

Pursuant to these sections, the RAC must meet each crop year to review raisin data, including information on production, supplies, market demand, and inventories. If the RAC determines that the available supply of raisins, including those in the reserve pool, exceeds projected market needs, it can decide to implement a diversion program, and announce the amount of tonnage eligible for diversion during the subsequent crop year. Producers wishing to participate in the RDP must submit an application to the RAC. The RAC conducts a lottery if the tonnage applied for exceeds what has been allotted. RAC staff then notifies producers whether they have been accepted into the program.

Approved producers curtail their production by vine removal or some other means established by the RAC. Such producers receive a certificate the following fall from the RAC which represents the quantity of raisins diverted. Producers sell these certificates to handlers who pay producers for the free tonnage applicable to the diversion certificate minus the established harvest cost for the diverted tonnage. Handlers redeem the certificates by presenting them to the RAC and paying an amount equal to the established harvest cost plus payment for receiving, storing, fumigating, handling, and inspecting the

tonnage represented on the certificate. The RAC then gives the handler raisins from the prior year's reserve pool in an amount equal to the tonnage represented on the diversion certificate. The new crop year's volume regulation percentages are applied to the diversion tonnage acquired by the handler (as if the handler had bought raisins directly from a producer).

### Initial 2002 NS Diversion Program

On November 28, 2001, the RAC met and reviewed data relating to the quantity of reserve raisins and anticipated market needs. With a 2001–02 NS crop estimated at 359,341 tons, and a computed trade demand (comparable to market needs) of 235,850 tons, the RAC projected a reserve pool of 123,491 tons of NS raisins. With such a large anticipated reserve, the RAC announced that 45,182 tons of NS raisins would be eligible for diversion under the initial 2002 RDP. The RAC increased this amount to 54,086 tons at a meeting on January 11, 2002.

Of the 54,086 tons, 49,086 tons were made available to approved producers who submitted applications to the RAC by December 20, 2001, with producers who planned to remove vines receiving priority over those who planned to curtail (abort) production through spur pruning or other means. Section 989.156(d) requires the RAC to give

priority to applicants who agree to remove vines. Another 5,000 tons were made available to approved producers who submitted applications to the RAC from December 21, 2001, through May 1, 2002, and planned to remove vines. Authority for this additional opportunity for vine removal is provided in § 989.156(s).

Harvest costs for the initial RDP were announced by the RAC at \$340 per ton, and a production cap of 2.0 tons per acre was established for the program. The production cap limits the yield per acre that a producer can claim. The 2.0-ton per acre production cap was established in an interim final rule that was published in the **Federal Register** on March 15, 2002 (67 FR 11555). A final rule was published on May 14, 2002 (67 FR 34383).

Under the initial RDP, the RAC received applications from producers accounting for 40,788 tons of raisins that would be removed from production by spur pruning vines, and 7,704 tons of raisins that would be removed from production by removing vines. Using the production cap of 2.0 tons per acre, about 3,850 acres should be removed from production through vine removal (7,704 tons divided by 2.0 tons per acre). The following is a summary of the tonnage allocated and participation in the initial 2002 RDP:

INITIAL 2002 RDP

	Allotted tonnage	Applications from producers
Dec. 20 Deadline .....	49,086 tons (vine removal and spur prune, with priority for vine removal).	40,788 tons (spur prune); 6,896 tons (vine removal)
May 1 Deadline .....	5,000 tons (vine removal only) .....	808 tons (vine removal).
Total .....	54,086 tons .....	40,788 tons (spur prune); 7,704 tons (vine removal).

### RAC Recommendation

The RAC met on May 30, 2002, and recommended adding an additional opportunity for producers to participate in the 2002 NS RDP in view of the oversupply situation affecting the California raisin industry. Specifically, the RAC allocated an additional 25,000 tons of 2001 NS reserve raisins to the program. The additional program applied to producers who agreed to remove vines, and included a bonus for participating producers. Producers received a diversion certificate from the RAC equal to 1.5 times the creditable fruit weight of the raisins produced on the production unit (up to a maximum of 3 tons per acre). For example, if an applicant's verified production was 1.7 tons per acre, the applicant received credit for 2.55 tons per acre (1.7 tons

times 1.5). If an applicant's verified production was 2.5 tons per acre, the applicant received credit for 3.0 tons per acre (2.0 tons times 1.5). Authority for the RAC to issue diversion certificates in an amount greater than the creditable fruit weight produced on the production unit is provided in § 989.56(c) of the order. The bonus was intended to encourage participation in the program.

The additional opportunity to participate in the 2002 RDP was available to producers who did not participate in the initial 2002 program ("new participants"), and to approved participants in the initial 2002 RDP who curtailed their production by spur pruning their vines ("early season spur pruners"). Producers wishing to participate in the program had to file an application with the RAC by July 8,

2002. Priority was given to new participants. If the production applied for had exceeded the 25,000 tons added to the program, a lottery would have been held to allocate the tonnage among the applicants, pursuant to applicable procedures specified in § 989.156(d). Under the additional opportunity program, the RAC received applications from producers accounting for an estimated 2,265 acres and 5,920 tons of raisins that would be removed from production by removing vines.

Harvest costs for the additional opportunity program for "early season spur pruners" remained at \$340 per ton, while harvest costs for new participants were \$100 per ton. Because harvest costs are deducted from the payment producers receive from handlers for their diversion certificates, a reduction