

Currently, section 989.154 provides that the desirable carryout levels shall be equal to the shipments of free tonnage to all outlets for each varietal type during the months of August, September, and one-half of the total shipments for the month of October of the prior crop year.

The desirable carryout figure is used in marketing policy calculations to determine trade demand. The trade demand is 90 percent of prior year's shipments, adjusted by the carryin and desirable carryout. The trade demand is then used to help determine the volume regulation percentages for each crop year, if necessary.

Beginning in the 1991-92 crop year the desirable carryout was reduced from three months of shipments to two and one-half months of shipments. It was determined that the use of the three month desirable carryout level resulted in excessive supplies of marketable tonnage early in the season.

The Committee has used the two and one-half month desirable carryout figure for four crop years and has determined that the use of this figure also results in an excessive supply of free tonnage at the beginning of the marketing season. A majority of the Committee members believes that this causes unstable market conditions during the early part of the crop year.

To correct the oversupply of marketable raisin tonnage early in the season, the Committee has recommended that the desirable carryout levels be revised from two and one-half months of the prior year's shipments to two and one-fourth months of the prior year's shipments for the 1995-96 crop year and to two months of the prior year's shipments for subsequent crop years.

The change in the desirable carryout levels would reduce the trade demand and the free tonnage percentage, and would make less free tonnage available to handlers for immediate use. However, handlers would still be provided an opportunity to increase their inventories, if necessary, by purchasing raisins from the reserve pool under order-mandated 10 plus 10 offers during November and other releases of reserve pool raisins available under the marketing order. The 10 plus 10 offers are two simultaneous offers of reserve pool raisins which are made available to handlers each season. For each such offer, a quantity of raisins equal to 10 percent of the prior year's shipments is made available for free use. Although this proposed rule would tighten the supply of raisins early in the season, handlers would still have the opportunity to obtain additional

supplies to meet market needs, if needed later in the season.

This proposal is intended to stabilize the early season raisin market. Bringing early season supplies in line with market needs is expected to stabilize market prices. This price stabilization should make raisin buyers less likely to postpone their purchases. Thus, decreasing the desirable carryout could strengthen the market and increase shipments, which would benefit raisin producers and handlers.

One alternative that was discussed by the Committee prior to recommending this proposed change was to immediately set the desirable carryout level at two months of the prior year's shipments. It was determined that this was too rapid an adjustment and that first setting the desirable carryout levels at two and one-quarter months for the 1995-96 season and two months in subsequent crop years would be a more prudent approach.

Another alternative considered was setting the desirable carryout at a fixed tonnage. However, this alternative does not allow the desirable carryout to fluctuate with changing market conditions from year to year.

Those voting in opposition to the recommendation to reduce the desirable carryout level believed that the marketing order should not further restrict supplies during the early part of the crop year. However, the following table shows that adequate supplies of Natural (sun-dried) Seedless raisins have been available early in the crop year to meet demand. Natural (sun-dried) Seedless raisins represent about 90 percent of all raisins produced in California. The other two varieties which had reserve pools for the 1994-95 crop year, Zante Currant raisins and Other Seedless raisins, had carryins far exceeding the annual trade demand. "Carryin" is synonymous with the "carryout" of the preceding crop year. All figures are in natural condition tons.

Crop year	Desirable carryin (Aug, Sept and 1/2 Oct shipments) (tons)	Physical carryin (tons)	Aug/Sept shipments (tons)
1994-95	84,671	92,248	64,374
1993-94	81,867	93,752	67,784
1992-93	82,591	115,440	65,495
1991-92	84,541	109,306	65,613

The desirable carryin is set to meet the demand for the early part of the crop year (August and September) before the new crop becomes available. The actual physical carryin has far exceeded the

desirable carryin and has resulted in an oversupply of free tonnage during the early part of the crop year. The reduction in desirable carryout would contribute to correcting the problem by adjusting the free tonnage market supply, which would bring it more in line with demand.

The desirable carryout levels that would be established by this proposed rule would apply uniformly to all handlers in the industry, whether small or large, and there would be no known additional costs incurred by small handlers. The stabilizing effects of the revised desirable carryout levels would impact both small and large handlers positively by helping them maintain and expand markets.

In the event that the prior year's shipments are limited because of crop conditions, a proviso in section 989.154 allows the committee to select the total shipments during the months of August, September and one-half of the total shipments for October during one of the three years preceding the prior crop year. Consistent with the need to reduce early season supplies, this proposed rule would make a corresponding revision to this proviso, by changing the total shipments from August, September, and one-half of the total shipments for October to the total shipments from August and September only.

Based on available information, the Administrator of the AMS has determined that this action would not have a significant economic impact on a substantial number of small entities.

Interested persons are invited to submit their views and comments on this proposal. A 15-day comment period is considered appropriate because the order requires that the committee meet on or before August 15 to compute and announce the trade demand. As indicated earlier, the desirable carryover is an important factor in that calculation. Thus, a decision on whether to issue the Committee's recommendation must be made prior to that date. A longer comment period would not provide an adequate amount of time to complete this rulemaking by that date. All written comments timely received will be considered before a final determination is made on this matter.

#### 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 proposed to be amended as follows: