

raisins, such as government purchase, distilleries, or animal feed. Net proceeds from sales of reserve raisins are ultimately distributed to the reserve pool's equity holders, primarily producers.

Costs Regarding Holding and Storage of Reserve Raisins

Section 989.66(f) of the order specifies that handlers be compensated for receiving, storing, fumigating, and handling that tonnage of reserve raisins determined by the reserve percentage of a crop year and held by them for the account of the RAC, in accordance with a schedule of payments established by the RAC and approved by the Secretary. Further, the RAC must pay rent to producers or handlers for boxes used in storing reserve raisins held beyond the crop year of acquisition. As previously mentioned, the crop year runs from August 1 through July 31.

Section 989.401(b) of the order's rules and regulations specifies additional payments to handlers for storing, handling, and fumigating reserve raisins held beyond the crop year of acquisition. Specifically, handlers must be compensated for such raisins at a rate of \$2.30 per ton for the first 3 months (August through October), and at a rate of \$1.18 per ton per month for the remaining 9 months (November through July).

Section 989.401(c) specifies further payment of rental on boxes and bins containing raisins held beyond the crop year of acquisition. Specifically, persons who furnish boxes or bins used for storing reserve raisins held for the account of the RAC on August 1 are compensated for the use of such containers as follows: For boxes, 2½ cents per day, not to exceed a total payment of \$1.00 per box per year, per average net weight of raisins in a sweatbox, with equivalent rates for raisins in boxes other than sweatboxes; and for bins, 20 cents per day per bin, not to exceed a total of \$10.00 per bin per year.

Disposal Program

Pursuant to § 989.67(b) of the order, the RAC is implementing a program to dispose of 40,000 tons of 2002 NS reserve raisins for use as cattle feed. The tonnage is stored at handler facilities and will be adulterated to ensure that the raisins remain in non-commercial channels. The program is intended to help the industry reduce its burdensome oversupply of raisins. It will also help make available bins for storing raisins during the new crop year, which begins August 1, 2003. Barring unforeseen circumstances, reserve tonnage intended

for use as cattle feed should be removed from handler premises by mid-September 2003.

RAC Recommendation

The RAC met on July 2, 2003, and unanimously recommended reducing the additional holding and storage payments regarding 2002 NS reserve raisins held by handlers on August 1, 2003, and intended for use as cattle feed. Specifically, additional payments for such raisins will accrue beginning September 13, 2003, rather than August 1, 2003. Thus, additional costs will only be incurred for such tonnage that remains at handler premises after September 12, 2003. Payments for storing and holding reserve raisins are deducted from reserve pool proceeds, and net proceeds are ultimately distributed to equity holders. Thus, reducing the expenses for 2002 NS reserve tonnage intended for use as cattle feed will help improve returns to 2002 equity holders.

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.

This rule reduces the additional holding and storage payments specified in paragraphs (b) and (c) of § 989.401

regarding 2002 NS reserve raisins that are intended for use as cattle feed. Specifically, additional payments for such raisins will accrue beginning September 13, 2003, rather than August 1, 2003. Under the order, handlers are compensated for receiving, storing, fumigating, and handling reserve tonnage raisins acquired during a crop year. The order also authorizes additional holding and storage payments for reserve raisins held beyond the crop year of acquisition. This action reduces these additional payments for 2002 NS reserve raisins held by handlers on August 1, 2003, that are intended for use as cattle feed. Authority for this action is provided in § 989.66(f) of the order.

Regarding the impact of this rule on affected entities, handlers and producers, the order provides that handlers store reserve raisins for the account of the RAC. Net proceeds from sales of such reserve raisins are distributed to the reserve pool's equity holders, primarily producers. Handlers are compensated from reserve pool funds for their costs in receiving, storing, fumigating, and handling reserve raisins during the crop year of acquisition and for the subsequent crop year. Compensation is also paid for the use of bins and boxes for storing reserve raisins held beyond the crop year of acquisition.

Under the disposal program, it is estimated that about 22,500 tons of reserve raisins will remain at handler premises after August 1, 2003. If 634 tons were removed per day, costs to store, handle, and fumigate the tonnage at the current rate of \$2.30 per day between August 1 and September 12, 2003, would be \$59,133.00. Bin-rental costs for the same period at the current rate of \$0.20 per day per bin would be \$161,966.00. Thus, the RAC would incur an estimated \$221,000 for holding and storing 2002 reserve raisins that are intended for use as cattle feed between August 1 and September 12, 2003. This rule will reduce these costs to zero and thereby reduce expenses incurred by the 2002 NS reserve pool. Handlers, however, will not be compensated this amount for holding and storing this tonnage.

Regarding alternatives to this action, one option would be to maintain the status quo and have the 2002 reserve pool incur these costs. However, this would not help to improve returns to 2002 equity holders. Another alternative would be to reduce the payments for the period August 1 through September 12, 2003, to figures lower than those currently specified in § 989.401. However, all RAC members supported