

<sup>2</sup>The crop estimate for ZC raisins is underestimated, as acquisitions through the week ending February 22, 2003, were at 4,200 tons.

In addition, USDA's "Guidelines for Fruit, Vegetable, and Specialty Crop Marketing Orders" (Guidelines) specify that 110 percent of recent years' sales should be made available to primary markets each season for marketing orders utilizing reserve pool authority. This goal will be met for NS and ZS raisins by the establishment of final percentages, which release 100 percent of the trade demands and the offer of additional reserve raisins for sale to handlers under the "10 plus 10 offers." As specified in § 989.54(g), the 10 plus 10 offers are two offers of reserve pool raisins, which are made available to handlers during each season. For each such offer, a quantity of reserve raisins equal to 10 percent of the prior year's shipments is made available for free use. Handlers may sell their 10 plus 10 raisins to any market.

For NS raisins, the first "10 plus 10 offer" was held in February 2003. A total of 29,813 tons was made available to raisin handlers; all of the raisins were purchased. The second 10 plus 10 offer of 29,813 tons will be made available to handlers in May 2003. Adding the total figure of 59,626 tons of 10 plus 10 raisins to the 200,658 tons of free tonnage raisins acquired by handlers from producers through the week ending February 22, 2003, plus 132,135 tons of 2001–02 carryin inventory, plus 18,000 tons of reserve raisins released during the season through an export program, equates to 410,419 tons of natural condition raisins, or 385,207 tons of packed raisins, that are available to handlers for free use or primary markets. This is about 138 percent of the quantity of NS raisins shipped during the 2001–02 crop year (298,133 natural condition tons or 279,819 packed tons).

For ZC raisins, both "10 plus 10 offers" were held simultaneously in February 2003. A total of 688 tons was made available to handlers, and all of the raisins were purchased. Adding the 688 tons of 10 plus 10 raisins to the 3,360 tons of free tonnage raisins acquired by handlers from producers through the week ending February 22, 2003, plus 1,910 tons of 2001–02 carryin inventory equates to 5,958 tons of natural condition raisins, or about 5,268 tons of packed raisins, available to handlers for free use or primary markets. This is about 173 percent of the quantity of ZC raisins shipped during the 2001–02 crop year (3,441 tons natural condition tons or 3,043 packed tons).

In addition to the 10 plus 10 offers, § 989.67(j) of the order provides

authority for sales of reserve raisins to handlers under certain conditions such as a national emergency, crop failure, change in economic or marketing conditions, or if free tonnage shipments in the current crop year exceed shipments of a comparable period of the prior crop year. Such reserve raisins may be sold by handlers to any market. When implemented, the additional offers of reserve raisins make even more raisins available to primary markets, which is consistent with USDA's Guidelines.

#### Initial Regulatory Flexibility Analysis

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

Accordingly, AMS has prepared this initial regulatory flexibility analysis.

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. Marketing orders issued pursuant to the Act, and rules issued thereunder, are unique in that they are brought about through group action of essentially small entities acting on their own behalf. Thus, both statutes have small entity orientation and compatibility.

There are approximately 20 handlers of California raisins who are subject to regulation under the order and approximately 4,500 raisin producers in the regulated area. Small agricultural service firms are defined by the Small Business Administration (13 CFR 121.201) as those having annual receipts of less than \$5,000,000, and small agricultural producers are defined as those having annual receipts of less than \$750,000. Thirteen of the 20 handlers subject to regulation have annual sales estimated to be at least \$5,000,000, and the remaining 7 handlers have sales less than \$5,000,000. No more than 7 handlers, and a majority of producers, of California raisins may be classified as small entities.

Since 1949, the California raisin industry has operated under a Federal marketing order. The order contains authority to, among other things, limit the portion of a given year's crop that can be marketed freely in any outlet by raisin handlers. This volume control mechanism is used to stabilize supplies and prices and strengthen market conditions.

Pursuant to § 989.54(d) of the order, this rule establishes final volume

regulation percentages for 2002–03 crop NS and ZC raisins. The volume regulation percentages are 53 percent free and 47 percent reserve for NS raisins, and 80 percent free and 20 percent reserve for ZC raisins. Free tonnage raisins may be sold by handlers to any market. Reserve raisins must be held in a pool for the account of the Committee and are disposed of through certain programs authorized under the order.

Volume regulation is warranted this season for NS raisin acquisitions of 378,601 tons through the week ending February 22, 2003, combined with the carryin inventory of 132,135 tons, plus 18,000 tons of reserve raisins released for free use through an export program, results in a total available supply of 528,736 tons, which is about 270 percent higher than the 196,185-ton trade demand. Volume regulation is warranted for ZC raisins this season because acquisitions of 4,200 tons through the week ending February 22, 2003, combined with the carryin inventory of 1,910 tons results in a total available supply of 6,110 tons, which is about twice the 3,302-ton trade demand.

Many years of marketing experience led to the development of the current volume regulation procedures. These procedures have helped the industry address its marketing problems by keeping supplies in balance with domestic and export market needs, and strengthening market conditions. The current volume regulation procedures fully supply the domestic and export markets, provide for market expansion, and help reduce the burden of oversupplies in the domestic market.

Raisin grapes are a perennial crop, so production in any year is dependent upon plantings made in earlier years. The sun-drying method of producing raisins involves considerable risk because of variable weather patterns.

Even though the product and the industry are viewed as mature, the industry has experienced considerable change over the last several decades. Before the 1975–76 crop year, more than 50 percent of the raisins were packed and sold directly to consumers. Now, over 60 percent of raisins are sold in bulk. This means that raisins are now sold to consumers mostly as an ingredient in another product such as cereal and baked goods. In addition, for a few years in the early 1970's, over 50 percent of the raisin grapes were sold to the wine market for crushing. Since then, the percent of raisin-variety grapes sold to the wine industry has decreased.