



Sun-Maid Growers of California

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Docket Clerk
Marketing Order Administration Branch
Fruit and Vegetable Programs, AMS
United States Department of Agriculture
1400 Independence Avenue, SW STOP 0237
Washington, DC 20250-0237

VIA FAX AND E-MAIL

Reference: Docket No. FV04-989-610 Review
Federal Register Volume 69, Number 101
Tuesday, May 25, 2004
Page 29672
Marketing Order 989 for raisins produced from
grapes grown in California

Dear Sirs:

These comments are submitted on behalf of Sun-Maid Growers of California and the over 1,000 raisin growers Sun-Maid represents within the California raisin industry. As a marketing cooperative, under Sun-Maid's by-laws and marketing agreements, Sun-Maid has the authority and the responsibility to represent our grower members on their behalf in marketing order programs. As such we handle approximately one-third of the California raisin industry subject to the federal marketing order on raisins 7 CFR Part 989.

Sun-Maid, on behalf of itself and our 1,000 grower members, submits these comments on whether the marketing order should be continued without change, amended or rescinded to minimize the impact on small entities.

1. **The continued need for the marketing order** is just as necessary today as when the raisin marketing order was established in 1949. The fundamental need for the raisin order is due to large fluctuations in the volume and percentage of raisin variety grapes being crushed from one year to the next.

The principal growing areas for raisins and raisin grapes are Fresno, Madera, Kings and Tulare counties, which generally corresponds to geographical area District 13 for purposes of the California

Department of Food and Agriculture's Grape Crush Report produced by the California Agricultural Statistics Service in March of each year.

Table 1 (attached) shows the history of the volume of tons of Thompson raisin variety grapes crushed since 1990 in District 13, varying from a low of 116,594 to a high of 598,284.

If these are converted to raisin equivalents (using a dry down or conversion factor of 4.5 tons of fresh grapes = 1 ton of raisins) these would be the equivalent of a low of 25,910 tons of raisins in 1994, to a high of 132,950 in 1997. See Table 2 (attached).

Total production of Thompson variety grapes made into raisins and crushed are shown on Table 3 (attached).

As a percentage of the volume of raisin grapes available for crushing or raisins, the percentage varies from a low of 6% in 1994, to a high of 28% in 1996. See Table 4 (attached).

These huge fluctuations are the principle reason for the volume control provisions to maintain orderly marketing.

This is the same dynamics that justified the marketing order in 1949:

Prior to 1949 the California raisin industry was confronted with surpluses for more than a decade. The situation changed radically during the war since raisins were in great demand. Prices rose rapidly and acreage of raisin grapes expanded significantly. However, in 1947, large wine inventories were carried over, so there was a smaller crush of raisin grapes. Commercial exports of raisins dropped.

These factors caused raisin prices to decline sharply in 1947 and 1948. A greater decline in prices would have occurred if the Government had not purchased nearly 59,000 tons of raisins.

Because of the variability in the raisin variety grape industry, it was concluded that the California raisin marketing order would create the tools necessary to react to dramatic seasonal changes in supply. In this way, producers would be benefited by higher average prices and greater aggregate returns for their raisins than would be the case in the absence of such control. This would be true even if the surplus should be salvaged at low values, because the demand for raisins is inelastic. Control of the surplus would equalize among producers the burden of such surplus.

*Federal Register, June 8, 1949
Pages 3083 – et. seq.*

2. The nature of complaints from the public.

Sun-Maid is the largest distributor and marketer of raisins in the United States. Our customers include virtually all major food retailers and major ingredient purchasers. These customers have the ability to acquire raisins from anywhere in the world.

The U.S.D.A. report "Food and Agricultural Policy: Taking Stock for the New Century," published September, 2001 concludes that,

Political boundaries no longer constrain the conduct of good business, and this includes agribusiness. Better, faster, more reliable communications and transportation systems facilitate business' abilities to produce, source, and sell in the locations that give them best advantage, even if that means operating in multiple locations around the world. This globalization of markets pressures firms to be more competitive and to "shorten the supply chain" (reducing the number of business transactions and their associated costs) in order to meet rapidly changing consumer demand.

Businesses in the food system around the world compete against each other to provide high-quality products at the best price.

Globalization makes it imperative for companies to diversify their sources of raw materials and buy from the farmer, wholesaler, or food processor that provides the best product for the lowest price at any given time. Thus, we can no longer think of our agriculture as being confined to what takes place within our borders. We are part of a larger, world-wide interconnected system.

These global buyers complain that the California raisin marketing order's multi-price system is, at times, significantly adverse to U.S. customers and consumers.

Attached is a chart (Table 5) showing the different raw material cost to processors and packers that are available under the raisin marketing order from 1980. While there is some differential that is justified based on transportation, logistics, and reliability, there are times that the differential between domestic buyers and international buyers can plainly not be justified.

