

expediting drying, have not been dipped in or sprayed with water, with or without soda, oil or other chemicals prior to or during the drying process. Naturals are the predominant varietal type of California raisin, comprising about 90 percent of California's raisin production.

Paragraph (c) in § 989.110 defines the Oleate varietal type to include all raisins produced by sun-drying or artificial dehydration of seedless grapes which, in order to expedite drying, are dipped in or sprayed with water with soda, oil, Ethyl Oleate, Methyl Oleate or any other chemicals either while such grapes are on the vine or after they have been removed from the vine.

Cultural practices are evolving in the raisin industry in an effort to reduce production and harvest costs. Traditionally, most California raisins have been made by hand picking grapes from the vine and drying them in the sun on trays laid on the ground. The process is labor intensive and expensive. Thus, in an effort to reduce costs, some growers have switched to sun-drying their grapes on the vine, and then mechanically harvesting them ("dried on the vine" or DOV). A drying agent such as Oleate may be applied to the grapes on the vine to hasten the drying process.

Additionally, there is concern that Oleate could be applied to sun-dried Natural raisins, and that the raisins could be represented as Oleates to circumvent the volume regulations that are typically in effect for Naturals. With the exception of the 1998–99 crop year, volume regulation has been in place for Naturals every year since 1983–84. (The raisin crop year (season) runs from August 1 through July 31.) For the 1992–93 through the 1999–2000 seasons, average acquisitions of Oleates were 441.38 tons. For the 2000–01 and 2001–02 seasons, Oleate acquisitions were 3,669 and 6,495 tons, respectively. Volume regulation was in place for the beginning of the 2001–02 season for Oleates, but was lifted in November 2001 due to no acquisitions up to that time. Once volume regulation was lifted, Oleates were acquired. For the 2002–03 season, the RAC recommended final volume regulation percentages for Oleates in January 2003. However, by the week ending February 1, 2003, Oleate acquisitions were at 2,121 tons, and far below the 5,268-ton trade demand. Because the supply of Oleates was well below demand, volume regulation was lifted in mid-February 2003. Since that time, 2002–03 Oleate acquisitions have increased to 6,217 tons through the week ending April 26, 2003. Based on this data, and the fact

that most raisins are typically acquired much earlier in the crop year, the RAC is concerned that Oleate could be sprayed on bins of Naturals and that the raisins could be represented as Oleates to circumvent volume regulation.

These different types of Oleate-treated grapes/raisins are difficult to distinguish from non-Oleate treated raisins. At its May 15, 2003 meeting, the RAC recommended eliminating the Oleate varietal type, and revising the Natural varietal type to include Oleates. Specifically, Naturals will include all sun-dried raisins possessing similar identifiable characteristics as raisins produced from Natural Thompson Seedless grapes, or similar grape varieties, whether dried on trays or on the vine, with or without application of a drying agent that is a food-grade additive, such as, soda, oil, Ethyl Oleate, or Methyl Oleate prior to, during, or after the drying process. The Committee recommended using "accepted food-grade drying agent" in the definition rather than "drying agent that is a food-grade additive". USDA changed the Committee's recommendation so it conforms more closely to accepted U.S. Food and Drug Administration terminology. Soda was also added to the examples of drying agents because soda has been used by the industry for this purpose in past years. Accordingly, paragraph (c) in § 989.110 regarding Oleates is removed, and paragraph (a) regarding Naturals is revised to include Oleates.

Industry members considered the merits of revising the definition for Dipped Seedless raisins. Dipped Seedless includes all raisins produced by artificial dehydration of seedless grapes that possess the characteristics similar to Thompson Seedless grapes which, in order to expedite drying, have been dipped in or sprayed with water only after such grapes have been removed from the vine. The current Oleate definition includes raisins produced by artificially dehydrating grapes with the application of a drying agent to the grapes. The question was raised regarding how raisins made from artificially dehydrated Oleate-treated grapes would be classified if sun-dried Oleates are included with Naturals. Industry members concluded that no such raisins are currently produced. Accordingly, the definition of Dipped Seedless raisins will not be revised to include artificially dehydrated Oleate-treated grapes.

#### **Volume Regulation and Reserve Pool Requirements**

The order provides authority for volume regulation designed to promote

orderly marketing conditions, stabilize prices and supplies, and improve producer returns. When volume regulation is in effect, a certain percentage of the California raisin crop may be sold by handlers to any market (free tonnage) while the remaining percentage must be held by handlers in a reserve pool (reserve) for the account of the RAC. Reserve raisins are disposed of through various programs authorized under the order. For example, reserve raisins may be sold by the RAC to handlers for free use or to replace part of the free tonnage they exported; carried over as a hedge against a short crop the following year; or may be disposed of in other outlets not competitive with those for free tonnage raisins, such as government purchase, distilleries, or animal feed. Net proceeds from sales of reserve raisins are ultimately distributed to producers.

Section 989.66 of the order specifies general requirements for reserve tonnage. Reserve tonnage acquired by handlers from producers and reserve tonnage transferred to a handler from the RAC must be held by the handler for the account of the RAC. Reserve tonnage must be stored separate and apart from other raisins and identified according to rules and procedures specified by the RAC and approved by the Secretary. Handlers may, under the direction and supervision of the RAC, substitute for any reserve tonnage raisins a like quantity of standard raisins of the same varietal type and of the same or more recent year's production.

Section 989.166 of the order's administrative rules and regulations specifies additional requirements for reserve raisins. Paragraph (a)(1) of that section prescribes identification, delivery, and transfer requirements for Natural reserve raisins. Specifically, lots of Natural reserve raisins that have been dipped in or sprayed with water, with or without chemicals, prior to or during the drying process, for purposes other than to expedite drying, or that have been produced from seedless varieties of grapes other than Thompson Seedless, must be identified by the Inspection Service affixing to one container on each pallet or to each bin in each lot, a prenumbered RAC control card which must remain affixed until the raisins are processed or disposed of as natural condition raisins. Additionally, such reserve raisins cannot be delivered to the RAC nor transferred to another handler without approval of the RAC or the receiving handler.

The current language in § 989.166(a)(1) regarding chemicals applied to Naturals for purposes other than to expedite drying was added to