FY 2007 OVERALL BEET/CANE ALLOTMENTS AND ALLOCATIONS—Continued

| Distribution | Initial FY 2007 allotments/ allocations | Changes due to reassign- ments | Adjusted initial FY 2007 allotments/ allocations |
|---|---|---|---|
| Total | 318,644 | −47,179 | 271,465 |

Signed in Washington, DC, on November 2, 2006.

**Teresa C. Lasseter,**

*Executive Vice President, Commodity Credit Corporation.*

[FR Doc. E6–19077 Filed 11–9–06; 8:45 am]

**BILLING CODE 3410–05–P**

## DEPARTMENT OF AGRICULTURE

### Forest Service

### Extension of Certain Timber Sale Contracts; Finding of Substantial Overriding Public Interest

**AGENCY:** Forest Service, USDA.

**ACTION:** Notice of contract extensions.

**SUMMARY:** On November 2, 2006, the Deputy Under Secretary of Agriculture for Natural Resources and Environment determined there is substantial overriding public interest in extending certain National Forest System timber sale contracts for up to one year, subject to a maximum total contract length of 10 years. Pursuant to the November 2, 2006, finding, timber sale contracts awarded prior to January 1, 2006, are eligible for extension and deferral of periodic payment due dates for up to one year. Contracts that are in breach, have been or are currently eligible to be extended under market related contract term addition contract provisions, or salvage sale contracts that were sold with the objective of harvesting deteriorating timber are not eligible for extension pursuant to the November 2, 2006, finding. To receive an extension, purchasers must make a written request to the appropriate Contracting Officer. Purchasers also must agree to release the Forest Service from all claims and liability if a contract extended pursuant to the November 2, 2006, finding is suspended, modified or terminated in the future.

The intended effect of the substantial overriding public interest finding and contract extensions is to minimize contract defaults, mill closures, and company bankruptcies. The Government benefits if defaulted timber sale contracts, mill closures, and bankruptcies can be avoided by granting extensions. Having numerous, economically viable, timber sale purchasers increases competition for National Forest System timber sales, results in higher prices paid for such timber, and allows the Forest Service to provide a continuous supply of timber to the public in accordance with Forest Service authorizing legislation. See Act of June 4, 1897 (Ch. 2, 30 Stat. 11 as amended, 16 U.S.C. 475) (Organic Administration Act). In addition, by extending contracts and avoiding defaults, closures and bankruptcies, the Government avoids the difficult, lengthy, expensive, and sometimes impossible process of collecting default damages.

**DATES:** The determination was made on November 2, 2006, by the Deputy Under Secretary of Agriculture for Natural Resources and Environment.

**FOR FURTHER INFORMATION CONTACT:** Lathrop Smith, Forest Management Staff, (202) 205–0858 or Richard Fitzgerald, Forest Management Staff (202) 205–1753; 1400 Independence Ave., SW., Mailstop 1103, Washington, DC 20250–1103.

Individuals who use telecommunication devices for the deaf (TDD) may call the Federal Information Relay Service (FIRS) at 1–800–877–8339 between 8 a.m. and 8 p.m., Eastern Standard Time, Monday through Friday.

**SUPPLEMENTARY INFORMATION:** The Forest Service sells timber and forest products from National Forest System lands to individuals or companies pursuant to the National Forest Management Act of 1976, 16 U.S.C. 472a (NFMA). Each sale is formalized by execution of a contract between the purchaser and the Forest Service. The contract sets forth the explicit terms and provisions of the sale, including such matters as the estimated volume of timber to be removed, the period for removal, price to be paid to the Government, road construction and logging requirements, and environmental protection measures to be taken. The average contract period is approximately 2–3 years, although a few contracts have terms of 5 or more years.

Rules at 36 CFR 223.52 (Market Related Contract Term Additions) permit contract extensions when the Chief of the Forest Service determines that adverse wood product market conditions have resulted in a drastic decline in wood product prices. Under market-related contract addition procedures, the Forest Service refers to the following three producer price indices maintained by the Bureau of Labor Statistics: Softwood Lumber #0811 and Hardwood Lumber #0812 in the Commodity Series, and Wood Chips #PCU32113321135 in the Industry Series.

The softwood and hardwood lumber indices indicate a major downturn in those markets began about September 2004 and was still on a downward trend as of September 2006 with the softwood lumber index decreasing by about 31% and the hardwood lumber index decreasing by about 14% during this time. While most purchasers holding contracts with those indices have received or are eligible to receive market related contract term additions, an anomoly in the wood products markets and indices used in contracts in the lake States area and some other parts of the country has left many purchasers without this remedy.

Section 472a(c) of NFMA provides that the Secretary of Agriculture shall not extend any timber sale contract period with an original term of two years or more, unless the purchaser has diligently performed in accordance with an approved plan of operations or the ‘‘substantial overriding public interest’’ justifies the extension. The authority to make this determination has been delegated to the Deputy Under Secretary of Agriculture for Natural Resources and Environment at 7 CFR 2.59.

Accordingly, based on a current study, the Deputy Under Secretary has made a finding that there is a substantial overriding public interest in extending certain sales for up to one year. This determination does not apply to contracts that were previously extended or that are currently eligible to be extended under market related contract term addition provisions, to salvage sale contracts that were sold with the objective of harvesting deteriorating timber, or to timber sale contracts that are in breach. In addition to extending contracts pursuant to the Deputy Under Secretary's finding, periodic payments will be deferred for up to one year on the extended sales. To receive an extension and periodic payment deferral, purchasers must make a written request to the appropriate Contracting Officer. Purchasers must also agree to release the Forest Service from all claims and liability if a contract is suspended, modified or terminated, after the contract is extended pursuant to the Deputy Under Secretary's November 2, 2006 finding. The text of the finding, as signed by the Deputy Under Secretary of Agriculture for Natural Resources and Environment is set out at the end of this notice.

Dated: November 6, 2006.

**Frederick Norbury,**

*Associate Deputy Chief for NFS.*

**Determination of Substantial Overriding Public Interest for Extending Certain Timber Sale Contracts**

The National Forest Management Act of 1976 (16 U.S.C. 472a(c) provides that the Secretary of Agriculture shall not extend any timber sale contract period with an original term of two years or more unless he finds that the purchaser has diligently performed in accordance with an approved plan of operations or that the ''substantial overriding public interest'' justifies the extension.

As a result of drastic reductions in forest product prices, there is a substantial overriding public interest in extending certain timber sale contracts.

**Background**

On December 7, 1990, the Forest Service published a final rule (55 FR 50643) establishing procedures in 36 CFR 223.52 for extending contract termination dates in response to adverse conditions in the timber markets. These procedures, known as Market Related Contract Term Additions, authorize extensions of timber sale contracts up to one additional year when qualifying market conditions are met. When the market related contract term addition procedures were established, experience indicated that the type and magnitude of lumber market declines that would trigger market related contract term additions generally coincide with low numbers of housing starts and are usually indicative of substantial economic dislocation in the wood products industry. Such economic distress broadly affects community stability, the ability of industry to supply construction lumber and other products for public use, and threatens maintaining plant capacity necessary to meet future demands for wood products from domestic sources. The Department has determined that a drastic reduction in wood product prices can result in a substantial overriding public interest sufficient to justify a contract term extension for existing contracts, as authorized by the National Forest Management Act of 1976 (16 U.S.C. 472a(c)) and existing regulations at 36 CFR 223.115(b).

Following promulgation of the rule in 1990, the Forest Service began tracking four producer price indices provided by the Bureau of Labor Statistics as indicators of a drastic reduction in wood product prices. Those indices were the Southern Pine Dressed, Douglas-fir Dressed, Other Species Dressed, and Hardwood Lumber. Beginning in the first quarter of 1994 through the first quarter of 1996 government indices indicated a major downturn in the lumber markets throughout the country was occurring but only the Douglas-fir dressed lumber index, used in contracts in Washington and Oregon, dropped sufficiently to trigger market related contract term additions. Meanwhile, purchasers in other parts of the country were facing defaults, mill closures, and bankruptcies, but were not eligible for market related contract term additions. To avert these problems, the Chief of the Forest Service determined that it was in the substantial overriding public interest to extend for a period of up to one year certain contracts that had not received any market related contract term adjustments. The Forest Service also initiated a study of the market related contract term addition procedures and indices to determine why they did not appear to perform as expected. Findings in that study led the Forest Service to adopt four different producer price indices from the Bureau of Labor Statistics in May 1998; 1) Hardwood Lumber (SIC 24211), 2) Eastern Softwood Lumber (SIC 24213), 3) Western Softwood Lumber (SIC 24214), and 4) Wood Chips (SIC 24215). However, after December 2003, the Bureau of Labor Statistics discontinued publishing the Western Softwood Lumber index (SIC 24214), Eastern Softwood Lumber index (SIC 24213), and Hardwood Lumber index (SIC 24211). At the same time the Wood Chips index (SIC 24215) was renumbered as PCU32113321135. In January 2006, the Forest Service published a notice in the **Federal Register** (71 FR 3409) adopting the softwood lumber index 0811 and the hardwood lumber index 0812 to replace the 3 indices that were no longer supported by the Bureau of Labor Statistics. The Forest Service continued to rely upon the Wood Chips index, now numbered PCU32113321135, to gauge certain market conditions. The three indices the Forest Service adopted to gauge most market conditions, however, are not able to address market conditions for all forest products *e.g.* biomass. Additionally, because the indices are national in scope, they may fail to address drastic declines in local markets.