Table 6 (attached) shows the difference between the U.S. domestic raw material cost to processors and packers and the Europe bulk raw material cost for each year from 1980. Table 7 (attached) shows the domestic shipments for each year from 1980 (2003 is estimated). Table 8 (attached) shows the price differential from Table 6 and the domestic shipments from Table 7.

This is not totally a problem with the terms and conditions of the regulations as much as it is with the oversight of the U.S.D.A. and its willingness to promote U.S. exports to the neglect and detriment of U.S. consumers.

3. The degree to which other factors have changed since the marketing order has been evaluated.

As stated above, the most significant change has been the globalization of the world food business, which is not fully addressed either by the marketing order itself, the RAC as an administrative organization, or the U.S.D.A. in its role to provide oversight.

Second to this, there have been significant efforts by some growers and some packers objecting to the order and its compliance rules or ignoring the standards and requirements for compliance. Marketing orders work best when there is diligent and full compliance. Sun-Maid and

the industry believe that this has become a major problem in 2003/2004 and is not adequately provided for under the existing order.

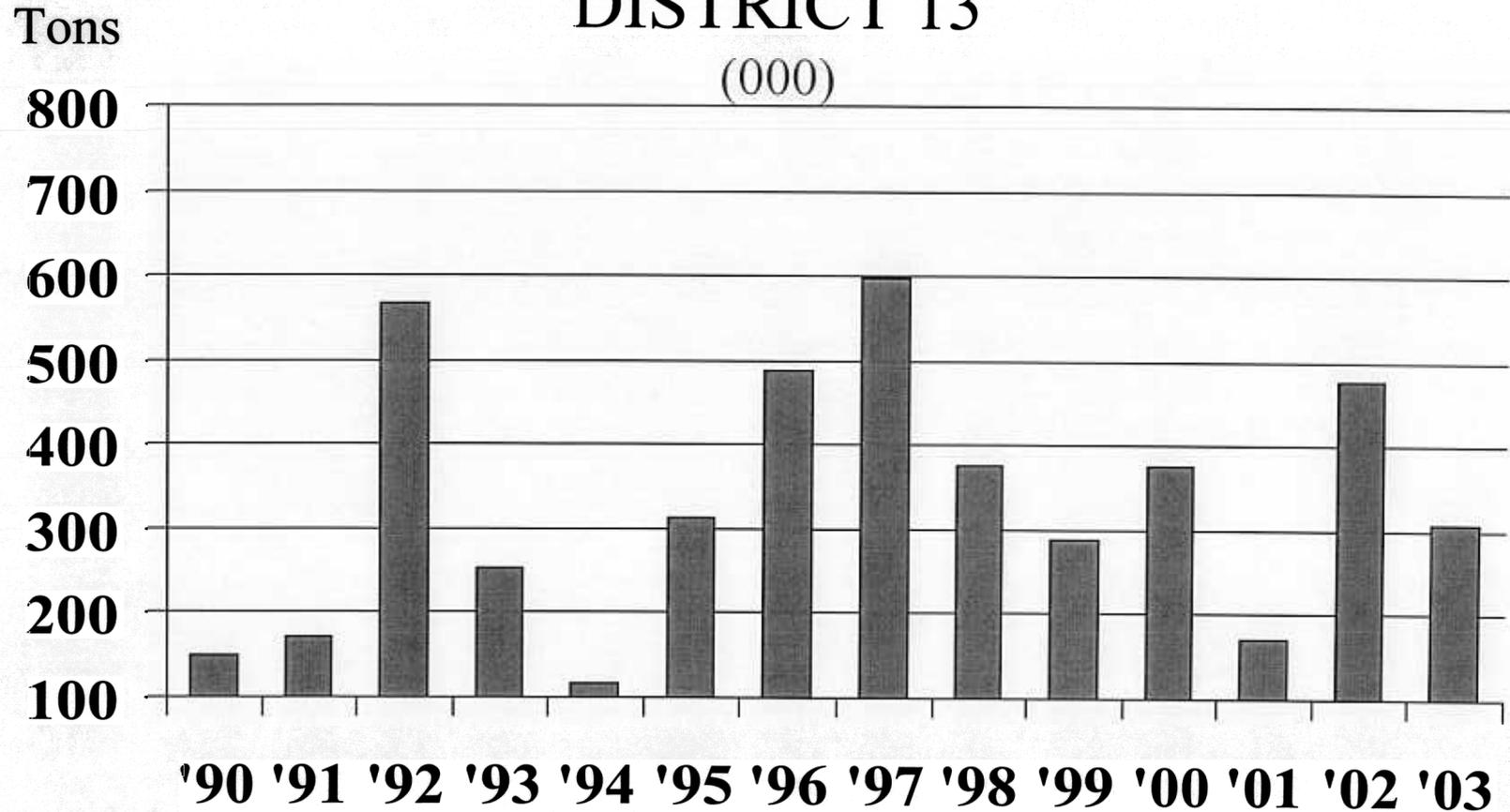
Need for improvement. The factors described in items 2 and 3 above need to be addressed and corrected in order to make the raisin marketing order viable and successful to benefit small entities in the future.

