

paragraph (b)(11)(ii) of this section may be credited toward the 640-hour minimum for students pursuing degrees under paragraphs (b)(1)(i)(D) through (F) of this section;

(B) Completed a course of academic study from an accredited school conferring a diploma, certificate, or degree, within the 120-day period preceding the appointment;

(C) Received a favorable recommendation regarding such an appointment by an official of the agency or agencies in which the job-related work experience was acquired; and

(D) Met the qualification standards for the position to which the student will be appointed.

(ii) To be creditable under paragraph (b)(11)(i)(A) of this section, work experience must be in a field or functional area that is related to the student's target position/career field and must be acquired either under a Student Educational Employment Program appointment, any previous Federal appointment (e.g. fellowships and similar programs in accordance with 5 CFR 213.3102(r)), or while the student:

(A) Worked in, but not for, a Federal agency, pursuant to a formal work-study agreement comparable to the SCEP agreements under 213.3202(b)(12) between the agency and an accredited academic institution; to include those student volunteers as defined by 5 CFR part 308;

(B) Worked in, but not for, a Federal agency, pursuant to a written contract comparable to the SCEP agreements under 213.3202(b)(12) between the agency and an organization officially established to provide internship experiences to students; or

(C) Served as an active duty member of the armed forces of the United States (including the National Guard and Reserves), as defined in 5 U.S.C. 2101, and has been discharged or released from active duty in the armed forces under honorable conditions.

(iii) Agencies may waive up to one-half (i.e., 320 hours) of the 640-hour minimum service requirement in paragraph (b)(11)(i)(A) of this section if a student enrolled in an accredited college or university completes 320 hours of career-related work experience under a Student Educational Employment Program appointment and has demonstrated high potential, as evidenced by outstanding academic achievement and exceptional job performance.

(A) Outstanding academic achievement must be demonstrated by an overall grade point average of 3.5 or better, on a 4.0 scale; standing in the top 10 percent of the student's graduating

class; and/or induction into a nationally-recognized scholastic honor society. Notwithstanding these differences, agencies may still refer to "superior academic achievement" in OPM's *Qualifications Standards for General Schedule Positions* available on the OPM Web site at <http://www.opm.gov> to obtain specific guidance on GPA, class standing, and nationally recognized honor societies.

(B) Exceptional job performance must be demonstrated by a formal evaluation conducted by the student's work-study supervisor(s), in a manner consistent with the applicable performance appraisal program established under an approved performance appraisal system.

(iv) Service credited under paragraphs (b)(ii)(A) and (B) of this section is not creditable for any other purpose of this chapter. Student volunteer service under part 308 of this chapter and fellows appointed under 5 CFR 213.3102(r) may be evaluated, considered, and credited under this section when that experience is determined to be comparable in scope to experience gained in the Student Career Experience Program.

(v) Noncompetitive conversion may be to a position within the same agency or any other agency within the Federal Government but must be to an occupation related to the student's academic training and work-study experience.

(vi) Agencies that noncompetitively convert a Student Career Experience Program graduate to a term appointment may also noncompetitively convert that individual to a career or career-conditional appointment before the term appointment expires.

\* \* \* \* \*

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BILLING CODE 6325-39-P

## DEPARTMENT OF AGRICULTURE

### Agricultural Marketing Service

#### 7 CFR Part 982

[Docket No. FV06-982-1 FIR]

#### Hazelnuts Grown in Oregon and Washington; Establishment of Final Free and Restricted Percentages for the 2005-2006 Marketing Year

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

**ACTION:** Final rule.

**SUMMARY:** The Department of Agriculture (USDA) is adopting, as a final rule, without change, an interim

final rule establishing final free and restricted percentages for domestic inshell hazelnuts for the 2005-2006 marketing year under the Federal marketing order for hazelnuts grown in Oregon and Washington. This rule continues in effect the final free and restricted percentages of 11.4388 and 88.5612 percent, respectively. The percentages allocate the quantity of domestically produced hazelnuts which may be marketed in the domestic inshell market (free) and the quantity of domestically produced hazelnuts that must be disposed of in other approved outlets (restricted). Volume regulation is intended to stabilize the supply of domestic inshell hazelnuts to meet the limited domestic demand for such hazelnuts with the goal of providing producers with reasonable returns. This rule was recommended unanimously by the Hazelnut Marketing Board (Board), which is the agency responsible for local administration of the marketing order.

