Rules and Regulations

Federal Register
Vol. 65, No. 138
Tuesday, July 18, 2000

DEPARTMENT OF AGRICULTURE

Agricultural Marketing Service

7 CFR Part 989

[Docket No. FV00–989–3 FR]

Raisins Produced From Grapes Grown in California; Increase in Desirable Carryout Used To Compute Trade Demand

AGENCY: Agricultural Marketing Service, USDA.

ACTION: Final rule.

SUMMARY: This rule increases the desirable carryout used to compute the yearly trade demand for raisins covered under the Federal marketing order for California raisins (order). The order regulates the handling of raisins produced from grapes grown in California and is administered locally by the Raisin Administrative Committee (Committee). This action will ultimately make more raisins available to handlers, especially for immediate use early in the season, and will allow desirable carryout to more accurately reflect actual carryout inventory.

EFFECTIVE DATE: August 1, 2000.

FOR FURTHER INFORMATION CONTACT: Maureen T. Pello, Marketing Specialist, California Marketing Field Office, Marketing Order Administration Branch, Fruit and Vegetable Programs, AMS, USDA, 2202 Monterey Street, suite 102B, Fresno, California 93721; telephone: (559) 487–5901, Fax: (559) 487–5906; or George Kelhart, Technical Advisor, Marketing Order Administration Branch, Fruit and Vegetable Programs, AMS, USDA, room 2525–S, P.O. Box 96456, Washington, DC 20090–6456; telephone: (202) 720–2491, or Fax: (202) 720–5698.

Small businesses may request information on complying with this regulation by contacting Jay Guerber, Marketing Order Administration Branch, Fruit and Vegetable Programs, AMS, USDA, P.O. Box 96456, room 2525–S, Washington, DC 20090–6456; telephone (202) 720–2491; Fax: (202) 720–5698; or E-mail: Jay.Guerber@usda.gov.

SUPPLEMENTARY INFORMATION: This final rule is issued under Marketing Agreement and Order No. 989 (7 CFR part 989), both as amended, regulating the handling of raisins produced from grapes grown in California, hereinafter referred to as the ''order.'' The order is effective under the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601–674), hereinafter referred to as the ''Act.''

Question and Answer Overview

What Are Marketing Orders?

Marketing orders are rules which are authorized under the Agricultural Marketing Agreement Act of 1937. They are based on evidence developed at a formal hearing. Marketing orders help fruit and vegetable growers work together to solve marketing problems that cannot be solved individually. Industries voluntarily implement these programs and choose to have Federal oversight of certain aspects of their operations.

The California raisin industry has operated under a marketing order since 1949. The order authorizes implementation of volume control for the various varietal types grown. Preliminary and interim free and reserve percentages are computed and announced by the Committee and final percentages are established by the Department of Agriculture. When volume controls are implemented for a particular varietal type, a portion of the crop can be sold by handlers to any market (free tonnage), and the remaining portion (reserve tonnage) is required to be held by handlers for the account of the Committee. Reserve raisins are disposed of through programs authorized under the marketing order. Under the order, reporting and recordkeeping requirements for gathering statistical information and supporting volume control activities are implemented. Quality controls, and marketing research and development, and promotional activities also are implemented in the interest of growers, handlers, and consumers.

What Is Desirable Carryout?

Desirable carryout is the amount of raisins from one season needed during the first part of the next season for market needs, and is one of the factors used in computing yearly trade demand. When computed trade demand is less than the quantity of raisins produced, volume controls are implemented under the order.

Why Did the Committee Recommend This Action?

The Committee recommended the increase in the desirable carryout to make more raisins available to handlers for immediate use early in the season when supplies are often tight, and to bring desirable carryout more in line with actual carryout inventory and early season shipments. The increase is expected to more accurately reflect the marketing conditions currently facing the industry.

Who Will Be Affected by This Action?

Growers and handlers of raisins produced in California will be affected by this action. Volume controls implemented under the order are designed to promote orderly marketing conditions, stabilize prices and supplies, and improve grower returns.

Were Any Comments Received on This Action?

One comment was received. The commenter supports the increase in desirable carryout, but expressed concern over the impact of the change on the Committee's program to promote California raisin sales in foreign markets. The increase in desirable carryout would make more raisins available to handlers as free tonnage, and might reduce the amount of reserve raisins purchased to meet their market needs. However, Committee sponsored promotional activities are not expected to be negatively impacted by the amount of the desirable carryout, because those activities are planned and implemented later in the season when carrying inventories and size of the new crop are known. Additionally, those promotional activities are planned by the Committee with the most recent information available, and approved by the Department.

When Will This Action Be Effective?

This action will be effective August 1, 2000, the beginning of the 2000/2001 crop year, and the increased desirable carryout will be used to compute trade demand for that year.