Sincerely,
Barry F. Kriebel

Barry F. Kriebel
President

BFK/mas

Table 1. RAISIN GRAPES – TONS CRUSHED DISTRICT 13

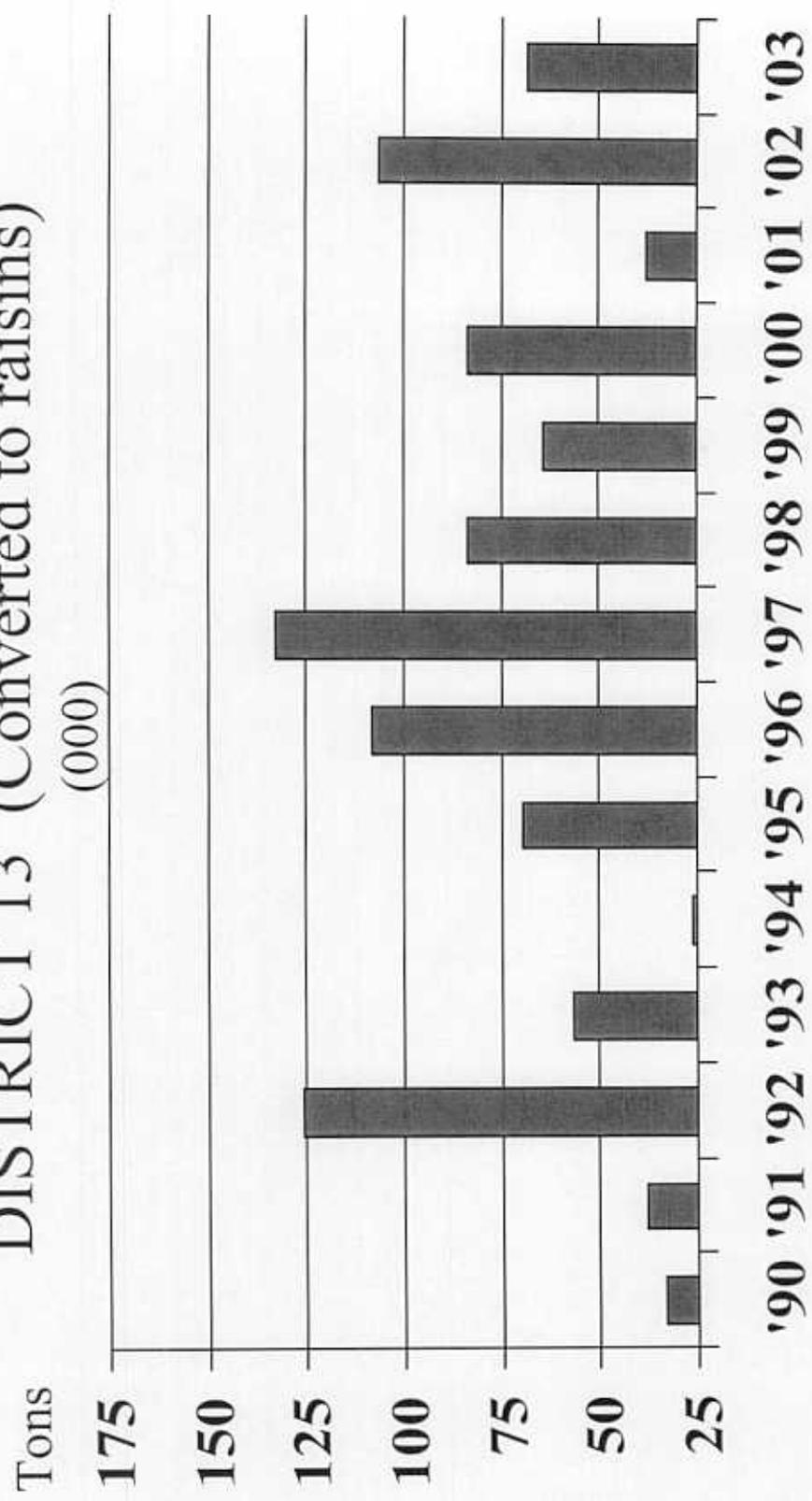


District 13: Madera, Fresno, Alpine, Mono, Inyo
Counties; and Kings and Tulare Counties north of
Nevada Avenue (Avenue 192)