**Recent Market Conditions**

The softwood lumber index #0811 began declining after September 2004 and with adjustments for inflation has declined 47.9 points or 31% as of September 2006. There have been five consecutive quarters beginning with the third quarter 2005 through the third quarter 2006 where the quarterly declines have been large enough to trigger market related contract term additions. This is a substantially larger decline than the one in the period between 1994–1996 when the index declined about 38 points or 21%. The 1994–1996 period also was the last time there were 5 consecutive qualifying quarters for market related contract term additions.

The hardwood lumber index #0812 also began declining after September 2004, and with adjustments for inflation has declined 18.6 points or 14% as of September 2006. There were 3 consecutive quarters beginning with the third quarter 2005 through the first quarter 2006 where the quarterly declines have been large enough to trigger market related contract term additions equal to one calendar year plus one normal operating season. The index has continued to decline in the second and third quarters of 2006, but the decline has not been sufficient to trigger market related contract term additions. Consequently, if hardwood prices do not begin to recover soon, or if conditions for another market related contract term addition do not trigger, some hardwood purchasers may begin to face additional hardships as the market related contract term addition time they previously obtained expires.

Between September 2004 and January 2006, the wood chips index remained fairly static but has been on a steady rise since then. The last time the wood chips index had a qualifying quarter was the third quarter of 1997.

At this time, the market related contract term addition procedures on softwood lumber and hardwood lumber sales are generally functioning as expected. Additional contract time that has been made available, and granted to purchasers who requested it, has assisted purchasers by allowing more time to wait for markets to recover or to spread out harvesting of high priced sales. But as was the case in 1996, there are exceptions.

For example, in the lake states area, a combination of factors has contributed to a more drastic decline in forest product prices than is occurring in other parts of the country and/or the producer price indices are not triggering market related contract term adjustments. The predominant forest products produced in this area are wood chips used in pulping for paper and oriented strand board (OSB), hardwood lumber, and a limited amount of softwood lumber. The pulp and OSB sales use the wood chips index which has not had a qualifying quarter for market related contract term additions since 1997. National Forest System timber sales in the lake states area often contain a diverse mix of forest products which attracts strong competition leading to relatively high bid rates. Problems began in 2005, when wood chip prices and demand declined sharply in response largely to an increase in cheap imported chips.

Also, OSB is a building product with prices that tend to follow lumber market prices. While lumber market prices have declined significantly and the market related contract term addition policy has been triggered for contracts tied to the lumber indices, no such trigger has occurred for many of the sales in the lake states area. That is because most contracts in the lake states area are tied to the wood chips index, which has not declined, so those purchasers have not been eligible for market related contract term additions. Concurrently, lake states area pulp prices have been declining, but since national wood chip prices have been stable or increasing, those purchasers have not been eligible for market related contract term additions. Due to their location along the great lakes and Canadian border, competition from cheaper imported wood chips has also adversely affected purchasers in this area. As a result of these factors, purchasers in the lake states area are now faced with high bid prices on their existing contracts, low product prices, and no market related contract term addition to provide additional time for markets to recover or to mix the higher priced timber with lower priced timber for other sources. The market related contract term addition procedures do not appear to be functioning as expected here.

In another example the sale of biomass material has been increasing in recent years with most of that material utilized for generating electricity in co-generation facilities. A reliable index for tracking this new product has not been found so most sales of biomass material also use the wood chips index. But, energy prices can differ substantially in different parts of the country and don't necessarily follow the wood chips index. Consequently, in areas where energy prices have drastically declined and purchasers are holding high price timber sale contracts, they are not currently eligible to receive a market related contract term addition because the wood chips index has not triggered.

**Determination of Substantial Overriding Public Interest**

The Government benefits if defaulted timber sale contracts, mill closures, and bankruptcies can be avoided by granting extensions. Having numerous, economically viable, timber sale purchasers increases competition for National Forest System timber sales, results in higher prices paid for such timber, and allows the Forest Service to provide a continuous supply of timber to the public in accordance with the Organic Administration Act. In addition, by extending contracts and avoiding defaults, closures and bankruptcies, the Government avoids the difficult, lengthy, expensive, and sometimes impossible, process of collecting default damages.

