actual yield per acre, the total quantity of raisins available under the RDP can be allocated to more applicants. A producer who actually produced 3.5 tons per acre might decide to produce a raisin crop rather than apply for the RDP and be subject to the production cap.

The Committee met on November 27, 1995, and reviewed data relating to the quantity of reserve pool raisins and anticipated market needs. The Committee decided that the 1995–96 reserve pool had more raisins than necessary to meet projected market needs and announced that 20,000 tons of Natural (sun-dried) Seedless raisins would be eligible for diversion under the 1996 RDP.

The Committee members believe that the current production cap is too high because 1995 crop year yields per acre are down 20 percent compared to 1994. The Committee, therefore, unanimously recommended a reduction in the production cap of 20 percent, from 2.75 tons per acre to 2.2 tons per acre for the 1996 RDP, based on 1995 production. Reducing the production cap proportionately to the decrease in yield per acre is more reflective of actual production yields during the 1995 crop year.

A 15-day comment period was deemed appropriate for this rule because the submission deadlines for applications and corrected applications for the 1996 RDP are December 20, 1995, and January 12, 1996, respectively, and the Department would like to make its final decision available as quickly as possible.

The information collection requirement (i.e., the RDP application) referred to in this rule has been previously approved by the Office of Management and Budget (OMB) under the provisions of 44 U.S.C. Chapter 35 and has been assigned OMB number 0581–0083.

Based on available information, the Administrator of the AMS has determined that the issuance of this interim final rule will not have a significant economic impact on a substantial number of small entities.

After consideration of all relevant information presented, including the Committee's recommendations and other information, it is found that this regulation, as hereinafter set forth, will tend to effectuate the declared policy of the Act.

Pursuant to 5 U.S.C. 553, it is also found and determined upon good cause that it is impracticable, unnecessary, and contrary to the public interest to give preliminary notice prior to putting this rule into effect, and that good cause exists for not postponing the effective date of this rule until 30 days after publication in the Federal Register because: (1) The submission deadlines for producer applications and corrected applications for the 1996 RDP are December 20, 1995, and January 12, 1996, respectively, and producers need to know about the reduced production cap as soon as possible, to make a decision on whether or not to apply; (2) producers are aware of this action, which was recommended by the Committee at an open meeting; (3) the program is voluntary, and any producer who objects to the reduced production cap can choose to produce a raisin crop for delivery during 1996; and (4) this interim final rule provides a 15-day period for written comments and all comments received will be considered prior to finalization of this interim final rule.

List of Subjects in 7 CFR Part 989

Grapes, Marketing agreements, Raisins, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, 7 CFR Part 989 is amended to read as follows:

PART 989—RAISINS PRODUCED FROM GRAPES GROWN IN CALIFORNIA

1. The authority citation for 7 CFR Part 989 continues to read as follows:

Authority: 7 U.S.C. 601–674.

2. A new paragraph (t) is added to § 989.156 of Subpart—Administrative Rules and Regulations (7 CFR Part 989.102–989.176) to read as follows:

§ 989.156 Raisin diversion program.

* * * * *

(t) Pursuant to § 989.56(a), the production cap for the 1996 Raisin Diversion Program for the Natural (sun dried) Seedless varietal type is 2.2 tons of raisins per acre.

Dated: December 26, 1995.

Sharon Bomer Lauritsen,

Deputy Director, Fruit and Vegetable Division.

[FR Doc. 96–26 Filed 1–2–96; 8:45 am]

BILLING CODE 3410–02–P

---

7 CFR Part 997

[Docket No. FV95–997–2FIR]

Amendment of Provisions Regulating Domestically Produced Peanuts Handled by Persons Not Subject to the Peanut Marketing Agreement

AGENCY: Agricultural Marketing Service, USDA.

ACTION: Final rule.

SUMMARY: The Department of Agriculture (Department) is adopting as a final rule, without modification, the provisions of an interim rule that amended, for 1995 and subsequent crop years, several certification and identification requirements established for peanuts handled by persons not signatory to Peanut Marketing Agreement No. 146 (Agreement). The interim final rule provided for a chemical analysis exemption for superior grade shelled peanuts and added addresses and updated contact numbers of chemical analysis laboratories. The changes are consistent with industry operating practices and bring the non-signatory handling requirements into conformity with requirements specified under the Agreement. Continuation of this rule should reduce the regulatory burden and handling costs on non-signatory peanut handlers.

