



DEPARTMENT OF AGRICULTURE

Agricultural Marketing Service

7 CFR Part 989

[Doc. No. AMS-FV-15-0032; FV15-989-2 PR]

Raisins Produced From Grapes Grown in California; Increased Assessment Rate

AGENCY: Agricultural Marketing Service, USDA.

ACTION: Proposed rule.

SUMMARY: This proposed rule would implement a recommendation from the Raisin Administrative Committee (committee) to increase the assessment rate established for the 2015-16 and subsequent crop years from \$14.00 to \$17.00 per ton of California raisins handled under the marketing order (order). The committee locally administers the order and is comprised of producers and handlers of raisins operating within the area of production. Assessments upon raisin handlers are used by the committee to fund reasonable and necessary expenses of the program. The crop year begins August 1 and ends July 31. The assessment rate would remain in effect indefinitely unless modified, suspended, or terminated.

DATES: Comments must be received by **[INSERT DATE 30 DAYS AFTER THE DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

ADDRESSES: Interested persons are invited to submit written comments concerning this proposed rule. Comments must be sent to the Docket Clerk, Marketing Order and Agreement Division, Fruit and Vegetable Program, AMS, USDA, 1400 Independence Avenue SW, STOP 0237, Washington, DC 20250-0237; Fax: (202) 720-8938, or Internet:

<http://www.regulations.gov>. Comments should reference the docket number and the date and page number of this issue of the **Federal Register** and will be available for public inspection in the Office of the Docket Clerk during regular business hours, or can be viewed at:

<http://www.regulations.gov>. All comments submitted in response to this proposed rule will be included in the record and will be made available to the public. Please be advised that the identity of the individuals or entities submitting the comments will be made public on the Internet at the address provided above.

FOR FURTHER INFORMATION CONTACT: Maria Stobbe, Marketing Specialist, or Martin Engeler, Regional Director, California Marketing Field Office, Marketing Order and Agreement Division, Fruit and Vegetable Program, AMS, USDA;

Telephone: (559) 487-5901, Fax: (559) 487-5906; or E-mail: Maria.Stobbe@ams.usda.gov or Martin.Engeler@ams.usda.gov.

Small businesses may request information on complying with this regulation by contacting Jeffrey Smutny, Marketing Order and Agreement Division, Fruit and Vegetable Program, AMS, USDA, 1400 Independence Avenue SW, STOP 0237, Washington, DC 20250-0237; Telephone: (202) 720-2491, Fax: (202) 720-8938, or E-mail: Jeffrey.Smutny@ams.usda.gov.

SUPPLEMENTARY INFORMATION: This proposed rule is issued under Marketing Agreement and Order No. 989, both as amended (7 CFR part 989), 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."

The Department of Agriculture (USDA) is issuing this proposed rule in conformance with Executive Orders 12866, 13563, and 13175.

This proposed rule has been reviewed under Executive Order 12988, Civil Justice Reform. Under the marketing order now in effect, California raisin handlers are subject to assessments. Funds to administer the order are derived from assessments. It is intended that the assessment rate

as proposed herein would be applicable to all assessable raisins beginning on August 1, 2015, and continue until amended, suspended, or terminated.

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 USDA 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. Such handler is afforded the opportunity for a hearing on the petition. After the hearing, USDA 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 to review USDA's ruling on the petition, provided an action is filed not later than 20 days after the date of the entry of the ruling.

This proposed rule would increase the assessment rate established by the committee for the 2015-16 and subsequent crop years from \$14.00 to \$17.00 per ton of California raisins acquired by handlers.

Sections 989.79 and 989.80, respectively, of the order provide authority for the committee, with the approval of

USDA, to formulate an annual budget of expenses, and to collect assessments from handlers to administer the program. The members of the committee are producers and handlers of California raisins. They are familiar with the committee's needs and with costs for goods and services in their local area, and are, thus, in a position to formulate an appropriate budget and assessment rate. The assessment rate is formulated and discussed in a public meeting. Thus, all directly affected persons have an opportunity to participate and provide input.

For the 2010-11 and subsequent crop years, the committee recommended, and USDA approved, an assessment rate that would continue in effect from crop year to crop year unless modified, suspended, or terminated by USDA upon recommendation and information submitted by the committee or other information available to USDA.

The committee met on June 11, 2015, and recommended an assessment rate increase from \$14.00 per ton to \$17.00 per ton by a unanimous vote. At this meeting, the committee also recommended a budget for the 2015-16 crop year, with recommended expenses and contingency reserve totaling \$5,832,496. The vote on this recommendation was also unanimous. The proposed assessment rate of \$17.00 per ton is expected to generate assessment income of \$5,832,496,

which would be sufficient to fund the recommended 2015-16 expenses.