**DATES:** *Effective Date:* May 11, 2006.

This rule applies to all 2005-2006 marketing year restricted hazelnuts until they are properly disposed of in accordance with applicable marketing order requirements.

#### FOR FURTHER INFORMATION CONTACT:

Barry Broadbent, Northwest Marketing Field Office, Marketing Order Administration Branch, Fruit and Vegetable Programs, AMS, USDA, 1220 SW., Third Avenue, Suite 385, Portland, OR 97204; Telephone: (503) 326-2724, Fax: (503) 326-7440; or George J. Kelhart, Technical Advisor, Marketing Order Administration Branch, Fruit and Vegetable Programs, AMS, USDA, 1400 Independence Avenue, SW., STOP 0237, Washington, DC 20250-0237; Telephone: (202) 720-2491, Fax: (202) 720-8938.

Small businesses may request information on complying with this regulation by contacting Jay Guerber, Marketing Order Administration Branch, Fruit and Vegetable Programs, AMS, USDA, 1400 Independence Avenue, SW., STOP 0237, Washington, DC 20250-0237; Telephone: (202) 720-2491, Fax: (202) 720-8938, or E-mail: [Jay.Guerber@usda.gov](mailto:Jay.Guerber@usda.gov).

**SUPPLEMENTARY INFORMATION:** This rule is issued under Marketing Agreement No. 115 and Marketing Order No. 982, both as amended (7 CFR part 982), regulating the handling of hazelnuts grown in Oregon and Washington, hereinafter referred to as the "order." The 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 (USDA) is issuing this rule in conformance with Executive Order 12866.

This rule has been reviewed under Executive Order 12988, Civil Justice Reform. It is intended that this action apply to all merchantable hazelnuts handled during the 2005–2006 marketing year (July 1, 2005, through June 30, 2006). 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 USDA 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, USDA 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 USDA'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 free and restricted percentages which allocate the quantity of domestically produced hazelnuts which may be marketed in domestic inshell markets (free) and hazelnuts which must be exported, shelled, or otherwise disposed of by handlers (restricted). The Board met and, after determining that volume regulation would tend to effectuate the declared policy of the Act, developed a marketing policy to be employed for the duration of the 2005–2006 marketing year. Using statistical compilations and a well defined procedure, the Board estimated inshell trade demand and total available supply for the coming marketing year and subsequently used those estimates as the basis for computing and announcing the free and restricted marketing percentages for the year.

The Board determined that, for the 2005–2006 marketing year, projected inshell trade demand is 3,095 tons and projected total available new supply is 27,057 tons. Using those estimates, the Board voted unanimously at their November 15, 2005, meeting to recommend to USDA that the final free and restricted percentages for the 2005–2006 marketing year be established at

11.4388 and 88.5612 percent, respectively.

The Board's authority to recommend volume regulation and use computations to determine the allocation of hazelnuts to individual markets is specified in § 982.40 of the order. Under the order's provisions, free and restricted market allocations of hazelnuts are expressed as percentages of the total supply subject to regulation and are derived by dividing the computed inshell trade demand by the Board's estimate of the total domestically produced supply of hazelnuts that will be available over the course of the marketing year.

Inshell trade demand, the key component of the marketing policy, is the quantity of inshell hazelnuts necessary to adequately supply the needs of the domestic market for the duration of the marketing year. The Board determines the inshell trade demand for each year and uses that estimate as the basis for setting the percentage of the available hazelnuts that handlers may ship to the domestic inshell market throughout the marketing season. The order specifies that the inshell trade demand be computed by averaging the preceding three years' trade acquisitions of inshell hazelnuts, allowing adjustments for abnormal crop or marketing conditions. The Board may increase the computed inshell trade demand by up to 25 percent, if market conditions warrant an increase.

Prior to September 20 of each marketing year, the Board follows a procedure, specified by the order, to compute and announce preliminary free and restricted percentages. The preliminary free percentage releases 80 percent of the adjusted inshell trade demand to the domestic market. The purpose of releasing only 80 percent of the inshell trade demand under the preliminary percentage is to guard against any potential underestimate of crop size. The preliminary free percentage is expressed as a percentage of the total supply subject to regulation where total supply is the sum of the estimated crop production less the three-year average disappearance plus the undeclared carry-in from the previous marketing year.

On or before November 15 of each marketing year, the Board must meet again to recommend interim final and final free and restricted percentages and to authorize permitted outlets for restricted percentages. Interim final percentages release 100 percent of the inshell trade demand (effectively releasing the 20 percent held back during the preliminary stage). Final percentages may release an additional

15 percent for desirable carryout and are effective 30 days prior to the end of the marketing year, or earlier as recommended by the Board.