EFFECTIVE DATE: February 2, 1996.

FOR FURTHER INFORMATION CONTACT: Richard Lower, Marketing Order Administration Branch, Fruit and Vegetable Division, AMS, USDA, P.O. Box 96456, room 2523–S, Washington, D.C. 20090–6456, telephone (202) 720–2020, facsimile (202) 720–5698.

SUPPLEMENTARY INFORMATION: This final rule is issued pursuant to requirements of 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 (Department) is issuing this rule in conformance with Executive Order 12866.

This rule has been reviewed under Executive Order 12778, Civil Justice Reform. This action will not preempt any State or local laws, regulations, or policies, unless they present an irreconcilable conflict with this rule. This action is not intended to have retroactive effect. There are no administrative procedures which must be exhausted prior to any judicial challenge to the provisions of this rule.

Pursuant to requirements set forth in the Regulatory Flexibility Act (RFA), the Administrator of the Agricultural Marketing Service (AMS) has considered the economic impact of this rule on small entities.

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.

There are approximately 45 handlers of peanuts who have not signed the

Agreement and, thus, are subject to the regulations contained herein. Small agricultural service firms are defined by the Small Business Administration (13 CFR 121.601) as those whose annual receipts are less than $5,000,000. It is estimated that most of the non-signatory handlers are small entities. Most of the 47,000 peanut producers who might potentially do business with these handlers are also small entities. Small agricultural producers have been defined as those having annual receipts of less than $500,000.

In 1994, the reported U.S. production, mostly covered under the Agreement, was approximately 4.25 billion pounds of peanuts, a 25 percent increase from the short 1993 crop. The preliminary 1994 peanut crop value is $1.23 billion, up 19 percent from the 1993 crop value.

After aflatoxin was found in peanuts in the mid-1960's, the domestic peanut industry has sought to minimize aflatoxin contamination in peanuts and peanut products. Under authority of the Act, Peanut Marketing Agreement No. 146 and the Peanut Administrative Committee (Committee) were established by the Secretary in 1965 (7 CFR part 998). The Agreement was signed by a majority of domestic peanut handlers (signatory handlers).

Public Law 101–220, enacted December 12, 1989, amended section 608b of the Act to require that all handlers who have not signed the Agreement (non-signatory handlers) be subject to quality, handling, and inspection requirements to the same extent and manner as are required under the Agreement. Regulations to implement Pub. L. 101–220 were issued and made effective on December 4, 1990 (55 FR 49983). It is estimated that 5 percent of the domestic peanut crop is marketed by non-signatory handlers and the remainder of the crop is handled by signatory handlers.

The objective of the Agreement (7 CFR part 998) and the non-signatory handling regulations (7 CFR part 997) is to ensure that only wholesome peanuts enter edible market channels. Under both regulations, farmers stock peanuts with visible *Aspergillus flavus* mold (the principal source of aflatoxin) are required to be diverted to non-edible uses. Both regulations also provide that shelled peanuts meeting minimum outgoing quality requirements must be chemically analyzed for aflatoxin contamination.

Under the non-signatory provisions, no peanuts may be sold or otherwise disposed of for human consumption if the peanuts fail to meet the quality requirements of the Agreement. The non-signatory handler regulations have been amended several times thereafter and are published in 7 CFR part 997. All amendments have been made to ensure that the non-signatory handling requirements are the same as modifications made to the signatory handling requirements under the Agreement. Violation of non-signatory regulations may result in a penalty in the form of an assessment by the Secretary equal to 140 percent of the support price for quota peanuts. The support price for quota peanuts is determined under section 108B of the Agricultural Act of 1949 (7 U.S.C. 1445c-3) for the crop year during which the violation occurs.

Because aflatoxin appears most frequently in damaged, stressed, under-developed, and malformed peanut kernels, peanut lots with fewer poor quality kernels are less likely to be contaminated. Under section 998.200(a) of the Agreement, minimum quality requirements for shelled peanuts are found in the ''Other Edible Quality'' table of the Agreement. All shelled peanuts destined for edible consumption must meet these minimum requirements. Peanuts meeting this minimum grade must also be chemically tested for contamination.

The Agreement also has a higher level of quality requirements titled ''Indemnifiable Grades.'' Peanuts meeting the indemnifiable grades do not have to be chemically analyzed for aflatoxin.

