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Commodity Profile: Raisins (dried grapes)

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History and Overview

Raisins are dried grapes, thus their name, which derives from the Latin word *racemes*, meaning “a cluster of grapes or berries.” Grape growing (viticulture) appears to have started around 6000 BC in the Transcausia area (present-day Armenia, Azerbaijan and Georgia) and, while it is reasonable to assume that dried grapes were consumed from early days, the Bible provides the first written mention of raisins around 1000 B.C. during the era of King David (Sun-Maid). By the 9th century A.D. at least 78 varieties of grapes were being grown in the Near East (Damania).

Spanish missionaries brought their grape-growing and wine-making knowledge to Mexico, New Mexico and California in the 18th century when establishing their missions that used sacramental wines. They also made raisins from Muscat grapes. Eventually, the San Joaquin Valley in California became a desirable location for raisin production because of the long, hot growing season and abundant water supplies in this southern portion of the Central Valley. By the late 1800s, Armenian raisin producers had settled in the area and used their expertise to make the industry thrive. Also in the late 1800s, a Scottish immigrant, William Thompson, developed the Thompson seedless grape, which became the prevalent grape variety used in raisin production (California Raisin Marketing Board). In addition to being an excellent grape for raisin production, the Thompson seedless grape is versatile in that it can be marketed as a fresh commodity or used to make grape juice or wine.

Raisin production has been the most labor intensive activity in North America (Rural Migration News 2004). Although traditionally, raisin production involves a lot of hand labor to cut bunches of green grapes and layer them to dry in the sun on paper trays between the rows of grapevines, the new dried on the vine technology (DOV) allows for machine harvesting of the dry raisins and for less tillage.

Marketing

In 2004, U.S. production of all grape types (wine, table raisin and juice) was valued at nearly \$3 billion. Of this total, California raisin production was valued at \$616 million. In the United States today, raisins are produced almost entirely in the Fresno area of California's San Joaquin Valley and are sun dried. The California raisin marketing season lasts from the beginning of September to the end of May (Economic Research Service 2003 (ERS); National Agricultural Statistical Service (NASS)).

As of 2003 there were 22 raisin packers in California, responsible for the processing and packaging of raisins. Of the 22 packers, 19 were privately owned and 3 were grower cooperatives, the largest being Sun-Maid Growers of California, a cooperative owned by farmers in the Central Valley. In addition, all of the 22 packers were also handlers (shippers) of raisins. One additional handler was not a packer in 2004, making a total of 23 handlers in the state (ERS Highlight 2003).

The Raisin Administrative Committee (RAC), established through the federal Raisin Marketing Order regulating raisins produced from grapes grown in California, has authority to determine the quality, volume, and price of raisins that may be shipped by handlers in any marketing channel or that must be placed in a reserve pool to be disposed of by RAC (Anderson et al.).

In addition, RAC has used funds provided by the Market Access Program to increase consumer and trade awareness of high quality California raisins and to promote their use in food services, baking, and cooking recipes overseas (Foreign Agricultural Service (FAS)). Marketing efforts have also focused on opening the Indian market to permit the U.S. high quality product to meet increased demand from a growing middle-class in India. However, high tariffs and increasingly strict import requirement for raisins have restricted market access to India (Foreign Agricultural Service (FAS)).

U.S. domestic marketing efforts have waned since the discontinuation of the California Raisin Advisory Board and retirement in 1994 of the advertisements depicting "dancing raisins." In its place the California Raisin Marketing Board, created by the California Raisin Marketing Order in 1998, supports and promotes the increased use of California-grown raisins and sponsors crop production, nutrition and market research.

Demand

U.S per capita consumption of raisins on a farm (fresh) weight basis has remained relatively unchanged at 7 pounds per capita since 1999. This is a 2.8 pound decrease from the height of consumption in 1988 at 10.8 pounds per capita (Figure 1).

Supply

Until the 2005 marketing year, the United States was the largest raisin producer in the world. In 2005, however, Turkish production surpassed U.S. production, as it did in 1998. Historically, U.S. and Turkish production combined have accounted for 80 percent of global production figures (FAS).

California raisin acreage (essentially accounting for all U.S. raisin acreage) continued to increase between 1992 and 2000, from a low of 266,000 acres in 1993 to a high of 280,000 acres in 2000. In 2001 however, acreage decreased sharply, to 235,000 in 2001 following a severe decrease in prices in 2000 (Figure 2). Since 2001, acreage again has increased, but not to previous levels. In 2004, raisins were produced on 244,000 acres.

In years of oversupply, the RAC also can implement the Raisin Industry Diversion Program in which growers voluntarily participate in programs aimed at reducing supply. Program participants are reimbursed for either removing vines or spur pruning to reduce fruit production. In 2002, the Raisin Industry Diversion Program enrolled 27,000 acres. The program was not implemented in 2003 or 2004.

The average raisin grower in California has 50 acres of raisin grapes, which are owned and operated as a family farm. (ERS 2003).

