The need for controlling the exportable surplus of California raisins may not be the only reason for a marketing program, but it is an important one.

The California raisin industry has about as large an exportable surplus as before the war. But it has lost, at least temporarily, a large share of the commercial export market which it had at that time.

A marketing agreement is needed to enable the industry to bring under effective control the exportable surplus of raisins. The objectives of such control would be first, to help recapture foreign markets, and second, to prevent the exportable surplus from unduly burdening the domestic market while foreign outlets are being regained.

Export Market

During the five years 1934–1938 this country exported an average of 61,000 tons of raisins annually, mainly to Europe. Export outlets absorbed 32% of the raisin packs entering commercial channels.

During the past four years 1945–1948, California's production of raisin grape varieties averaged around 1,600,000 fresh tons as against 1,200,000 tons in 1934–1938. On the basis of a drying ratio of four to one, this increase in production is equivalent to 100,000 tons of raisins.

Fortunately, expansion of wine consumption in this country has provided an outlet for the bulk of the increase in raisin grape production. But wine consumption has not increased sufficiently to absorb the prewar exports of raisins. Nor has the domestic market for raisins expanded enough to absorb the tonnage increased over normal requirements.

Raisins are used mostly as an ingredient in such things as bread and rolls, desserts, salads and candy. The cost of the raisins in these uses is only a part, and frequently a small part, of the total cost of the article. Hence, even a substantial drop in the price of raisins may mean only a small saving in making the article. While the use of raisins by the bakery trade and by housewives will tend to increase as prices are reduced, it seems reasonable to suppose that the increase would be modest rather than large.

The elasticity of demand with respect to price is lower at the farm level than at the retail level. Marketing margins tend to be more rigid than retail prices. For example, a decrease in the retail price of raisins resulting from increased supplies is seldom accompanied by a corresponding percentage reduction in the margins taken by packers, wholesalers and retailers. Transportation rates on raisins are almost wholly independent of the retail price of raisins.

The result of these relatively rigid marketing margins is that a small percentage reduction in the retail price becomes a large percentage reduction in the farm price.

Marketing

This situation arises in part from the nature of the demand for raisins and in part from the rigidities in the marketing system.

Raisins are used mostly as an ingredient in such things as bread and rolls, desserts, salads and candy. The cost of the raisins in these uses is only a part, and frequently a small part, of the total cost of the article. Hence, even a substantial drop in the price of raisins may mean only a small saving in making the article. While the use of raisins by the bakery trade and by housewives will tend to increase as prices are reduced, it seems reasonable to suppose that the increase would be modest rather than large.

The elasticity of demand with respect to price is lower at the farm level than at the retail level. Marketing margins tend to be more rigid than retail prices. For example, a decrease in the retail price of raisins resulting from increased supplies is seldom accompanied by a corresponding percentage reduction in the margins taken by packers, wholesalers and retailers. Transportation rates on raisins are almost wholly independent of the retail price of raisins.

The result of these relatively rigid marketing margins is that a small percentage reduction in the retail price becomes a large percentage reduction in the farm price.