Therefore, pursuant to 16 U.S.C. 472a, and the authority delegated to me at 7 CFR 2.59, I have determined that it is in the substantial overriding public interest to extend for up to one year certain National Forest System timber sales that were awarded prior to January 1, 2006. This finding does not apply to contracts that have been or are currently eligible to be extended under market related contract term addition contract provisions, to salvage sale contracts that were sold with the objective of harvesting deteriorating timber, or to contracts that are in breach. Total contract length shall not exceed 10 years as a result of this extension. For those contracts extended pursuant to this finding, periodic payments due after the date of this determination will also be deferred for up to one year. To receive the extension and periodic payment deferral, purchasers must make written request and agree to release the Forest Service from all claims and liability if a contract extended pursuant to this finding is suspended, modified or terminated in the future.

Dated: November 2, 2006.

**David P. Tenny**

*Deputy Under Secretary of Agriculture for Natural Resources and Environment.*

[FR Doc. E6–19102 Filed 11–9–06; 8:45 am]

BILLING CODE 3410–11–P

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## DEPARTMENT OF AGRICULTURE

## Forest Service

## U.S. Forest Service Open Space Conservation Strategy and Implementation Plan

**AGENCY:** Forest Service, USDA.

**ACTION:** Request for public input.

**SUMMARY:** The Forest Service is inviting all interested members of the public to provide input into the development of the USDA Forest Service Open Space Conservation Strategy and Implementation Plan, which will help shape the agency's strategic role in a national effort to conserve open space. The Forest Service is interested in addressing the effects of the loss of open space on private forests; on the National Forests and Grasslands and surrounding landscape; and on forests in cities, suburbs, and towns. Input for the Strategy and Implementation Plan should focus on programs, research, partnerships, and/or policy recommendations that could be developed to conserve open space. See **SUPPLEMENTARY INFORMATION** section for more background on the loss of open space and the Strategy and Implementation Plan.

**DATES:** The Forest Service will review public input received no later than December 13, 2006.

**ADDRESSES:** Send written comments to Claire Harper, USDA Forest Service, Cooperative Forestry, Mail Stop Code 1123, 1400 Independence Avenue, SW., Washington, DC 20250–1123; via electronic mail to *openspace@fs.fed.us;* or via facsimile to (202) 205–1271. The agency cannot confirm receipt of comments. All comments, including names and addresses when provided, are placed in the record and are available for public inspection. The public may inspect comments during regular business hours at the office of the Cooperative Forestry Staff, 4th Floor SE., Yates Building, 201 14th Street, SW., Washington, DC. Visitors are encouraged to call ahead to (202) 205–1389 to facilitate entry into the building.

**FOR FURTHER INFORMATION CONTACT:** For general information about the Open Space Conservation Strategy and Implementation Plan and the loss of open space, contact Claire Harper, USDA Forest Service, Cooperative Forestry, by telephone at (202) 205–1389 or by electronic mail at *openspace@fs.fed.us.* For a summary of the Forest Service's current research, programs, and resources available to facilitate open space conservation, please review the Forest Service's publication entitled ''Cooperating Across Boundaries: Partnerships to Conserve Open Space in Rural America.'' Electronic copies of this publication are available at *http://www.fs.fed.us/projects/four-threats/documents/cooperatingacrossboundaries.pdf,* and hardcopies are available by contacting Claire Harper at *openspace@fs.fed.us.*

**SUPPLEMENTARY INFORMATION:**

### I. Background

In 2003, Forest Service Chief Dale Bosworth identified the loss of open space as one of four great threats facing our nation's forests and grasslands. Loss of open space is an issue that affects the sustainability of both the National Forests and Grasslands and private forests. Open space—including public and private land, wilderness and working land—provides a multitude of public benefits and ecosystem services we all need and enjoy. Three interrelated trends of conversion, fragmentation, and parcelization are jeopardizing the long term health and function of forests, limiting management options, and reducing opportunities for public enjoyment and use. To address the loss of open space threat, the Forest Service is building a national strategy to identify how the agency plans to focus its efforts on the issue. This strategy will provide actions and policy recommendations to conserve open space, with an emphasis on partnerships and collaborative approaches.

### II. Open Space Conservation Strategy and Implementation Plan

The Forest Service recognizes that it is not the only contributor to open space conservation; it is only one among many. The Forest Service also acknowledges that the agency's role in open space conservation is not to regulate development or land use, but is to provide expertise, resources, information, and programs. To help prioritize and focus the agency's efforts, the Forest Service plans to develop and refine an Open Space Conservation Strategy and Implementation Plan to address the loss of open space.

Input for the Strategy and Implementation Plan should focus on programs, research, partnerships and/or policy recommendations that could be