

weekly percentage times the average weekly volume of red seedless grapefruit handled by such handler in the previous five seasons, handlers can calculate the total volume of sizes 48 and 56 they may ship in a regulated week.

This rule limits the volume of sizes 48 ( $3\frac{1}{16}$  inches minimum diameter) and 56 ( $3\frac{3}{16}$  inches minimum diameter) red seedless grapefruit entering the fresh market by instituting weekly percentages for the first 22 weeks of the 2003–04 season. This rule establishes weekly percentages at 45 percent for weeks 1 and 2 (September 15 through September 28, 2003), 35 percent for weeks 3 through 19 (September 29, 2003, through January 25, 2004), and 40 percent for weeks 20, 21, and 22 (January 26 through February 15, 2004). The Committee recommended this action unanimously at a meeting on July 1, 2003. This action is similar to those taken the previous six seasons.

The Committee believes the over shipment of smaller-sized red seedless grapefruit has a detrimental effect on the market. While there is a market for small-sized red seedless grapefruit, the availability of large quantities oversupplies the fresh market with these sizes and negatively impacts the market for all sizes. These smaller sizes, 48 and 56, normally return the lowest prices when compared to the other larger sizes. However, when there is too much volume of the smaller sizes available, the overabundance of small-sized fruit pulls the prices down for all sizes.

For the three seasons prior to the use of percentage size regulation, 1994–95, 1995–96, and 1996–97, returns for red seedless grapefruit had been declining, often not returning the cost of production. On-tree prices for red seedless grapefruit had fallen steadily from \$6.87 per box ( $1\frac{3}{4}$  bushel) during the 1991–92 season, to \$3.38 per box during the 1993–94 season, to \$1.91 per box during the 1996–97 season.

An economic study done by the University of Florida—Institute of Food and Agricultural Sciences in May 1997, found that on-tree prices had fallen from a high near \$7.00 per carton in 1991–92 to around \$1.50 per carton for the 1996–97 season. The study projected that if the industry elected to make no changes, the on-tree price would remain around \$1.50 per carton. The study also indicated that increasing minimum size restrictions could help raise returns.

The Committee believes the over shipment of smaller-sized red seedless grapefruit contributed to these poor returns for growers and to lower prices. Based on available statistical information, Committee members

concluded that once shipments of sizes 48 and 56 reached levels above 250,000 cartons per week, prices declined on those and most other sizes of red seedless grapefruit. The Committee believed if shipments of small sizes were maintained at around or below 250,000 cartons a week, prices would stabilize and demand for larger, more profitable sizes would increase. Consequently, in 1996, the Committee recommended changing their rules and regulations to establish the procedures in § 905.153 to limit the volume of small red seedless grapefruit entering the market. The Committee has successfully used the provisions of § 905.153 to address the problems associated with the over shipment of small red seedless grapefruit, recommending percentage of size regulation during the first 11 weeks of the 1997–98, 1998–99, 1999–2000, and 2000–01 seasons, and for the first 22 weeks of the 2001–02 and 2002–03 seasons. Under percentage of size regulation, prices increased and movement stabilized when compared to seasons without regulation.

The Committee believes for the 2003–04 season small sized red seedless grapefruit would again negatively impact the market for all grapefruit if not regulated. By regulating the volume of small sizes entering the fresh market for the first 22 weeks of the season, shipments of sizes 48 and 56 can be maintained near the 250,000-carton level. To address the volume of small-sized red seedless grapefruit available and to prevent the over shipment of small sizes, the Committee voted to utilize the provisions of § 905.153 and establish percentage of size regulation for each of the 22 weeks of the regulatory period for the 2003–04 season.

In making its recommendation, the Committee considered the success of previous percentage of size regulations and their experience from past seasons. At the meeting, the Committee reviewed the results of a study commissioned to determine the merit of percentage of size regulation. The study completed by Robert E. Barber, Jr., Director of Economics, Florida Citrus Mutual, entitled “An Econometric Spatial Equilibrium Analysis of the 48/56 Red Grapefruit Rule,” dated July 1, 2003, evaluated the effectiveness of past percentage of size regulation.

One of the Committee’s goals in establishing percentage of size regulation was to stabilize prices and increase returns. The Committee believes percentage of size regulation has been effective in this area, and the study shows this to be true. The study estimates that percentage of size

regulation has increased total f.o.b. revenues for red grapefruit by a total of 12 percent or \$18.9 million over the six-year period from 1997–98 to 2002–03, averaging \$3.15 million per season. Each of the six seasons had an increase in f.o.b. revenues ranging from a low of \$2.52 million during the 1999–2000 season to a high of \$3.73 million for the 2002–03 season. The f.o.b. prices per carton are also estimated to have increased by an average of 17 percent or \$1.00 per carton during this six-year period.

In the three seasons prior to the first percentage of size regulation in 1997–98, prices of red seedless grapefruit fell from a weighted average f.o.b. price of \$7.80 per carton in October to a weighted average f.o.b. price of \$5.50 per carton in December. In the six seasons utilizing percentage of size regulation, red seedless grapefruit maintained higher prices throughout the season with a weighted average f.o.b. price of \$8.10 per carton in October, \$7.06 per carton in December, and remained at around \$6.90 in April.

Average prices for the season have also been higher during seasons with percentage of size regulation. The average season price for red seedless grapefruit was \$7.00 for the last six years compared to \$5.83 for the three years prior to using percentage of size regulation. The Barber study shows that prices for the past six seasons would have been from around \$0.72 to \$1.00 lower per carton without regulation.

On-tree prices for fresh red seedless grapefruit have also been higher during seasons with percentage of size regulation than for the three seasons prior to regulation. The average on-tree price for fresh red seedless grapefruit was \$4.42 for the seasons 1997–98 through 2001–02 with percentage of size regulation compared to \$3.08 for the three years prior to regulation.

The University of Florida, Citrus Research and Education Center published an estimated cost of production for grapefruit for the 2001–2002 season. The cost to produce grapefruit for the fresh market was estimated at \$1,008.77 per acre for the Indian River area, the major grapefruit production area in Florida. Indian River grapefruit production has averaged around 417 boxes per acre. Based on the cost of production, and the average boxes per acre, growers need to earn a total on-tree value (fruit going both to the fresh market and to processing) of approximately \$2.42 per box in order to break even. For the three seasons prior to percentage of size regulation, the total on-tree value averaged \$1.78 per box. Comparatively, for the seasons with