On August 23, 2005, the National Agricultural Statistics Service (NASS) released an estimate of 2005 hazelnut production for the Oregon and Washington area at 28,000 dry orchard-run tons. NASS uses an objective yield survey method to estimate hazelnut production which has historically been very accurate.

On August 25, 2005, the Board met and estimated total available supply for the 2005 crop year at 27,057 tons. The Board arrived at this estimate by using the crop estimate compiled by NASS (28,000 tons) and then adjusting that estimate to account for disappearance and carry-in. The order requires the Board to reduce the estimate by the average disappearance over the preceding three years (1,075 tons) and to increase it by the amount of undeclared carry-in from previous years' production (132 tons).

Disappearance is the difference between the estimated orchard-run production and the actual supply of merchantable product available for sale by handlers. Disappearance can consist of (1) unharvested hazelnuts; (2) culled product (nuts that are delivered to handlers but later discarded); (3) product used on the farm, sold locally, or otherwise disposed of by producers; and (4) statistical error in the orchard-run production estimate.

Undeclared carry-in consists of hazelnuts that were produced in a previous marketing year but were not subject to regulation because they were not shipped during that marketing year. Undeclared carry-in is subject to regulation during the current marketing year and is accounted for as such by the Board.

As provided by the order, the Board computed inshell trade demand to be 3,095 tons by taking the average of the past three years' sales (2,775 tons), increasing the three year average by 15 percent to encourage increased sales (416 tons), and then reducing that quantity by the declared carry-in from last year's crop (96 tons). Declared carry-in is product regulated under the order during a preceding marketing year but not shipped during that year. This inventory must be accounted for when estimating the quantity of product to make available to adequately supply the market.

The Board computed and announced preliminary free and restricted percentages of 9.1511 percent and 90.8489 percent, respectively, at its August 25, 2005, meeting. The Board

computed the preliminary free percentage by multiplying the adjusted trade demand by 80 percent and dividing the result by the total available supply subject to regulation (3,095 tons  $\times$  80 percent/27,057 tons = 9.1511 percent). The preliminary free percentage initially released 2,476 tons of hazelnuts from the 2005–2006 supply for domestic inshell use, and the preliminary restricted percentage withheld 24,581 tons for the export and kernel markets.

Under the order, the Board must meet again on or before November 15 to recommend interim final and final percentages. The Board uses current crop estimates to calculate interim final and final percentages. The interim final percentages are calculated in the same way as the preliminary percentages and release the remaining 20 percent (to

total 100 percent of the inshell trade demand) previously computed by the Board. Final free and restricted percentages may release up to an additional 15 percent of the average of the preceding three years' trade acquisitions to provide an adequate carryover into the following season (i.e., desirable carryout). The order requires that the final free and restricted percentages shall be effective 30 days prior to the end of the marketing year, or earlier, if recommended by the Board and approved by USDA. Revisions in the marketing policy can be made until February 15 of each marketing year, but the inshell trade demand can only be revised upward, consistent with § 982.40(e).

The Board met on November 15, 2005, and reviewed and approved an amended marketing policy and

recommended the establishment of final free and restricted percentages. The Board decided that market conditions were such that it would not be necessary to release additional domestic inshell hazelnuts to ensure adequate carryout. Accordingly, no interim final free and restricted percentages were recommended. The Board recommended final free and restricted percentages of 11.4388 and 88.5612 percent, respectively, and that those percentages be effective immediately. The final free percentage releases approximately 3,095 tons of inshell hazelnuts from the 2005–2006 supply for domestic use.

The final marketing percentages are based on the Board's final production estimate and the following supply and demand information for the 2005–2006 marketing year:

		Tons
Total Available Supply:		
(1) Production forecast (crop estimate) .....		28,000
(2) Less disappearance (three year average; 3.84 percent of Item 1) .....		1,075
(3) Merchantable production (Item 1 minus Item 2) .....		26,925
(4) Plus undeclared carry-in as of July 1, 2005 (subject to regulation) .....		132
(5) Available supply subject to regulation (Item 3 plus Item 4) .....		27,057
Inshell Trade Demand:		
(6) Average trade acquisitions of inshell hazelnuts (three prior years domestic sales) .....		2,775
(7) Add: Increase to encourage increased sales (15% of average trade acquisitions) .....		416
(8) Less: Declared carry-in as of July 1, 2005 (not subject to 2005–2006 regulation) .....		96
(9) Adjusted inshell trade demand (Item 6 plus Item 7 minus Item 8) .....		3,095
	Free	Restricted
Percentages:		
(10) Final percentages (Item 9 divided by Item 5) × 100 .....	11.4388	88.5612
(11) Final free tonnage (Item 9) .....	3,095	
(12) Final restricted tonnage (Item 5 minus Item 11) .....		23,962

