size production, large carry-in inventories, and stagnant demand.

## NATURAL SEEDLESS PRODUCER PRICES

Crop year	Deliveries (natural condition tons)	Producer prices (per ton)(\$)
2002–03	388,010 377,328	<sup>1</sup> 394.85 650.94
2000–01 1999–2000	432,616 299,910 240,469 382,448 272,063	603.36 1,211.25 21,290.00 946.52 1,049.20 1,007.19
1998–99 1997–98		
1996–97 1995–96		
1994–95 1993–94	378,427 387,007	928.27 904.60

<sup>&</sup>lt;sup>1</sup> Return-to-date, reserve pool still open.

There are essentially two broad markets for raisins—domestic and export. In recent years, both export and domestic shipments have been decreasing. Domestic shipments decreased from a high of 204,805 packed tons during the 1990–91 crop year to a low of 156,325 packed tons in 1999–2000. In addition, exports decreased from 114,576 packed tons in 1991–92 to a low of 91,600 packed tons in the 1999–2000 crop year.

In addition, the per capita consumption of raisins has declined from 2.07 pounds in 1988 to 1.48 pounds in 2002. This decrease is consistent with the decrease in the per capita consumption of dried fruits in general, which is due to the increasing availability of most types of fresh fruit throughout the year.

While the overall demand for raisins has been decreasing (as reflected in the decline in commercial shipments), production has been increasing. Deliveries of NS dried raisins from producers to handlers reached an alltime high of 432,616 tons in the 2000-01 crop year. This large crop was preceded by two short crop years; deliveries were 240,469 tons in 1998-99 and 299,910 tons in 1999-2000. Deliveries for the 2000–01 crop year soared to a record level because of increased bearing acreage and yields. Deliveries for the 2001-02 crop year were 377,328 tons, and deliveries for the 2002-03 crop year were 388,010 tons. Deliveries through the week ending June 19, 2004, of the current crop year were at 296,625 tons. Three crop years of high production and a large 2001-02 carryin inventory have contributed to the industry's burdensome supply of raisins.

The order permits the industry to exercise supply control provisions, which allow for the establishment of free and reserve percentages, and establishment of a reserve pool. One of the primary purposes of establishing free and reserve percentages is to equilibrate supply and demand. If raisin markets are over-supplied with product, producer prices will decline.

Raisins are generally marketed at relatively lower price levels in the more elastic export market than in the more inelastic domestic market. This results in a larger volume of raisins being marketed and enhances producer returns. In addition, this system allows the U.S. raisin industry to be more competitive in export markets.

To assess the impact that volume control has on the prices producers receive for their product, an econometric model has been constructed. The model developed is for the purpose of estimating nominal prices under a number of scenarios using the volume control authority under the Federal marketing order. The price producers receive for the harvest and delivery of their crop is largely determined by the level of production and the volume of carryin inventories. The Federal marketing order permits the industry to exercise supply control provisions, which allow for the establishment of reserve and free percentages for primary markets, and a reserve pool. The establishment of reserve percentages impacts the production that is marketed in the primary markets.

The reserve percentage limits what handlers can market as free tonnage. Assuming the 30 percent reserve limits the total free tonnage to 207,638 natural condition tons ( $.70 \times 296,625$  tons delivered through June 19, 2004) and carryin is 129,345 natural condition tons, and purchases from reserve total 66,740 natural condition tons (which includes reserve raisins released

through both 10 plus 10 offers plus the offer under § 989.67(j)), then the total free supply is estimated at 403,723 natural condition tons. The econometric model estimates prices to be \$63 per ton higher than under an unregulated scenario. This price increase is beneficial to all producers regardless of size and enhances producers' total revenues in comparison to no volume control. Establishing a reserve allows the industry to help stabilize supplies in both domestic and export markets, while improving returns to producers.

Free and reserve percentages are established by varietal type, and usually in years when the supply exceeds the trade demand by a large enough margin that the Committee believes volume regulation is necessary to maintain market stability. Accordingly, in assessing whether to apply volume regulation or, as an alternative, not to apply such regulation, it has been determined that volume regulation is warranted this season for only one of the nine raisin varietal types defined under the order.

The free and reserve percentages established by this rule release the full trade demand and apply uniformly to all handlers in the industry, regardless of size. For NS raisins, with the exception of the 1998–99 crop year, small and large raisin producers and handlers have been operating under volume regulation percentages every year since 1983–84. There are no known additional costs incurred by small handlers that are not incurred by large handlers. While the level of benefits of this rulemaking are difficult to quantify, the stabilizing effects of volume regulation impact small and large handlers positively by helping them maintain and expand markets even though raisin supplies fluctuate widely from season to season. Likewise, price

<sup>&</sup>lt;sup>2</sup> No volume regulation.