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August 24, 2000

Office of the Branch Chief
 AMS Fruit and Vegetable Programs
 USDA STOP 0247
 PO Box 96456
 Washington, DC 20090-6456

Reference: Federal Register 6/28/2000
 (Vol. 65, No. 125), Page 39824-39825

The following comments are in response to the USDA news release dated June 28, 2000, regarding the USDA proposal to increase the hourly fees charged for processed fruit and vegetable inspection, grading, and certification services. Proposed rate increases were outlined as follows:

Type Service	Current Hourly Rate	Proposed Hourly Rate	% Increase
Basic rate – no contract	\$43.00	\$47.00	9.3%
Year-round contract services	\$35.00	\$36.00	2.9%
Less than year-round	\$45.00	\$48.00	6.7%
In-plant sampler	\$22.00	\$22.00	-

Although these hourly rates have not been increased since October 4, 1998, the rate of increase seems very steep. The 9.3% and 6.7% increases exceed inflation during this time period. We are subject to these rates for grading and certification services when we are awarded contracts under USDA commodity purchase programs. These rates apply to travel time as well as in-plant time, thus the cost burden to manufacturers is substantial. Neither the hourly rate for our manufacturing personnel nor our selling prices have risen at anywhere near this rate over the past two years. Apple growers, apple processors, and many other commodity industries have suffered in recent years from excess capacity, stiff competition from foreign imports, and a consolidation in our customer base. These factors have severely limited our ability to increase prices. To remain economically viable, processors have had to institute significant cost reduction and efficiency improvement programs. These fee increases would place an additional cost burden that we will probably not be able to pass along. We urge you to reconsider and reduce the rate of increase on these fees, and to seek cost savings opportunities to reduce the need for such increases.

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According to our records, ten years ago we were paying \$28.00 per hour for services that will now be \$48.00 if the proposed schedule is implemented. This would mean fees have risen 71.4% in ten years. This rate of increase certainly exceeds wage increases during that time frame.

Another area we would like to see addressed is the way overtime is charged. Currently we pay overtime rates on a per day basis when an inspector works over 8 hours. Like many manufacturing operations, our plant runs on 40 hour weeks. Some lines run 4-10 hour shifts, some run 12-hour shifts with alternate 3 and 4-day weeks. We would suggest that USDA charge overtime rates when inspectors exceed 40 hours in a week. We understand this is how the inspectors are actually paid, so it seems fair that we would be charged accordingly.

Our cost for inspection services approaches \$100,000 annually. Anything we can do to limit this cost burden is helpful.

We appreciate the opportunity to comment on the proposed fee increases and hope our comments and suggestions are given careful consideration.

Very truly yours,

NATIONAL FRUIT PRODUCT COMPANY, INC.



Daniel J. Troup
Vice President – Marketing

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