The minimum quality requirements specified in the ''Other Edible Quality'' table of the Agreement are also specified in the non-signatory handler regulations in the table titled ''Minimum Grade Requirements—Peanuts for Human Consumption'' (hereinafter referred to as Table 1) in section 997.30(a).

To be consistent with the Agreement, the Department established in the interim final rule, a second table titled ''Superior Quality Exemption—Peanuts for Human Consumption'' (hereinafter referred to as Table 2) in the outgoing quality requirements in section 997.30(a). The quality requirements in Table 2 are the same as those established in the Indemnifiable Grades table of the Agreement. Non-signatory handler peanuts meeting the Superior Quality Exemption grades are not required to be chemically tested for aflatoxin. However, buyers often require chemical analysis as an assurance of minimum aflatoxin contamination.

The Superior Quality Exemption tolerances in these regulations are (in percentage of kernels): Unshelled and damaged kernels (1.25); combined unshelled, damaged kernels and kernels with minor defects (2.00); sound split and broken kernels (3.00 for most varieties); sound whole kernels that pass specified screens (3.00 for most varieties); combined sound split and broken kernels (4.00 for all varieties); foreign material (.10 for some varieties and .20 for other varieties), and moisture (9.00).

Amendments to Handling Requirements

The Committee meets in February or March each year and recommends to the Secretary such rules and regulations as may be necessary to keep the Agreement consistent with current industry practice. The Committee met on March 22 and 23, 1995, and unanimously recommended four relaxations in the Agreement handling requirements which the Department accepted. The changes were published in the July 14, 1995, issue of the Federal Register as an interim final rule (60 FR 36205). The interim final rule established the same relaxations, as appropriate, for the non-signatory handling regulations.

The first amendment relaxed Positive Lot Identification (PLI) and quality certification requirements specified in paragraph (g) of section 997.20 *Shelled peanuts* by allowing movement of failing quality shelled peanuts, which originated from Segregation 1 peanuts, from one handler to another handler without requiring re-inspection and PLI certification by the receiving handler. Previously, paragraph (g) provided that handlers could acquire from other handlers for remilling, Segregation 1 shelled peanuts that failed to meet the requirements for human consumption. The peanuts had to be accompanied by a valid inspection certificate and be positive lot identified. Further, the peanuts had to be held and milled separate and apart from other receipts or acquisitions of the receiving handler and the transaction had to be reported to the Division by both handlers.

Under the relaxed handling procedure, receiving handlers are not required to hold and remill such peanuts separate from other receipts and acquisitions of the handlers and the received peanuts do not have to be reinspected. Any peanuts so transferred and handled must still meet all the applicable edible quality requirements before being disposed of for human consumption.

Therefore, paragraph (g) of section 997.20 was revised, in the interim final rule, by removing the second sentence requiring inspection certification and positive lot identification and changing the last sentence to remove reference to received peanuts being held and milled separate and apart from other peanuts.

The second amendment relaxed ownership requirements of paragraph (f) of section 997.30 *Outgoing regulations* by allowing handlers to transfer peanuts to another handler or to domestic commercial storage facilities. Originally, paragraph (f) applied to the transfer of peanuts from one plant to another of a handler's plants or to commercial storage without having the peanuts PLI and certified as meeting quality requirements—provided that ownership was retained by the handler and that the transfer was only to points within the same production area.

The amendment extended the provisions of paragraph (f) to allow the transfer of peanuts from one handler's facility to another handler's facility for further handling. The relaxation allows handlers to make the most efficient use of other handling facilities without having to pay additional costs entailed in obtaining PLI and quality certification of the peanuts. Any peanuts so transferred are still subject to all applicable edible quality requirements before being disposed of for human consumption. Thus, the revisions to paragraph (f) of section 997.30 to include the transfer of peanuts between facilities of different handlers without quality certification and PLI at the time of transfer is continued in effect.

Similarly, the third amendment revised some PLI and certification requirements of paragraphs (a)(1), (a)(2) and (a)(3) of section 997.40 *Reconditioning and disposition of peanuts failing quality requirements.* Paragraph (a)(1) previously provided that a handler of failing quality, Segregation 1 shelled peanuts may have remilled, moved under PLI to a custom remiller, sold to another handler, or blanched such peanuts. Paragraph (a)(2) provided that such peanuts moved to blanching, or sold to another handler for blanching, had to be moved under PLI. Paragraph (a)(3) required peanut lots in such transactions to be accompanied by a valid grade certificate and moved under PLI. Peanuts so handled had to be kept separate and apart from other peanuts at the remilling, blanching or receiving handler facility.