■ Dist 13

Source: California Grape Crush Reports – March 1991
through March 2004

**Table 2. RAISIN GRAPES CRUSHED
DISTRICT 13 (Converted to raisins)**

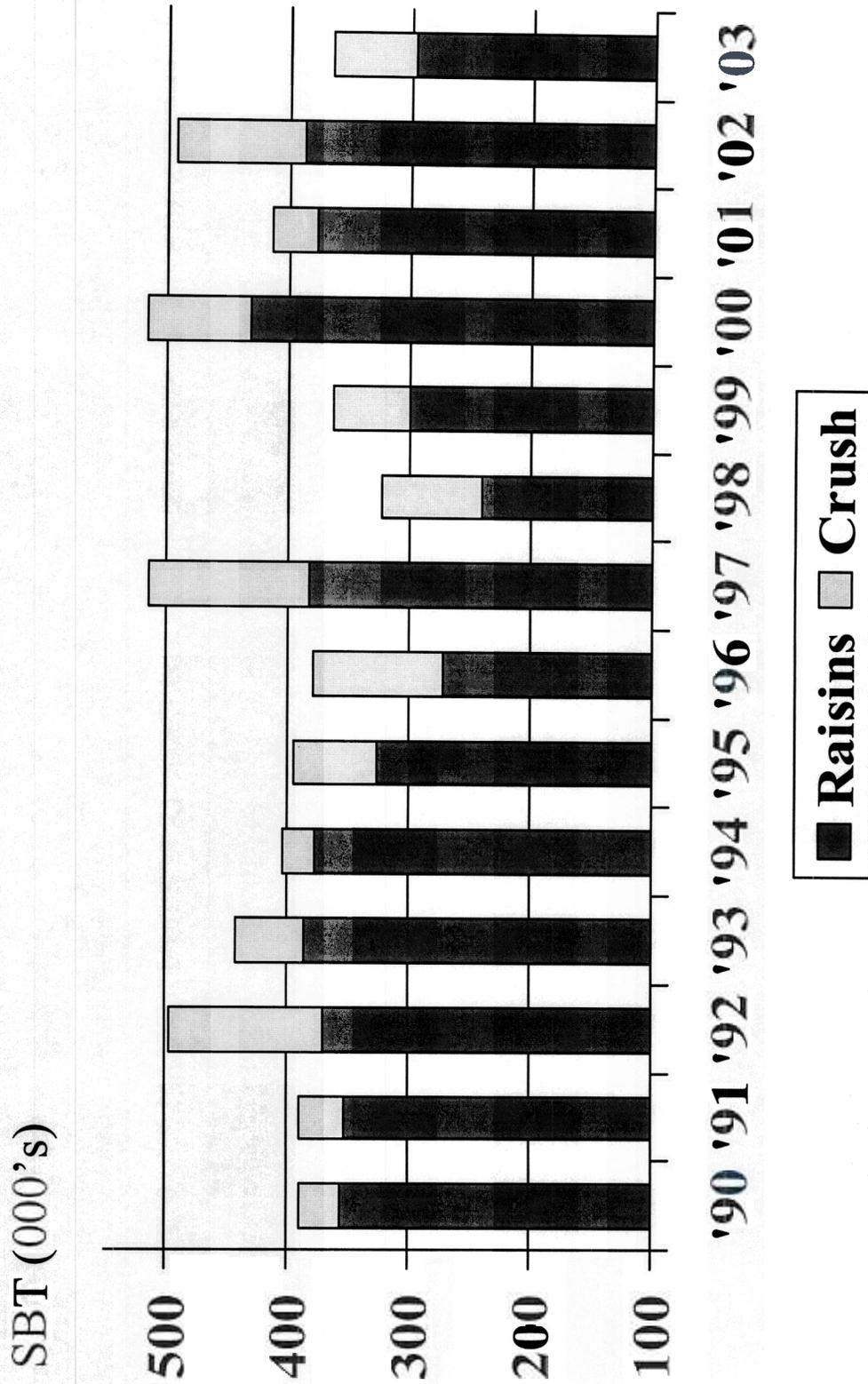


District 13: Madera, Fresno, Alpine, Mono, Inyo Counties; and Kings and Tulare Counties north of Nevada Avenue (Avenue 192)