In addition to complying with the provisions of the order, the Board also considered USDA's 1982 "Guidelines for Fruit, Vegetable, and Specialty Crop Marketing Orders" (Guidelines) when making its computations in the marketing policy. This volume control regulation provides a method to collectively limit the supply of inshell hazelnuts available for sale in domestic markets. The Guidelines provide that the domestic inshell market has available a quantity equal to 110 percent of prior years' shipments before allocating supplies for the export inshell, export kernel, and domestic kernel markets. This provides for plentiful supplies for consumers and for market expansion, while retaining the mechanism for dealing with oversupply situations. The established final percentages make available approximately 416 additional tons to encourage increased sales. The total free supply for the 2005–2006 marketing

year is estimated to be 3,095 tons of hazelnuts. That amount is 112 percent of prior years' sales and exceeds the goal of the Guidelines.

#### Final 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 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 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.

Small agricultural producers are defined by the Small Business Administration (13 CFR 121.201) as those having annual receipts of less than \$750,000, and small agricultural service firms are defined as those having annual receipts of less than \$6,500,000. There are approximately 700 producers of hazelnuts in the production area and approximately 18 handlers subject to regulation under the order. Average annual hazelnut revenue per producer is approximately \$64,000. This is computed by dividing NASS figures for the average value of production for 2003 and 2004 (\$44,863,000) by the number of producers. The level of sales of other crops by hazelnut producers is not known. In addition, based on Board records, about 83 percent of the handlers ship under \$6,500,000 worth of hazelnuts on an annual basis. In view of the foregoing, it can be concluded that the majority of hazelnut producers

and handlers may be classified as small entities.

Board meetings are widely publicized in advance of the meetings and are held in a location central to the production area. The meetings are open to all industry members and other interested persons who are encouraged to participate in the deliberations and voice their opinions on topics under discussion. Thus, Board recommendations can be considered to represent the interests of small business entities in the industry.

Currently, U.S. hazelnut production is allocated among three main market outlets: Domestic inshell, export inshell, and kernel markets. Handlers and producers receive the highest return for sales in the domestic inshell market. They receive less for product going to export inshell, and the least for kernels. Based on Board records of average shipments for 1995–2004, the percentage going to each of these markets was 11 percent (domestic inshell), 49 percent (export inshell), and 38 percent (kernels). Other minor market outlets make up the remaining 2 percent.

The inshell hazelnut market can be characterized as having limited and inelastic demand with a very short primary marketing period. On average, 76 percent of domestic inshell hazelnut shipments occur between October 1 and November 30, primarily to supply holiday nut demand. The inshell market is, therefore, prone to oversupply and correspondingly low producer prices in the absence of supply restrictions. This volume control regulation provides a method for the U.S. hazelnut industry to limit the supply of domestic inshell hazelnuts available for sale in the continental U.S. and thereby mitigate market oversupply conditions.

Many years of marketing experience led to the development of the current volume control procedures. These procedures have helped the industry solve its marketing problems by keeping inshell supplies in balance with domestic needs. Volume controls ensure that the domestic inshell market is fully supplied while protecting the market from the negative effects of oversupply.

Although the domestic inshell market is a relatively small portion of total hazelnut sales (11 percent of total shipments), it remains a profitable market segment. The volume control provisions of the marketing order are designed to avoid oversupplying this particular market segment, because that would likely lead to substantially lower producer prices. The other market segments, export inshell and kernels, are expected to continue to provide

good outlets for U.S. hazelnut production. Adverse weather conditions have negatively impacted production in the other hazelnut producing regions of the world, creating lower than normal world supplies. As a result, it is expected that the demand and producer price for U.S. hazelnuts will remain above average for some time.

In Oregon and Washington, low hazelnut production years typically follow high production years (a historically consistent pattern), and such was the case in 2005. The 2004 crop of 37,500 tons was 15 percent above the 10-year average (1995–2004) for hazelnut production. The 2005 crop is estimated to be 14 percent below the average. It is predicted that the 2006 crop will follow this pattern and will be larger than the current crop year. This cyclical trait also leads to inversely corresponding cyclical price patterns for hazelnuts. The intrinsic cyclical nature of the hazelnut industry lends credibility to the volume control measures enacted by the Board under the order.