Under the relaxed handling procedure, the peanuts do not have to be moved under PLI to the remiller, blancher, or receiving handler. Further, to be consistent with the changes in the Agreement regulations, peanuts so moved no longer have to be kept separate and apart from other peanuts at the remilling, blanching or receiving handler facility. Thus, the revisions to paragraphs (a)(1), (a)(2), and (a)(3) of section 997.40 by removing references to PLI and movement accompanied by valid certification are continued in effect. Additionally, the provisions added in the appropriate provisions to provide that the transferred peanuts do not have to be kept separate and apart at the receiving remilling, blanching, or handling facility remain in effect.

The Committee members, in proposing the changes in the Agreement provisions, believed that the more restrictive level of regulatory control for each peanut lot is no longer needed. The changes in this rule are based on the fact that current shelling, processing, remilling and blanching technologies are generally more efficient than in the past. The rule makes it more economical for handlers to use blanchers' and remillers' facilities which are generally operated more efficiently. These facilities are now located throughout the different production areas which also encourages their use.

The rule provides handlers more reconditioning flexibility by eliminating some certification requirements and PLI of peanuts and by reducing costs incurred during movement to different locations and facilities. The rule should improve handlers' competitive positions. Relaxing the regulations has allowed freer movement of peanuts and more efficient use of facilities. The relaxation of PLI and certification requirements has reduced the number of inspections and should result in lower costs to the entire industry. Fewer inspections are not expected to compromise the industry's quality control and lot identification objectives.

The interim final rule also added and updated addresses and telephone and facsimile numbers, where applicable, of approved aflatoxin testing laboratories and identified the contact point of the USDA Science Division headquarter's office. The laboratories perform chemical analyses required by the non-signatory handling regulations. This information is provided in paragraphs (c)(5)(i) and (ii) of section 997.30 *Outgoing regulation.* Nine of the laboratories are approved by the USDA/AMS Science Division and eight are approved by the Committee. Non-signatory handlers may send peanut samples to any laboratory on the list, per instructions specified in paragraph (c) of the outgoing regulation.

The interim final rule on these issues was published in the Federal Register on September 28, 1995 (60 FR 50083). That rule invited interested persons to submit written comments through October 30, 1995. No Comments were received and the Department is adopting as a final rule, without change, the provisions of the interim final rule.

In accordance with the Paperwork Reduction Act of 1988 (44 U.S.C. Chapter 35), 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. 0581–0163.

Based on the above, the Administrator of the AMS has determined that this final rule will not have a significant economic impact on a substantial number of small entities.

After consideration of all available information, it is found that this rule, as hereinafter set forth, will tend to effectuate the declared policy of the Act.

List of Subjects in 7 CFR Part 997

Food grades and standards, Peanuts, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, 7 CFR part 997 is amended as follows:

PART 997—PROVISIONS REGULATING THE QUALITY OF DOMESTICALLY PRODUCED PEANUTS HANDLED BY PERSONS NOT SUBJECT TO THE PEANUT MARKETING AGREEMENT

Accordingly, the interim final rule amending 7 CFR Part 997 which was published at 60 FR 50083 on September 28, 1995, is adopted as a final rule without change.

Dated: December 26, 1995.

Sharon Bomer Lauritsen,

Deputy Director, Fruit and Vegetable Division.

[FR Doc. 96–24 Filed 1–2–96; 8:45am]

BILLING CODE 3410–02–P

Rural Utilities Service

7 CFR Part 1773

RIN 0572–AA93

Policy on Audits of RUS Borrowers

AGENCY: Rural Utilities Service, USDA.

ACTION: Interim final rule with request for comments.

SUMMARY: The Rural Utilities Service (RUS) hereby amends its regulations on audits of RUS borrowers. This rule incorporates changes to the audit regulations necessitated by the 1994 revision of Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States, United States General Accounting Office (GAO), effective for financial audits of periods ending on or after January 1, 1995 and by Statement on Auditing Standards (SAS) No. 74,