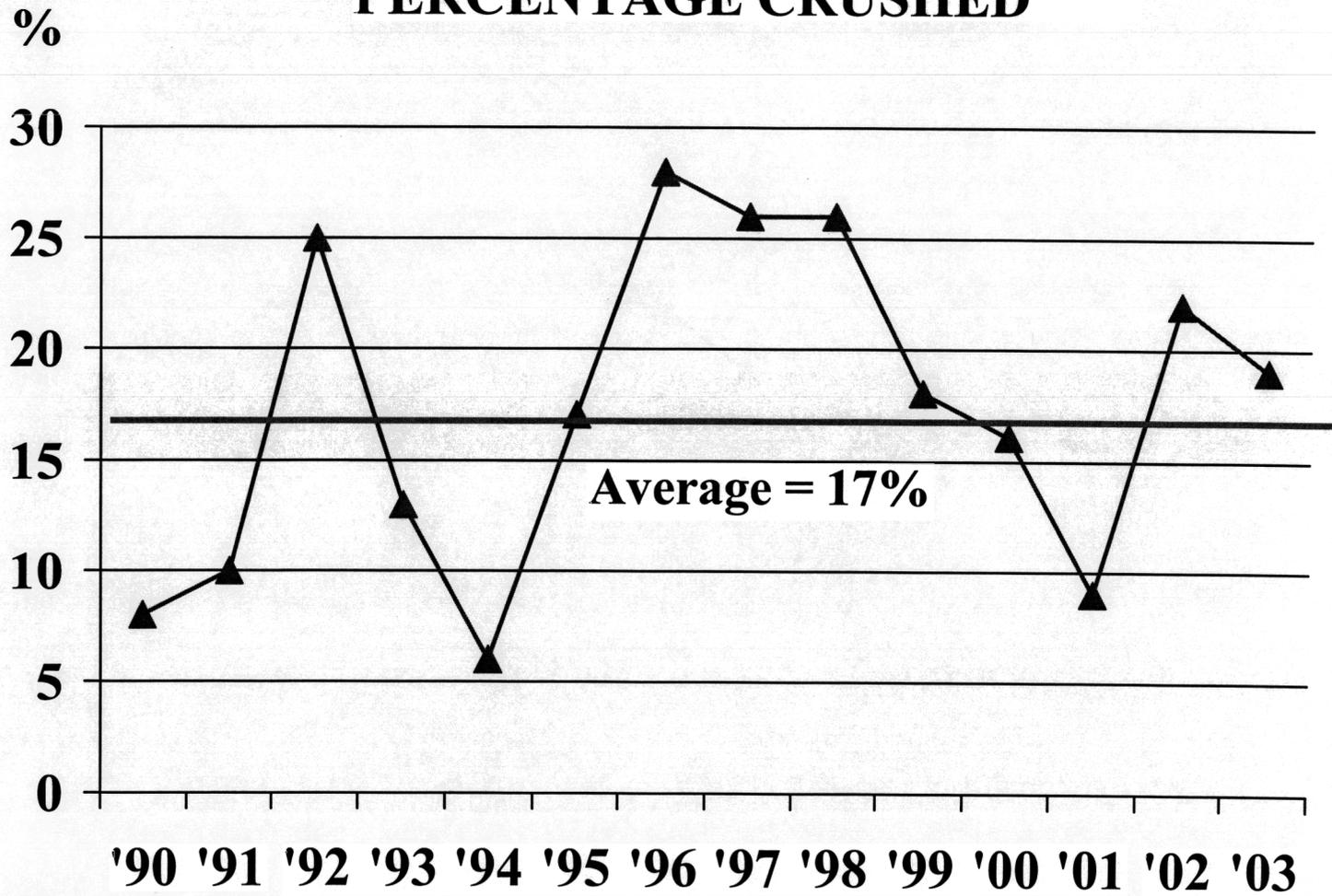
Source: California Grape Crush Reports – March 1991 through March 2004