As previously stated, the committee's recommended budget for the 2015-16 crop year is \$5,832,496, and the recommended assessment rate is \$17.00 per ton, which is \$3.00 per ton higher than the rate currently in effect.

The major expenditures recommended by the committee for the 2015-16 crop year include: salaries and employee-related costs of \$1,402,906; administration costs of \$610,000; compliance activities of \$30,000; research and studies of \$129,000; operation and maintenance of the generic marketing programs of \$3,520,178; and a contingency of \$355,503. Subtracted from these expenses is \$215,091, which represents reimbursable costs for the shared management of the State marketing program.

In comparison, last year's approved budgeted expenditures included: salaries and employee-related costs of \$1,337,100; administration costs of \$493,500; compliance activities of \$30,000; research and studies of \$85,000; operation and maintenance of the generic marketing programs of \$3,296,800; and a contingency of \$100,000. Reimbursable costs for the shared management of the State marketing

program of \$166,860 were subtracted, resulting in a total approved budget for the 2014-15 crop year of \$5,175,540.

The committee believes that more funds should be spent in promoting raisins internationally, including China. For that reason, budgeted expenses in those endeavors have been increased: research and studies increased from \$85,000 for the 2014-15 crop year to \$129,000 for the 2015-16 crop year; and operation and maintenance of generic marketing programs increased from \$3,296,800 for the 2014-15 crop year to \$3,520,178 for the 2015-16 crop year. In addition, the committee included a contingency fund for unexpected expenses and opportunities that may occur during the year.

The quantity of assessable raisins for 2015-16 crop year was estimated to be 343,088 tons. At the recommended assessment rate of \$17.00 per ton, the anticipated assessment income would be \$5,832,496. Sufficient income should be generated at the higher assessment rate for the committee to meet its anticipated expenses.

Pursuant to § 989.81(a) of the order, any unexpended assessment funds from the crop year must be credited or refunded to the handlers from whom collected.

The proposed assessment rate would continue in effect indefinitely unless modified, suspended, or terminated by

USDA upon recommendation and information submitted by the committee or other available information.

Although this assessment rate would be in effect for an indefinite period, the committee would continue to meet prior to or during each crop year to recommend a budget of expenses and consider recommendations for modification of the assessment rate. The dates and times of committee meetings are available from the committee or USDA. Committee meetings are open to the public and interested persons may express their views at these meetings. USDA would evaluate committee recommendations and other available information to determine whether modification of the assessment rate is needed. Further rulemaking would be undertaken as necessary. The committee's 2015-16 budget, and those for subsequent crop years, would be reviewed and, as appropriate, approved by USDA.

Initial Regulatory Flexibility Analysis

Pursuant to requirements set forth in the Regulatory Flexibility Act (RFA) (5 U.S.C. 601-612), the Agricultural Marketing Service (AMS) has considered the economic impact of this proposed rule on small entities. Accordingly, AMS has prepared this initial regulatory flexibility analysis.

The purpose of the RFA is to fit regulatory actions to the scale of businesses subject to such actions in order

that small businesses will not be unduly or disproportionately burdened. Marketing orders issued pursuant to the Act, and the rules issued thereunder, are unique in that they are brought about through group action of essentially small entities acting on their own behalf.

There are approximately 3,000 producers of California raisins and approximately 28 handlers subject to regulation under the marketing order. The Small Business Administration defines small agricultural producers as those having annual receipts less than \$750,000, and defines small agricultural service firms as those whose annual receipts are less than \$7,000,000. (13 CFR 121.201.)

Based upon shipment data and other information provided by the committee, it may be concluded that a majority of producers and approximately 18 handlers of California raisins may be classified as small entities.

This proposed rule would increase the assessment rate established for the committee and collected from handlers for the 2015-16 and subsequent crop years from \$14.00 to \$17.00 per ton of assessable raisins acquired by handlers.

The committee reviewed and identified the expenses that would be reasonable and necessary to continue program operations during the 2015-16 crop year. The resulting recommended budget totals \$5,832,496 for the 2015-16 crop

year. This represents an overall increase from the 2014-15 budget, which totaled \$5,175,540. The 2015-16 budget includes additional proposed expenditures to fund increased promotional programs in export markets, and a contingency fund of \$355,503, which provides a safety net to cover unexpected expenses and opportunities that present themselves during the 2015-16 crop year.