Executive Orders 12866 and 12998

The Department of Agriculture (Department) is issuing this rule in conformance with Executive Order 12866.

This final rule has been reviewed under Executive Order 12988, Civil Justice Reform. This rule is not intended to have retroactive effect. This rule will not preempt any State or local laws, regulations, or policies, unless they present an irreconcilable conflict with this rule.

The Act provides that administrative proceedings must be exhausted before parties may file suit in court. Under section 608c(15)(A) of the Act, any handler subject to an order may file with the Secretary a petition stating that the order, any provision of the order, or any obligation imposed in connection with the order is not in accordance with law and request a modification of the order or to be exempted therefrom. A handler is afforded the opportunity for a hearing on the petition. After the hearing, the Secretary would rule on the petition. The Act provides that the district court of the United States in any district in which the handler is an inhabitant, or has his or her principal place of business, has jurisdiction in equity to review the Secretary's ruling on the petition, provided an action is filed not later than 20 days after the date of the entry of the ruling.

Discussion of the Increase in Desirable Carryout

This final rule increases the desirable carryout used to compute the yearly trade demand for raisins regulated under the order. Trade demand is computed based on a formula specified in the order, and is used to determine volume regulation percentages for each crop year, if necessary. Desirable carryout, one factor in this formula, is the amount of tonnage from one crop year needed during the first part of the next crop year to meet market needs, before new crop raisins are available. This rule increases the desirable carryout from 2½ months (August, September, and one-half of October) of prior year's shipments to a rolling average of 3 months (August, September, and October) of shipments over the past 5 years, dropping the high and low figures. This action was recommended by the Committee at a meeting on November 10, 1999.

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 Committee. Reserve raisins are disposed of through certain programs authorized under the order. For instance, reserve raisins may be sold by the Committee to handlers for free use or to replace part of the free tonnage raisins they exported; used in diversion programs; carried over as a hedge against a short crop the following year; or disposed of in other outlets not competitive with those for free tonnage raisins, such as government purchase, distilleries, or animal feed. Funds generated from sales of reserve raisins are also used to support handler sales to export markets. Net proceeds from sales of reserve raisins are ultimately distributed to the reserve pool's equity holders, primarily producers.

Section 989.54 of the order prescribes procedures to be followed in establishing volume regulation and includes methodology used to calculate volume regulation percentages. Trade demand is based on a computed formula specified in this section, and is also part of the formula used to determine volume regulation percentages. Trade demand is equal to 90 percent of the prior year's shipments, adjusted by the carryin and desirable carryout inventories.

At one time, § 989.54(a) also specified actual tonnages for desirable carryout for each varietal type regulated. However, in 1989, these tonnages were suspended from the order, and flexibility was added so that the Committee could adopt a formula for desirable carryout in the order's rules and regulations. The formula has allowed the Committee to periodically adjust the desirable carryout to better reflect changes in each season's marketing conditions.

The formula for desirable carryout has been specified since 1989 in § 989.154. Initially, the formula was established so that desirable carryout was based on shipments for the first 3 months of the prior crop year—August, September, and October (the crop year runs from August 1 through July 31). This amount was gradually reduced to 2½ months in 1991–92, 2¼ months in 1995–96, and to 2 months in 1996–97. The Committee reduced the desirable carryout between 1991–1997 because it believed that an excessive supply of raisins was available early in a new crop year creating unstable market conditions.

In 1998, the Committee determined that, because of the reduced desirable carryout, not enough raisins were being made available for growth. Thus, the desirable carryout was increased to 2½ months of prior year's shipments to allow for a higher trade demand figure and, thus, a higher free tonnage percentage, making more raisins available to handlers, especially for immediate use early in the season when supplies are often tight. This action also allowed desirable carryout to move towards what handlers actually hold in inventory at the end of a crop year, or about 100,000 tons.

The Committee would like to continue to bring the desirable carryout in line with handlers' actual inventory at the end of a crop year. Desirable carryout has averaged 63,364 tons at 2 months, 71,203 tons at 2¼ months, and 80,248 tons at 2½ months. For the past 5 years, an average of 102,452 tons has been held in inventory by all handlers at the end of a crop year. Increasing the desirable carryout will also bring this factor more in line with early-season shipments while providing some raisins for market expansion. For the past 5 years, an average of 94,147 tons of raisins has been shipped during the first 3 months of the crop year (August, September, and October).

Thus, the Committee met on November 10, 1999, and recommended increasing the desirable carryout to a rolling average of 3 months of shipments (August, September, and October) over the past 5 years, dropping the high and low figures. If this formula would have been used for the current crop year (1999–2000), the desirable carryout would have equaled 94,083 tons as compared to the current 73,809 tons. The 94,083-ton figure would have thus been much closer to the actual inventory of 102,452 tons, and closer to the 5-year average level of shipments for August, September, and October of 94,147 tons. The following table illustrates this computation.

TABLE 1.—COMPUTATION OF PROPOSED NEW DESIRABLE CARRYOUT CROP YEARS

	A 1998–99	B 1997–98	C 1996–97	D 1995–96	E 1994–95
Total of free tonnage shipments during August, September, and October (Natural condition tons)	91,015	89,756	98,731	96,109	95,125
Total of 3-months of shipments over the past 5 years, dropping the high and low figures, and dividing the remaining sum by 3 (Natural condition tons)[1]	94,083				

[1] (Columns A+D+E)/3

Finally, as with the 1998–99 increase in the formula, this action will result in a higher free tonnage percentage which will make more raisins available to handlers, especially for immediate use early in the season when supplies can be tight. A higher free tonnage percentage may also improve early season returns to producers (producers are paid an established field price for their free tonnage).

Much of the discussion at the Committee's meeting concerned the desirable carryout of Natural (sun-dried) Seedless raisins (Naturals). Naturals are the major commercial varietal type of raisin produced in California. With the exception of the 1998–99 crop year, volume regulation has been implemented for Naturals for the past several seasons. However, the Committee also believes that the increase in desirable carryout should apply to the other varietal types of raisins covered under the order.

The Committee's vote on this action was 24 in favor and 13 opposed. The no votes were primarily from members who favored a higher desirable carryout. After much deliberation, the majority of Committee members supported basing desirable carryout on a rolling average of 3 months of shipments over the past 5 years, dropping the high and low figures. Thus, paragraph (a) in § 989.154 is modified accordingly.

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 final 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 have been 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 $500,000. 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, excluding receipts from any other sources. No more than 7 handlers, and a majority of producers, of California raisins may be classified as small entities.

This final rule increases the desirable carryout used to compute the yearly trade demand for raisins regulated under the order. Trade demand is computed based on a formula specified under § 989.54(a) of the order. It is also part of another formula used to determine volume regulation percentages for each crop year, if necessary. Desirable carryout, one factor in this formula, is the amount of tonnage from one crop year needed during the first part of the succeeding crop year to meet market needs, before new crop raisins are available for shipment. This rule will increase the desirable carryout specified in paragraph (a) of § 989.154 from 2½ months (August, September, and one-half of October) of prior year's shipments to a rolling average of 3 months (August, September, and October) of shipments for the past 5 years, dropping the high and low figures.

The new desirable carryout level will apply uniformly to all handlers in the industry, whether small or large, with no known additional costs incurred by small handlers. As previously mentioned, increasing the desirable carryout will increase the trade demand and free tonnage percentage, making more raisins available to handlers early in the season. A higher free tonnage percentage may also improve early season returns to producers (producers are paid an established field price for their free tonnage).

The Committee considered a number of alternatives to the 3-month rolling shipment average in the desirable carryout level. The Committee has an appointed subcommittee which periodically holds public meetings to discuss changes to the order and other issues. The subcommittee met on November 9, 1999, and discussed desirable carryout. All of the subcommittee members agreed with increasing the desirable carryout and considered a number of alternatives. Options considered included: Basing desirable carryout on a 5-year rolling average of actual carryout inventory; an average of 3 months of prior year's shipments; or a rolling average of 3 months of shipments over the past 5 years, dropping the high and low figures. The subcommittee ultimately recommended to the full Committee that desirable carryout be based on a 5-year rolling average of actual carryout inventory.

At the Committee meeting on November 10, 1999, these options were again reviewed. After much discussion, the majority of Committee members agreed that desirable carryout should be based on shipments, not actual carryout inventory. Most Committee members concurred that basing desirable carryout on actual carryout inventory could create problems if handlers carried out large inventories. In addition, most members believed that shipments are driven by market demand, and should thus continue to be the basis for desirable carryout. The Committee ultimately recommended that the desirable carryout be based on a rolling average of 3 months of shipments for the past 5 years, dropping the high and low figures.

This rule imposes no additional reporting or recordkeeping requirements on either small or large raisin handlers. As with all Federal marketing order programs, reports and forms are periodically reviewed to reduce information requirements and duplication by industry and public sector agencies. Finally, the Department has not identified any relevant Federal rules that duplicate, overlap or conflict with this rule.

In addition, the Committee's subcommittee meeting on November 9, 1999, and the Committee meeting on November 10, 1999, where this action was deliberated, were public meetings widely publicized throughout the raisin industry. All interested persons were invited to attend the meetings and participate in the industry's deliberations.

A proposed rule concerning this action was published in the **Federal Register** on January 31, 2000 (65 FR 4583). Copies of the rule were mailed by the Committee's staff to all Committee members and alternates, the Raisin Bargaining Association, handlers, and dehydrators. In addition, the rule was made available through the Internet by the Office of the Federal Register. That rule provided for a 60-day comment period which ended March 31, 2000. One comment was received.