4.5 to 1 dry down

**Table 3. RAISIN PRODUCTION
PLUS CONVERTED TONNAGE**

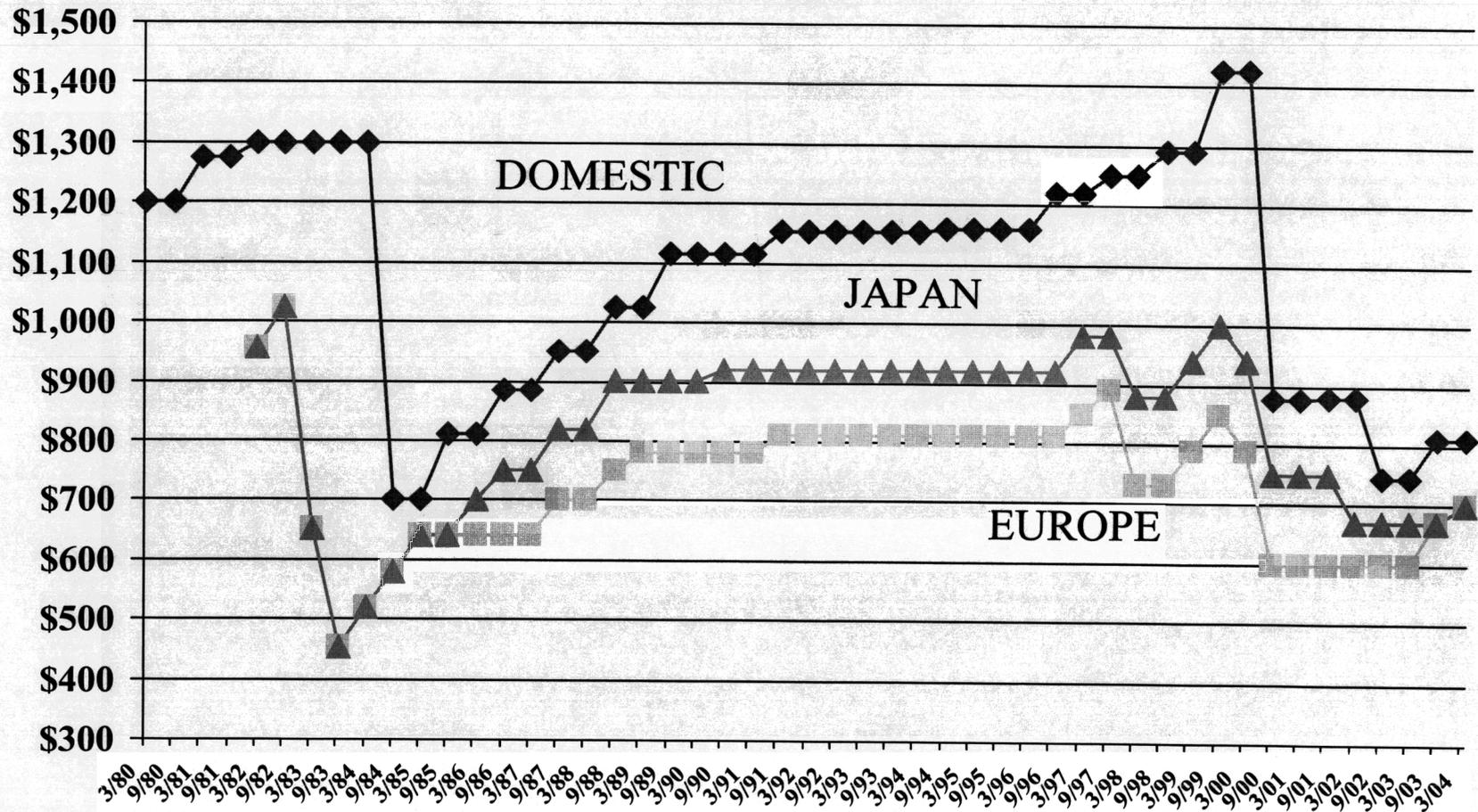


**Table 4. DIST. 13 RAISIN GRAPES
PERCENTAGE CRUSHED**



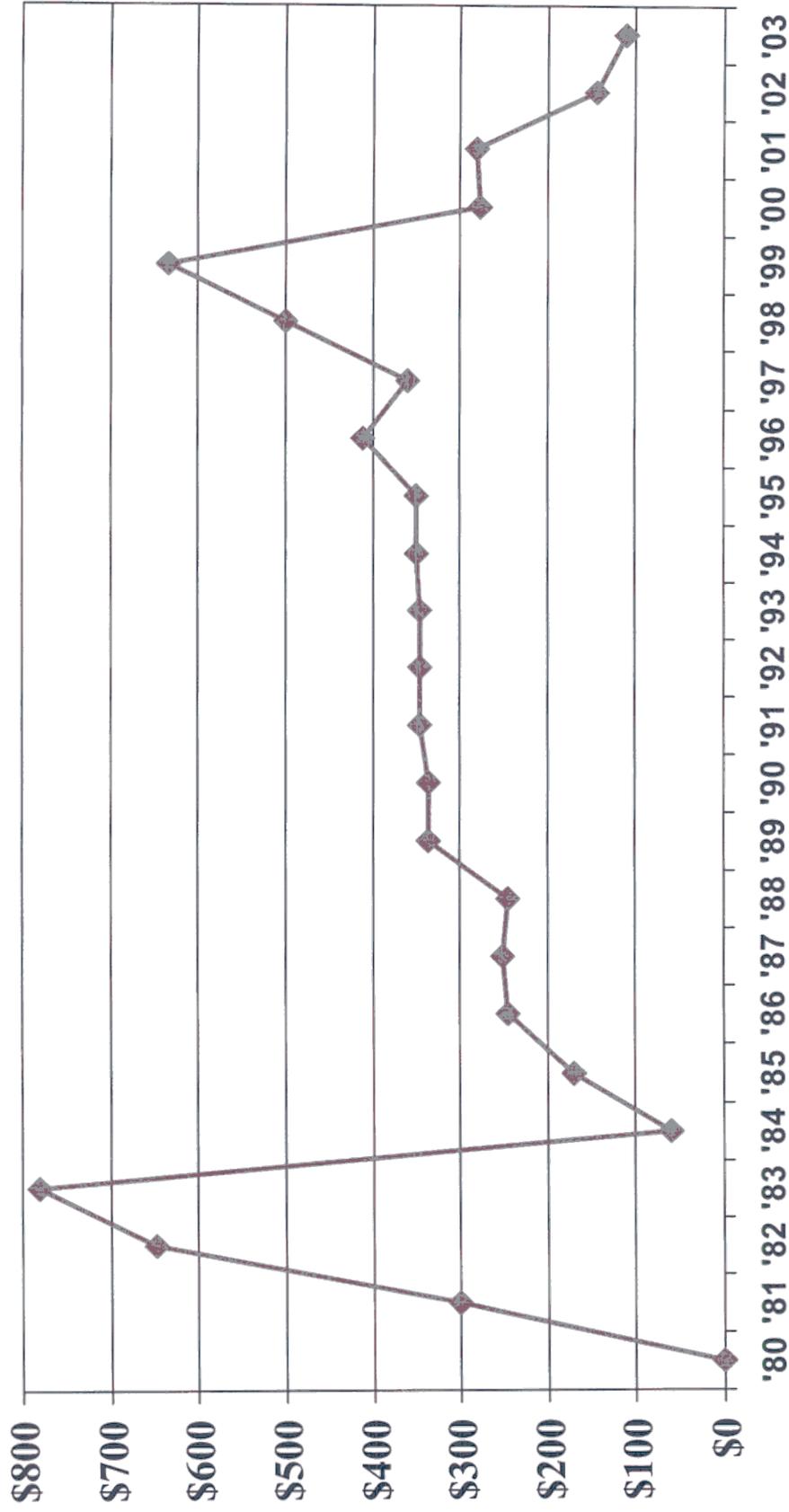