The quantity of assessable raisins for 2015-16 crop year was estimated to be 343,088 tons. At the recommended assessment rate of \$17.00 per ton, the anticipated assessment income would be \$5,832,496. Sufficient income should be generated at the higher assessment rate for the committee to meet its anticipated expenses.

The major expenditures recommended by the committee for the 2015-16 crop year include: salaries and employee-related costs of \$1,402,906; administration costs of \$610,000; compliance activities of \$30,000; research of \$129,000; operation and maintenance of generic marketing programs of \$3,520,178; and a contingency of \$355,503.

In comparison, last year's approved budgeted expenditures included: salaries and employee-related costs of \$1,337,100; administration costs of \$493,500; compliance activities of \$30,000; research of \$85,000; operation and maintenance of generic marketing programs of \$3,296,800;

and a contingency of \$100,000. The total budget approved for the 2014-15 crop year was \$5,175,540.

The committee believes that more funds should be spent in promoting raisins internationally, including China. For that reason, expenses for research and promotion activities have been increased: operation and maintenance of generic marketing programs increased from \$3,296,800 for the 2014-15 crop year to \$3,520,178 for the 2015-16 crop year, and research has increased from \$85,000 for the 2014-15 crop year to \$129,000 for the 2015-16 crop year. In order to fund these additional proposed expenditures, the committee recommended an increased assessment rate.

Pursuant to § 989.81(a) of the order, any unexpended assessment funds from the crop year must be credited or refunded to the handlers from whom collected.

Prior to arriving at this budget and assessment rate, the committee considered information from various sources, such as the committee's Audit and Marketing Subcommittees. Alternative spending levels were discussed by the Marketing and Audit Subcommittees, which met on June 8, 2015 and June 11, 2015, to review the committee's financial operations.

The committee ultimately decided that the recommended budget and assessment rate were reasonable and necessary to properly administer the order.

A review of statistical data on the California raisin industry indicates that assessment revenue has consistently been less than one percent of grower revenue in recent years. With a \$17.00 assessment rate, assessment revenue would be expected to remain at less than one percent of grower revenue.

Regarding the impact of this action on affected entities, this action would increase the assessment obligation imposed on handlers. While increased assessments impose additional costs on handlers regulated under the order, the rates are uniform on all handlers, and proportional to the size of their businesses. It is expected that these costs would be offset by the benefits derived from the operation of the order.

In addition, the meetings of the Audit and Marketing Subcommittees, and the full committee were widely publicized throughout the California raisin industry, and all interested persons were invited to attend the meetings and encouraged to participate in committee deliberations on all issues. Like all subcommittee and committee meetings, the June 8, 2015 and June 11, 2015, meetings were public meetings, and all entities, both large and small, were able to express views on this issue. Finally, interested persons are invited to submit comments on this proposed

rule, including the regulatory and informational impacts of this action on small businesses.

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35), the order's information collection requirements have been previously approved by the Office of Management and Budget (OMB) and assigned OMB No. 0581-0178, "Vegetable and Specialty Crops." No changes in those requirements as a result of this action are necessary. Should any changes become necessary, they would be submitted to OMB for approval.

This proposed rule would impose no additional reporting or recordkeeping requirements on either small or large California 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.

AMS is committed to complying with the E-Government Act, to promote the use of the internet and other information technologies to provide increased opportunities for citizen access to Government information and services, and for other purposes.

USDA has not identified any relevant Federal rules that duplicate, overlap, or conflict with this action.

A small business guide on complying with fruit, vegetable, and specialty crop marketing agreements and orders may be viewed at:
<http://www.ams.usda.gov/MarketingOrdersSmallBusinessGuide>. Any questions about the compliance guide should be sent to Jeffrey Smutny at the previously mentioned address in the **FOR FURTHER INFORMATION CONTACT** section.

A 30-day comment period is provided to allow interested persons to respond to this proposed rule. Thirty days is deemed appropriate because: (1) The 2015-16 crop year begins on August 1, 2015, and the order requires the rate of assessment for each crop year to apply to all assessable raisins handled during the crop year; (2) the committee needs to have sufficient funds to pay its expenses, which are incurred on a continuous basis; and (3) handlers are aware of this action, which was unanimously recommended by the committee at a public meeting.

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:

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 989.347 is revised to read as follows:

§ 989.347 Assessment rate.

On and after August 1, 2015, an assessment rate of \$17.00 per ton is established for assessable raisins produced from grapes grown in California.

Dated: August 28, 2015.

Rex A. Barnes
Associate Administrator
Agricultural Marketing Service
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