

of these proposed rules. Therefore, the final RIA and RFA take a broad approach and make certain necessary assumptions in order to form an estimate of economic effects. The RIA and RFA assume that APHIS will propose to allow entry of all plants in growing media for which we have received requests for entry, and make generic assumptions about safeguards and precautionary procedures that may be required for entry of some genera. However, it is unlikely that APHIS, after conducting pest risk analyses, will propose to allow entry of all requested plants. In addition, the safeguards and precautionary procedures necessary for safe entry of some genera will be developed and refined later in the rule development process. Therefore, the RIA and RFA will be continually updated and refined as choices are made and rulemaking advances, to incorporate more precise information on the costs, benefits, and other economic effects associated with rulemaking decisions.

The current version of the RIA and RFA addresses potential impacts of possible future actions in general terms, and addresses the impacts of adding the genera and requirements discussed by this proposed rule more specifically. Copies of the RIA and RFA may be obtained by sending a written request to the Chief, Regulatory Analysis and Development, PPD, APHIS, USDA, P.O. Drawer 810, Riverdale, MD 20738.

This final rule will allow importation of articles of the genera *Alstroemeria*, *Ananas*, *Anthurium*, and *Nidularium* that meet the requirements of the regulations. We anticipate that this change would have the following economic implications. Allowing entry of additional genera would enhance consumer purchasing power (consumer surplus). Foreign producers would be able to market their plants in the U.S. market. This will likely decrease domestic prices for the four genera, and will enable U.S. consumers to purchase a wider variety of potted plants at lower prices.

Given prevailing price discrepancies between domestic and foreign plant markets, revenue for domestic producers will likely decrease slightly as a result of freer trade in the four genera affected by this proposal. The exact amount of decrease will be determined by demand elasticities for potted plants. The net impact to society would be positive since consumer gains will more than offset losses incurred by domestic producers.

Based on florist and nursery sales, the estimated value of potted *Alstroemeria*, *Ananas*, *Anthurium*, and *Nidularium*

production in the United States totals about \$1.4 million annually. This represents less than one percent of the total annual value of the domestic nursery and floriculture industry, estimated at about \$8.9 billion.

Allowing imports of these potted plant genera could cause some domestic producers to switch to growing other plant genera.

Utilizing available production and price data, low and high impact scenarios we developed to estimate potential changes in net U.S. welfare from *Anthurium* imports. This study assumes that prices will drop by 10 and 30 percent in the low and high impact scenarios respectively. A unitary supply elasticity and three demand elasticities (-0.5 , -1 , and -1.5) were used to estimate a range of potential net impacts for both scenarios.

Consumers and domestic importers of *Alstroemeria*, *Ananas*, and *Nidularium* will also benefit from the rule's impact. The revisions will increase the availability of the three genera in the U.S. market. However, APHIS was not able to quantify the impact on the domestic market for *Alstroemeria*, *Ananas*, and *Nidularium*. These three genera are produced by a handful of small producers and data is not published to avoid disclosing proprietary information.

The low impact scenario indicates that the rule's revisions will increase net welfare for U.S. society by between \$7,000 and \$20,000. Domestic consumers of *Anthurium* will incur welfare gains of between \$137,000 and \$143,000. By contrast, U.S. *Anthurium* producers will incur welfare losses totaling between \$123,000 and \$130,000.

When prices are reduced by 30 percent net welfare is increased by between \$183,000 and \$283,000. Consumer welfare is increased by between \$430,000 and \$490,000, and producer welfare is decreased by between \$207,000 and \$246,000.

Information contained in the "Census of Horticultural Specialties (1988)"¹ can be used to segment domestic nurseries by value of annual sales. Value of annual sales was used as a guide in determining which nurseries would qualify as a "small" business. Additionally, the Small Business

Administration (SBA) has established guidelines for determining which economic entities meet the definition of a "small" entity.

The four genera are produced by about 79 domestic producers. Nurseries with annual sales of \$3.5 million or less are considered "small" for purposes of this analysis. Annual receipts of less than \$3.5 million is the standard used for all industries not specifically listed by the SBA. All of the 79 commercial nurseries are small according to the above criteria.² These nurseries are diversified operations that produce many varieties of potted plants and other greenhouse products. The nature of their business requires nurseries to make frequent adjustments to the types of plants they grow and sell, as new types become popular and public taste changes. If producing the four genera becomes unprofitable, these nurseries should be able to defray losses by shifting to other, more profitable product lines. Therefore, the Agency anticipates that the revisions will not have a significant economic impact on a substantial number of small producers.

The SBA definition of a small business engaged in the import/export business is one that employs no more than 100 employees. The number of firms that may be qualified as a small business under this definition cannot be determined. Small importers will likely benefit from the rule change. The regulatory revisions will enable some small importers to enhance their income through imports of the four genera in growing media.

Small retailers will benefit from importation of *Alstroemeria*, *Ananas*, *Anthurium*, and *Nidularium* in growing media. The rule will enhance the availability and quality of potted plants in the U.S. market. Plant retailers will benefit from lower wholesale prices and will likely pass these savings on to their customers. This will increase annual sales volume and revenue.

Under these circumstances, the Administrator of the Animal and Plant Health Inspection Service has determined that this action will not have a significant economic impact on a substantial number of small entities.

Executive Order 12778

This rule has been reviewed under Executive Order 12778, Civil Justice Reform. This final rule will allow *Alstroemeria*, *Ananas*, *Anthurium*, and

¹ Limitations of data: The Census of Horticultural Specialties (1988) does not represent all producers of horticultural specialty products in 1988. Because the census was voluntary, it only represents those growers in 1987 who cooperated and provided information on their activities for 1988. In addition, it includes 2,829 additional growers enumerated in 28 States by the National Agricultural Statistics Service (NASS).

² U.S. Department of Commerce; "Census of Horticultural Specialties (1988)"; Washington, DC. Information was not available for *Alstroemeria*, *Ananas*, and *Nidularium* due to proprietary concerns.