* Excludes table usage

**Table 5. DOMESTIC, JAPAN & EUROPE FIELD PRICE
IN \$ PER TON**



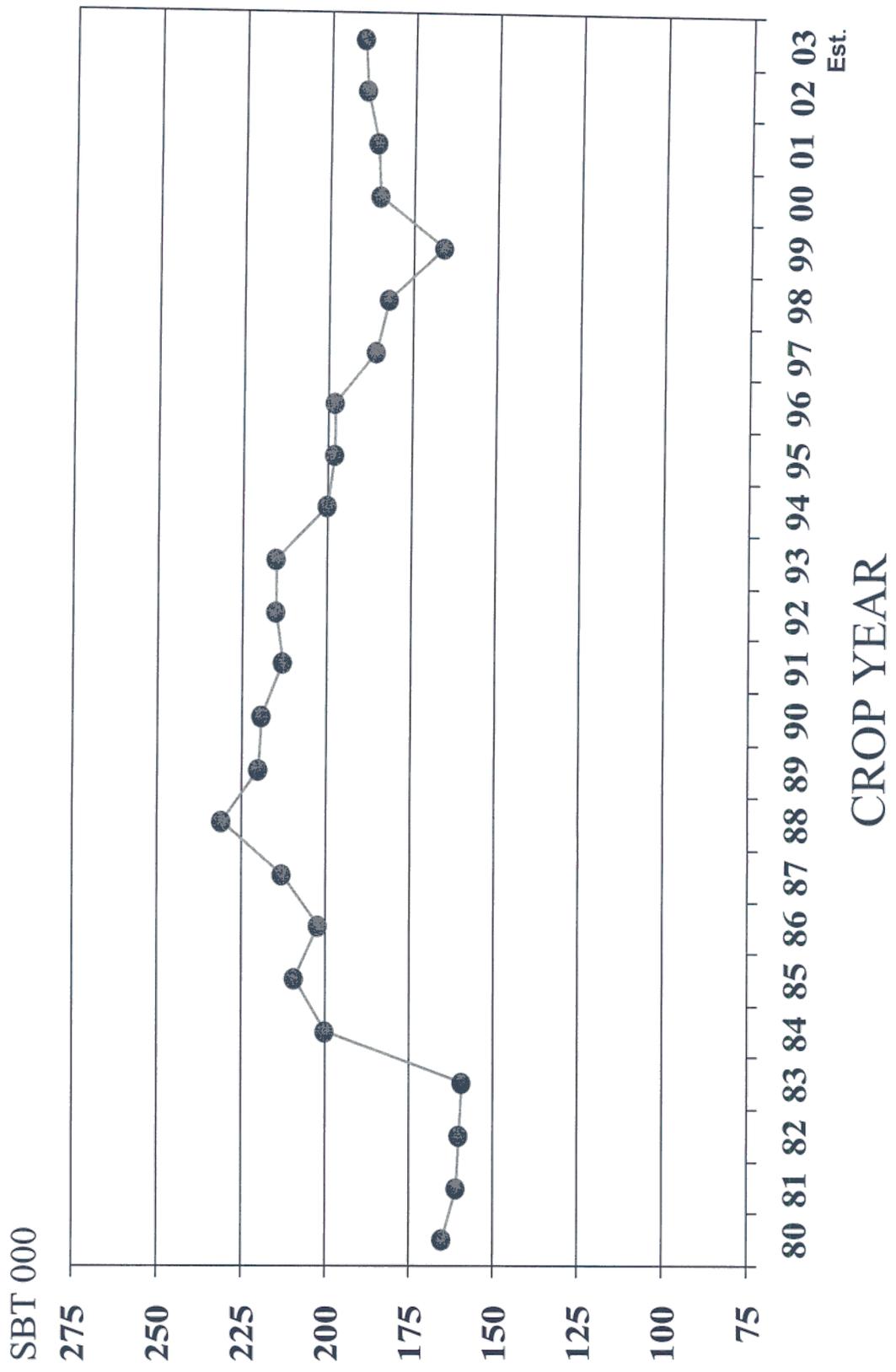
Source: RAC Statistics

Table 6. SPREAD BETWEEN DOMESTIC AND EUROPE BULK FIELD PRICE



