

When the order became effective in 1980, the United States produced nearly 100 percent of the world's supply of Scotch spearmint oil, of which approximately 72 percent was produced in the regulated production area in the Far West. The Far West continued to produce an average of about 69 percent of the world's Scotch spearmint oil supply during the period from 1980 to 1990. International production characteristics have changed since 1990, however, with foreign Scotch spearmint oil production contributing significantly to world production. The Far West's market share as a percent of total world sales has averaged about 45 percent since 1990.

Between 1996 and 2000, the Committee's marketing strategy for Scotch spearmint oil centered around an attempt to regain a substantial amount of the Far West's historical share of the global market for this class of oil. Although still interested in retaining a sizable share of the global market, the Committee has since refocused its strategy on establishing a salable quantity that is largely determined by information on price and available supply as they are affected by the estimated trade demand.

Although sales had increased somewhat, the Far West's market share as a percentage of total world sales had not increased on average, and the market price for Scotch spearmint oil had continued to decline throughout the 1996–2000 period. During the 1998–1999 and 1999–2000 marketing years, the price paid to producers for Scotch spearmint oil dropped to a low of \$7.00 per pound. Although the current price for Scotch oil is about \$8.00 per pound, the Committee, as well as spearmint oil producers and handlers attending the October 2, 2002, meeting, continue to believe that such returns are generally below the cost of production for most producers. The most recent information available from the Washington State University Cooperative Extension Service (WSU), indicates the production costs to be between \$13.50 and \$15.00 per pound.

The Committee estimates that acreage of Scotch spearmint has declined from about 10,000 acres in 1998 to about 4,000 acres currently. The reduction in acreage is directly attributable to the relatively low level of producer returns. Based on the reduced Scotch spearmint acreage, the Committee estimates that production for the current season (the 2002–2003 marketing season) will be about 472,600 pounds.

The Committee calculated the 2003–2004 Scotch spearmint oil salable quantity (857,444 pounds) and

allotment percentage (45 percent) by utilizing sales estimates for 2003–2004 Scotch oil as provided by several of the industry's handlers, as well as historical and current Scotch oil sales levels. Between June 1, 2002, and September 27, 2002, 415,914 pounds of Scotch oil were sold, a level below the most recent five-year average of 490,926 pounds. Handlers are estimating that sales for the 2002–2003 marketing year may range from a low of 700,000 pounds to a high of 825,000 pounds. With 387,374 pounds carried in to the current marketing year and an estimated 472,608 pounds being produced, the total available supply this year, including the 415,914 pounds already sold, is 859,982 pounds.

The recommendation for the 2003–2004 Scotch spearmint oil volume regulation is consistent with the Committee's stated intent of keeping adequate supplies available at all times, while attempting to stabilize prices at a level adequate to sustain the farmers producing the oil. Furthermore, the recommendation takes into consideration the industry's desire to compete with less expensive oil produced outside the regulated area.

Although Native spearmint oil producers are facing market conditions similar to those affecting the Scotch spearmint oil market, unlike Scotch, over 90 percent of the U.S. production of Native spearmint is produced within the Far West production area. Also, unlike Scotch, most of the world's supply of Native spearmint is produced in the U.S.

The current, flat market contributed to the Committee's recommendation for a salable quantity of 808,528 pounds and an allotment percentage of 38 percent for Native spearmint oil for the 2003–2004 marketing year. The supply and demand characteristics of the current Native spearmint oil market are keeping the price relatively steady at about \$9.00 per pound—a level the Committee considers too low for the majority of producers to maintain viability. The WSU study referenced earlier indicates that the cost of producing Native spearmint oil ranges from \$10.26 to \$10.92 per pound.

Although Native spearmint acreage has decreased about 11 percent over the last year, the Committee estimates that over a million pounds of Native oil is expected to be produced this year. With current sales approximating the five-year average of about 500,000 pounds, the current season's salable quantity of 800,761 pounds coupled with the June 1, 2002, carry-in of 202,872 pounds will likely produce a surplus of oil, adding to the nearly 1.2 million pounds already

in reserve. Handlers are estimating that about 918,750 pounds of Native spearmint oil, on average, may be sold during the 2003–2004 marketing year. This estimate, combined with the information available regarding current supply and price, helped lead the Committee to its recommendation for a 2003–2004 salable quantity of 808,528 pounds. When considered in conjunction with the estimated carry-in of 104,562 pounds of oil on June 1, 2003, the recommended salable quantity results in a total available supply of Native spearmint oil next year of about 913,090 pounds.

Thus, with over 90 percent of the world production currently located in the Far West, the Committee's method of calculating the Native spearmint oil salable quantity and allotment percentage continues to primarily utilize information on price and available supply as they are affected by the estimated trade demand. The Committee's stated intent is to make adequate supplies available to meet market needs and improve producer prices.

Despite the downward trend in the price of both classes of spearmint oil in recent years, the Committee believes that the order has contributed extensively to the stabilization of producer prices, which prior to 1980 experienced wide fluctuations from year to year. According to the National Agricultural Statistics Service, for example, the average price paid for both classes of spearmint oil ranged from about \$4.00 per pound to about \$12.50 per pound during the period between 1968 and 1980. Excluding the most recent four marketing years, prices since the order's inception have generally stabilized at about \$11.00 per pound for Native spearmint oil and at about \$13.00 per pound for Scotch spearmint oil. However, the prices for both classes of oil have dropped over the last few years due to several factors, including the general uncertainty being experienced through the U.S. economy and the continuing overall weak farm situation, as well as an abundant global supply of spearmint oil. As noted earlier, although lower than what producers believe to be viable—prices currently appear to be stable at about \$8.00 for Scotch and \$9.00 for Native.

The Committee based its recommendation for the proposed salable quantity and allotment percentage for each class of spearmint oil for the 2003–2004 marketing year on the information discussed above, as well as the data outlined below.