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Washington, DC 20548

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February 25, 2003

The Honorable Thad Cochran
Chairman

The Honorable Tom Harkin
Ranking Minority Member
Committee on Agriculture, Nutrition, and Forestry
United States Senate

The Honorable Bob Goodlatte
Chairman

The Honorable Charles W. Stenholm
Ranking Minority Member
Committee on Agriculture
House of Representatives

Subject: *Department of Agriculture, Agricultural Marketing Service: Milk in the Northeast and Other Marketing Areas: Order Amending the Orders*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by Department of Agriculture, Agricultural Marketing Service (AMS), entitled "Milk in the Northeast and Other Marketing Areas: Order Amending the Orders" (DA-00-03). We received the rule on February 12, 2003. It was published in the Federal Register as a final rule on February 12, 2003. 68 Fed. Reg. 7063.

The final rule implements revised product-price formulas for establishing Class III and Class IV milk prices. The formulas are applicable to all federal milk-marketing orders.

Enclosed is our assessment of the AMS's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review indicates that the AMS complied with the applicable requirements.

If you have any questions about this report, please contact James W. Vickers, Assistant General Counsel, at (202) 512-8210. The official responsible for GAO evaluation work relating to the subject matter of the rule is Robert Robinson,

Managing Director, Natural Resources and Environment. Mr. Robinson can be reached at (202) 512-3841.

signed

Kathleen E. Wannisky
Managing Associate General Counsel

Enclosure

cc: A. J. Yates
Administrator, Agricultural
Marketing Service
Department of Agriculture

ENCLOSURE

ANALYSIS UNDER 5 U.S.C. § 801(a)(1)(B)(i)-(iv) OF A MAJOR RULE
ISSUED BY THE
DEPARTMENT OF AGRICULTURE,
AGRICULTURAL MARKETING SERVICE
ENTITLED
"MILK IN THE NORTHEAST AND OTHER MARKETING AREAS:
ORDER AMENDING THE ORDERS"
(DA-00-03)

(i) Cost-benefit analysis

The Agricultural Marketing Service performed a cost analysis and summarized the average of the price changes from a model baseline using a 5-year period (2003-2007).

The formula changes increase the protein prices and reduce the prices for butterfat and nonfat solids. The results are higher Class III prices, lower Class IV and Class II prices, and lower Class I prices. The advanced Class I base price is the higher of the Class III or Class IV advance pricing factors. The Class I base price is the Class IV price in all years of the analytical period for the baseline, while Class III becomes the Class I price in 2003 through 2005 under this decision. The Class I price falls in 2003, 2006, and 2007. The resulting increases in Class I and Class II demand for nonfat and fat solids, sufficiently absorbs production increases to very slightly increase cheese and butter prices and only slightly decrease nonfat dry milk prices.

(ii) Agency actions relevant to the Regulatory Flexibility Act, 5 U.S.C. §§ 603-605, 607, and 609

The Administrator of the Agricultural Marketing Service has certified that the final rule will not have a significant economic impact on a substantial number of small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

The final rule does not contain either an intergovernmental or private sector mandate, as defined in title II, of more than \$100 million in any one year.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

The final rule was issued after a hearing and final decision pursuant to 5 U.S.C. 556 and 557.

Paperwork Reduction Act, 44 U.S.C. §§ 3501-3520

The final rule does not contain any information collections that are subject to review by the Office of Management and Budget under the Paperwork Reduction Act.

Statutory authorization for the rule

The final rule was promulgated under the authority of the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601-674).

Executive Order No. 12866

Since the final rule was issued under the authority contained in 5 U.S.C. 556 and 557, it is exempt from the review requirements of the order.