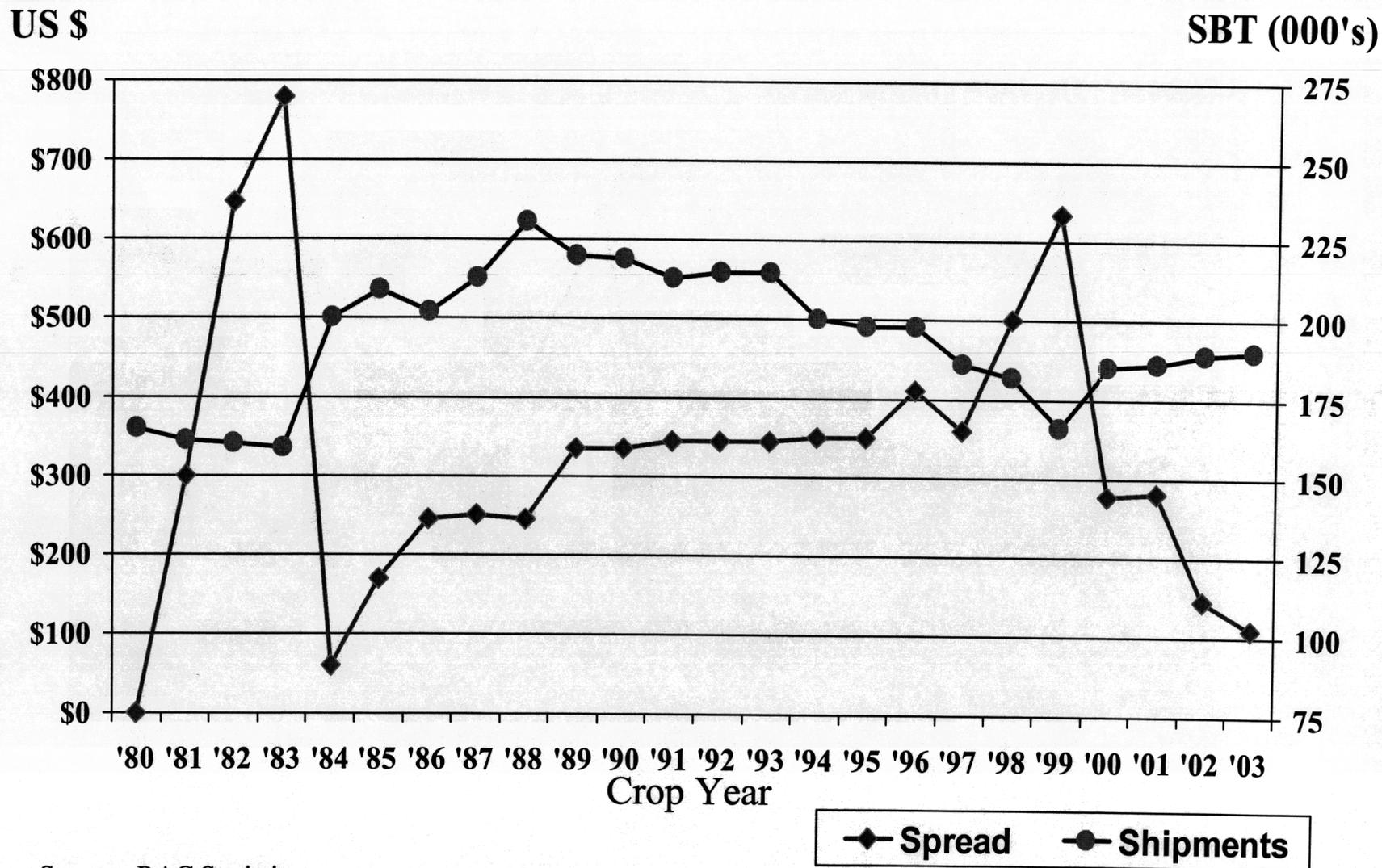
Source: RAC Statistics

Table 7. DOMESTIC NTS SHIPMENTS



Source: RAC Statistics

Table 8. DOMESTIC NTS SHIPMENTS
SPREAD BETWEEN DOMESTIC AND EUROPE BULK



Source: RAC Statistics