Recent production and price data reflect the stabilizing effect of volume control regulations. Industry statistics show that total hazelnut production has varied widely over the 10-year period between 1995 and 2004, from a low of 16,500 tons in 1998 to a high of 49,500 tons in 2001. Production in the smallest crop year and the largest crop year were 47 percent and 151 percent, respectively, of the 10-year average of 32,685 tons. Producer price, however, has not fluctuated to the extent of production. Prices in the lowest price year and the highest price year were 90 percent and 150 percent, respectively, of the 10-year average price of \$959 per ton. The coefficient of variation (a standard statistical measure of variability; “CV”) for hazelnut production over the 10-year period is 0.36. In contrast, the coefficient of variation for hazelnut producer prices is 0.19, about half of the CV for production. The lower level of variability of price versus the variability of production provides an illustration of the order’s price-stabilizing impact.

Comparing revenue to cost at the producer level is useful in highlighting the impact on producers of recent product and price levels. A recent hazelnut production cost study from Oregon State University estimated cost-of-production per acre to be approximately \$1,340 for a typical 100-acre hazelnut enterprise. Average producer revenue per bearing acre (based on NASS acreage and value of production data) equaled or exceeded that typical cost level only three times

from 1995 to 2004. Average producer revenue was below typical costs in the other years. Without the stabilizing influence of the order, producers may have lost more money. While crop size has fluctuated, volume regulations contribute to orderly marketing and market stability by moderating the variation in returns for all producers and handlers, both large and small.

While the level of benefits of this rulemaking is difficult to quantify, the stabilizing effects of the volume regulations impact both small and large handlers positively by helping them maintain and expand markets even though hazelnut supplies fluctuate widely from season to season. This regulation provides equitable allotment of the most profitable market, the domestic inshell market. That market is available to all handlers, regardless of size.

As an alternative to this regulation, the Board discussed not regulating the 2005–2006 hazelnut crop. However, without any regulations in effect, the Board believes that the industry would tend to oversupply the inshell domestic market. Even though the 2005–2006 hazelnut crop is much smaller than last year’s crop and 16 percent below the ten-year average, the unregulated release of 27,057 tons on the domestic inshell market would oversupply that small, but lucrative market. The Board believes that any oversupply would completely disrupt the market, causing producer returns to decrease dramatically.

Section 982.40 of the order establishes a procedure and computations for the Board to follow in recommending to USDA establishment of preliminary, interim final, and final percentages of hazelnuts to be released to the free and restricted markets each marketing year. The program results in plentiful supplies for consumers and for market expansion while retaining the mechanism for dealing with oversupply situations.

Hazelnuts produced under the order comprise virtually all of the hazelnuts produced in the U.S. This production represents, on average, less than 3 percent of total U.S. production of all tree nuts, and less than 6 percent of the world’s hazelnut production.

Last season, 68 percent of the domestically produced hazelnut kernels were marketed in the domestic market and 32 percent were exported. Domestically produced kernels generally command a higher price in the domestic market than imported kernels. The industry is continuing its efforts to develop and expand other markets with emphasis on the domestic kernel market. Small business entities, both

producers and handlers, benefit from the expansion efforts resulting from this program.

Inshell hazelnuts produced under the order compete well in export markets because of quality. Based on Board statistics, Europe has historically been the primary export market for U.S. produced inshell hazelnuts. Recent years, though, have seen a significant shift in export destinations. Last season, inshell shipments to Europe totaled 4,304 tons, representing just 22 percent of exports, with the largest share going to Germany. Inshell shipments to Southwest Pacific countries, and Hong Kong in particular, have increased dramatically in the past few years, rising to 68 percent of total exports of 19,881 tons in 2004. The industry continues to pursue export opportunities.

There are some reporting, recordkeeping, and other compliance requirements under the order. The reporting and recordkeeping burdens are necessary for compliance purposes and for developing statistical data for maintenance of the program. The information collection requirements have been previously approved by the Office of Management and Budget under OMB No. 0581-0178. The forms require information which is readily available from handler records and which can be provided without data processing equipment or trained statistical staff. 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. This rule does not change those requirements. In addition, USDA has not identified any relevant Federal rules that duplicate, overlap, or conflict with this rule.