The commenter supports the change in desirable carryout, but expressed concern over the impact of the change on the Committee's program to promote California raisin sales in foreign markets. The purpose of this rulemaking action is to change the desirable carryout to more accurately reflect actual carryout inventory and early-season shipments. Desirable carryout is the amount of tonnage from a specific crop year needed during the first part of the succeeding crop year to meet market needs. Failure to provide adequate raisins for market needs during the first part of the crop year would likely have a negative impact on prices and sales later in the season. Such an impact would likely be felt in domestic and foreign markets. The increase in desirable carryout would make more raisins available to handlers as free tonnage, and might reduce the amount of reserve raisins handlers purchase to meet their market needs. However, Committee sponsored promotional activities are not expected to be negatively impacted by this action. Those promotional activities are planned and implemented later in the season, when carryin inventories and the size of the new crop are known. Additionally, those promotional activities are planned by the Committee with the most recent information available, and approved by the Department.

Accordingly, no changes will be made to the rule, as proposed, based on the comment received.

A small business guide on complying with fruit, vegetable, and specialty crop marketing agreements and orders may be viewed at the following web site: http://www.ams.usda.gov/fv/moab.html. Any questions about the compliance guide should be sent to Jay Guerber at the previously mentioned address in the **FOR FURTHER INFORMATION CONTACT** section.

After consideration of all relevant matter presented, including the information and recommendation submitted by the Committee, the comment received, and other available information, it is hereby found that this rule, as hereinafter set forth, will tend to effectuate the declared policy of the Act.

Pursuant to 5 U.S.C. 553, it is also found that good cause exists for not postponing the effective date of this action until 30 days after publication in the **Federal Register** because: (1) The 2000–2001 crop year begins on August 1, 2000, and this rule should be effective promptly because the order provides that the Committee meet on or before August 15 to compute and announce the trade demand, and the desirable carryout level is a necessary item in that calculation; (2) this action is a relaxation in that it will make more raisins available to handlers especially for use early in the season; (3) producers and handlers are aware of this action which was unanimously recommended by the Committee at a public meeting; and (4) a 60-day comment period was provided for in the proposed rule, and the comment received is addressed in this final rule.

List of Subjects in 7 CFR Part 989

Grapes, Marketing agreements, Raisins, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, 7 CFR part 989 is amended as follows:

PART 989—RAISINS PRODUCED FROM GRAPES GROWN IN CALIFORNIA

1. The authority citation for 7 CFR part 989 continues to read as follows:

Authority: 7 U.S.C. 601–674.

2. Section 989.154 is amended by revising paragraph (a) to read as follows:

§ 989.154 Marketing policy computations.

(a) *Desirable carryout levels.* The desirable carryout levels to be used in computing and announcing a crop year's marketing policy shall be equal to the total shipments of free tonnage during August, September, and October for each of the past 5 crop years, for each varietal type, converted to a natural condition basis, dropping the high and low figures, and dividing the remaining sum by three.

* * * * *

Dated: July 11, 2000.

Robert C. Keeney,

Deputy Administrator, Fruit and Vegetable Programs.

[FR Doc. 00–18073 Filed 7–17–00; 8:45 am]

BILLING CODE 3410–02–P

DEPARTMENT OF AGRICULTURE

Agricultural Marketing Service

7 CFR Part 1140

[Docket No. DA–00–06]

Final Rule for Dairy Forward Pricing Pilot Program

AGENCY: Agricultural Marketing Service, USDA.

ACTION: Final rule.

SUMMARY: This final rule establishes a pilot program which exempts handlers regulated under the Federal milk order program from paying producers and cooperative associations the minimum Federal order price(s) for that portion of their milk for nonfluid use that is under forward contract. Establishment of the pilot program is required by a November 1999 amendment to the Agricultural Marketing Agreement Act of 1937 (AMAA).

EFFECTIVE DATE: July 19, 2000.

FOR FURTHER INFORMATION CONTACT: Nicholas Memoli, Marketing Specialist, Order Formulation Branch, USDA/AMS/Dairy Programs, Room 2971, South Building, P.O. Box 96456, Washington, DC 20090–6456, (202) 690–1932, e-mail address Nicholas.Memoli@usda.gov.

SUPPLEMENTARY INFORMATION: This rule implements an amendment to the AMAA which directs the Secretary of Agriculture to establish a temporary pilot program for forward contracting of milk under Federal milk marketing orders. The effect of the amendment is to permit a handler to pay producers or cooperative associations a negotiated price, rather than the minimum Federal order price, for milk that is under forward contract, provided that such milk does not exceed the handler's nonfluid use of milk for the month. The amendment appears in Section 3 of H.R. 3428 of the 106th Congress, as enacted by Section 1001(a)(8) of Public Law 106–113 (113 Stat. 1536). It was signed into law on November 29, 1999. The