

Dated: January 27, 2000.

Robert C. Keeney,

Deputy Administrator, Fruit and Vegetable Programs.

[FR Doc. 00-2193 Filed 2-1-00; 8:45 am]

BILLING CODE 3410-02-P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 99-NM-262-AD; Amendment 39-11463; AD 99-26-03 C1]

RIN 2120-AA64

Airworthiness Directives; McDonnell Douglas Model MD-11 Series Airplanes

AGENCY: Federal Aviation Administration, DOT.

ACTION: Final rule; correction.

SUMMARY: This document corrects information in an existing airworthiness directive (AD) that applies to certain McDonnell Douglas Model MD-11 series airplanes. That AD currently requires repetitive general visual inspections of the power feeder cables, terminal strip, fuseholder, and fuses of the galley load control unit (GLCU) within the No. 3 bay electrical power center to detect damage; and corrective actions, if necessary. This document revises the statement of the unsafe condition to correct the location of where potential smoke and fire may occur and to correct the description of the locations of the power feeder cables. This correction is necessary to ensure

that operators have a clear understanding of the unsafe condition.

DATES: Effective: January 4, 2000.

The incorporation by reference of certain publications, as listed in the regulations, was approved previously by the Director of the Federal Register as of January 4, 2000 (64 FR 71001, December 20, 1999).

FOR FURTHER INFORMATION CONTACT:

Brett Portwood, Aerospace Engineer, Systems and Equipment Branch, ANM-130L, FAA, Transport Airplane Directorate, Los Angeles Aircraft Certification Office, 3960 Paramount Boulevard, Lakewood, California 90712-4137; telephone (562) 627-5350; fax (562) 627-5210.

SUPPLEMENTARY INFORMATION: On December 7, 1999, the Federal Aviation Administration (FAA) issued AD 99-26-03, amendment 39-11463 (64 FR 71001, December 20, 1999), which applies to certain McDonnell Douglas Model MD-11 series airplanes. That AD requires repetitive general visual inspections of the power feeder cables, terminal strip, fuseholder, and fuses of the galley load control unit (GLCU) within the No. 3 bay electrical power center to detect damage; and corrective actions, if necessary. That AD was prompted by an incident of no power to the aft galleys and two incidents of sparking sounds coming from the aft galleys due to damage of the No. 3 and 4 wire assembly terminal lugs and overheating of the power feeder cables on the G3 GLCU. The actions required by that AD are intended to prevent such damage due to the accumulated effects over time from overheating of the power feeder cables on the G3 GLCU, which could result in smoke and fire in the G3 galley.

Need for the Correction

Although the unsafe condition described in AD 99-26-03 specified that smoke and fire could occur in the G3 galley, the FAA recently has obtained information indicating that the correct location is in the Central Accessory Compartment (CAC). This action also revises the statement of the unsafe condition to specify the correct location of the power feeder cable. The unsafe condition described in AD 99-26-03 specified the "power feeder cable on the G3 galley load control unit (GLCU)." The correct locations of the power feeder cables are on the No. 3 and 4 GLCU. Therefore, the statement of the unsafe condition has been revised to read, "to prevent damage to the wire assembly terminal lugs and overheating of the power feeder cables on the No. 3

and 4 GLCU, which could result in smoke and fire in the CAC.

The FAA has determined that a correction to AD 99-26-03 is necessary. This action will provide operators with a clear understanding of the location where fire and smoke may occur if the specified unsafe condition is not prevented.

Correction of Publication

This document corrects the errors and correctly adds the AD as an amendment to section 39.13 of the Federal Aviation Regulations (14 CFR 39.13).

The AD is reprinted in its entirety for the convenience of affected operators. The effective date of the AD remains January 4, 2000.

Since this action only corrects the location of potential fire and smoke described in the description of the unsafe condition and revises certain associations with the power feeder wire assembly, it has no adverse economic impact and imposes no additional burden on any person. Therefore, the FAA has determined that notice and public procedures are unnecessary.

List of Subject in 14 CFR Part 39

Air transportation, Aircraft, Aviation safety, Incorporation by reference, Safety.

Adoption of the Correction

Accordingly, pursuant to the authority delegated to me by the Administrator, the Federal Aviation Administration amends part 39 of the Federal Aviation Regulations (14 CFR part 39) as follows:

PART 39—AIRWORTHINESS DIRECTIVES

1. The authority citation for part 39 continues to read as follows:

Authority: 49 U.S.C. 106(g), 40113, 44701.

§ 39.13 [Corrected]

2. Section 39.13 is amended by correctly adding the following airworthiness directive (AD):

99-26-03 C1 McDonnell Douglas:

Amendment 39-11463. Docket 99-NM-262-AD.

Applicability: Model MD-11 series airplanes, as listed in McDonnell Douglas Alert Service Bulletin MD11-24A160, Revision 01, dated November 11, 1999; certificated in any category.

Note 1: This AD applies to each airplane identified in the preceding applicability provision, regardless of whether it has been modified, altered, or repaired in the area subject to the requirements of this AD. For airplanes that have been modified, altered, or repaired so that the performance of the