AMS is committed to compliance with the Government Paperwork Elimination Act (GPEA), which requires Government agencies in general to provide the public the option of submitting information or transacting business electronically to the maximum extent possible.

Further, the Board's meetings were widely publicized throughout the hazelnut industry and all interested persons were invited to attend the meetings and participate in Board deliberations. Like all Board meetings, those held on August 25, and November 15, 2005, were public meetings and all entities, both large and small, were able to express their views on this issue.

An interim final rule concerning this action was published in the **Federal Register** on January 12, 2006. Copies of this rule were mailed by the Board's staff to all Board members. In addition,

the rule was made available through the Internet by the Office of the Federal Register. A 60-day comment period ending March 13, 2006, was provided to allow interested parties to respond to the rule. No comments were received.

A small business guide on complying with fruit, vegetable, and specialty crop marketing agreements and orders may be viewed at: <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 hereby found that finalizing the interim final rule, without change, as published in the **Federal Register** (71 FR 1921, January 12, 2006) will tend to effectuate the declared policy of the Act.

#### List of Subjects in 7 CFR Part 982

Filberts, Hazelnuts, Marketing agreements, Nuts, Reporting and recordkeeping requirements.

#### PART 982—HAZELNUTS GROWN IN OREGON AND WASHINGTON

■ Accordingly, the interim final rule amending 7 CFR part 982 which was published at 71 FR 1921 on January 12, 2006, is adopted as a final rule without change.

Dated: April 5, 2006.

Lloyd C. Day,

*Administrator, Agricultural Marketing Service.*

[FR Doc. 06-3417 Filed 4-10-06; 8:45 am]

BILLING CODE 3410-02-P

#### FARM CREDIT ADMINISTRATION

##### 12 CFR Parts 611, 612, 614, 615, 618, 619, 620, and 630

RIN 3052-AC19

**Organization; Standards of Conduct and Referral of Known or Suspected Criminal Violations; Loan Policies and Operations; Funding and Fiscal Affairs, Loan Policies and Operations, and Funding Operations; General Provisions; Definitions; Disclosure to Shareholders; Disclosure to Investors in System-Wide and Consolidated Bank Debt Obligations of the Farm Credit System; Effective Date**

**AGENCY:** Farm Credit Administration.

**ACTION:** Final rule; Announcement of effective date.

**SUMMARY:** The Farm Credit Administration (FCA) published a final rule under parts 611, 612, 614, 615, 618, 619, 620, and 630 on February 2, 2006 (71 FR 5740). This final rule amends our regulations affecting the governance of the Farm Credit System (System). The final rule enhances impartiality and disclosure in the election of directors; requires that Farm Credit banks and associations establish policies identifying desirable director qualifications; requires boards to have a director or an advisor who is a financial expert; requires System institutions to establish director training procedures; and ensures that boards conduct annual self-evaluations. The final rule addresses the term of service and removal of outside directors, while requiring all Farm Credit banks and associations with assets over \$500 million to have at least two outside directors. The rule also provides associations with small boards an exemption from having at least two outside directors. The rule further requires that Farm Credit banks and associations have nominating committees and that all System institutions have audit and compensation committees. The final rule clarifies the current rule on disclosure of conflicts of interest and compensation. The final rule does not apply to the Federal Agricultural Mortgage Corporation (FAMC). In accordance with 12 U.S.C. 2252, the effective date of the final rule is 30 days from the date of publication in the **Federal Register** during which either or both Houses of Congress are in session. Based on the records of the sessions of Congress, the effective date of the regulation is April 5, 2006.

**DATES:** *Effective Date:* The regulation amending 12 CFR parts 611, 612, 614, 615, 618, 619, 620, and 630 published on February 2, 2006 (71 FR 5740) is effective April 5, 2006, except for the amendments to §§ 611.210(a)(2), 611.220(a)(2)(i) and (ii), 611.325, and 620.21(d)(2) which will be effective April 5, 2007. A reminder of the effective date for these sections will be published at a later date.

*Compliance Date:* Compliance with board composition requirements (§§ 611.210(a)(2) and 611.220(a)(2)(i) and (ii)) and establishment of bank nominating committees (§§ 611.325 and 620.21(d)(2)) must be achieved 1 year from the effective date of this rule. All other provisions require compliance on the effective date of this rule.

**FOR FURTHER INFORMATION CONTACT:** Gary Van Meter, Deputy Director, Office of Regulatory Policy, Farm Credit