On a dried product basis, California raisin production has fluctuated, increasing sharply between 1998 and 2000 after decreasing from 1997 to 1998 (Figure 3). Some of the increased production of raisins came as a residual from a diminishing demand from the wine industry, which previously had been utilizing Thompson Seedless grapes for juice and wine production. As wineries began to diversify to more premium winegrape varieties, some grapes intended for wine production were processed into raisins in the face of low prices for their use in wine (ERS 2003). Ultimately raisin prices fell as well. Since 2000, U.S. raisin production has decreased, falling slightly to just above 411,000 tons in 2001 and falling more significantly in 2003 and 2004 to 263,000 tons in 2004.

Prices

After adjusting for inflation, the returns to the California raisin industry did not change substantially during the 1990s until 1999, varying between \$950-1300 per ton for dried product in year-2000 dollar terms. However following the significant increases in production from 1998 to 2000, the price of raisins fell dramatically. Arbitration between growers in the Raisin Bargaining Association, a cooperative, and the raisin processors resulted in prices of less than \$563 per ton in 2000, a significant decrease from the \$1,247 per ton growers received in 1999 (Figure 4) (Rural Migration News 2001).

The low price in 2000 meant that many growers did not cover their cost of production and consequently acreage decreased significantly in 2001. Although prices continued downward after 2000, to a record low of \$377 per ton in 2002, prices in 2003 increased slightly and rebounded to \$1127 per ton in 2004 after 2 years of continuous decline in production. Diminishing inventories and diminishing carryover from previous years have rallied prices in 2004 (FAS 2005).

Exports

The United States is a net exporter (exports less imports) of raisins. On a quantity basis, after Turkey and Iran, the United States is the third largest exporter of raisins in the world. On a value basis, in 2004, the United States was the second largest exporter,

exporting raisins valued at \$195.3 million, which was \$15 million less than Turkey but \$80 million more than Iran.

In 2004, the value of U.S. exports exceeded import value by more than \$180 million (Figure 5). The top export destination for U.S. raisins in 2004 was the EU, with exports totaling \$76.1 million. Exports to the United Kingdom alone accounted for \$35.8 million, equivalent to 47 percent of the EU total. Other important export destinations in 2004 were Japan and Canada, with raisin imports valued at \$28.8 million and \$24.7 million, respectively (Figure 6).

Imports

The United Kingdom was the largest global importer of raisins in 2004, followed by Germany, Russia, and the Netherlands (FAS).

Although the United States was a net exporter of raisins by more than \$180 million in 2004, total U.S. raisin imports increased from \$9.8 million in 1989 to \$14.0 million in 2004. Imports peaked in 1999 at \$29.2 million (Figure 5). Since 2000, Chile has been the leading supplier of raisins to the United States, accounting for 50 percent of raisin import value in 2004. Mexico had been the largest source prior to 2000, but accounted for just 23 percent of the total value in 2004.

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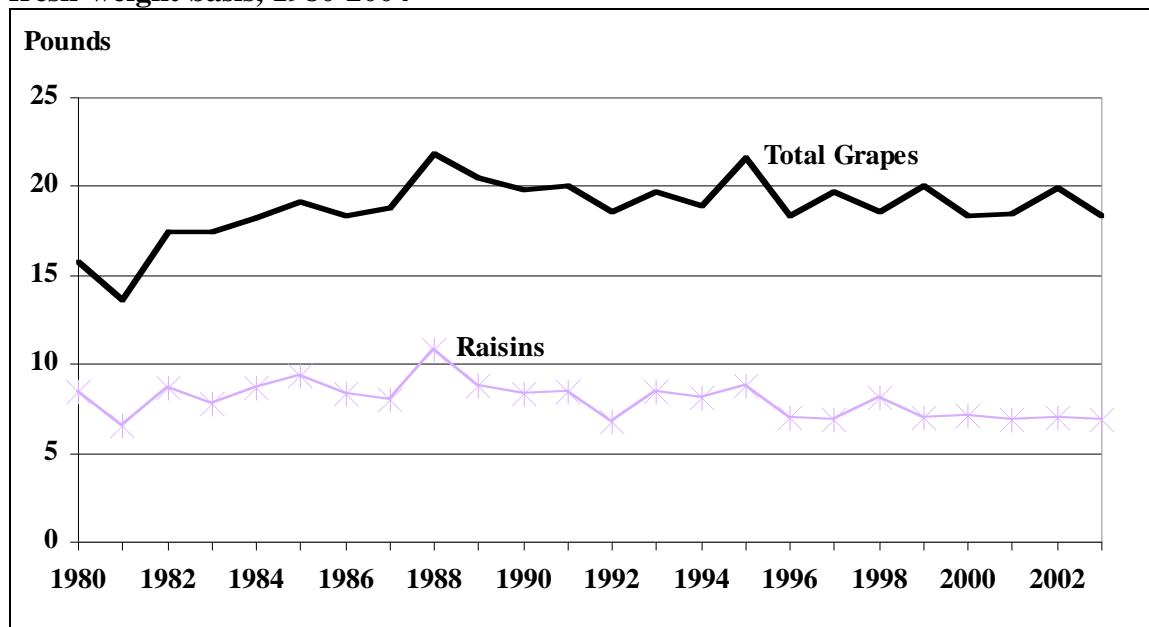
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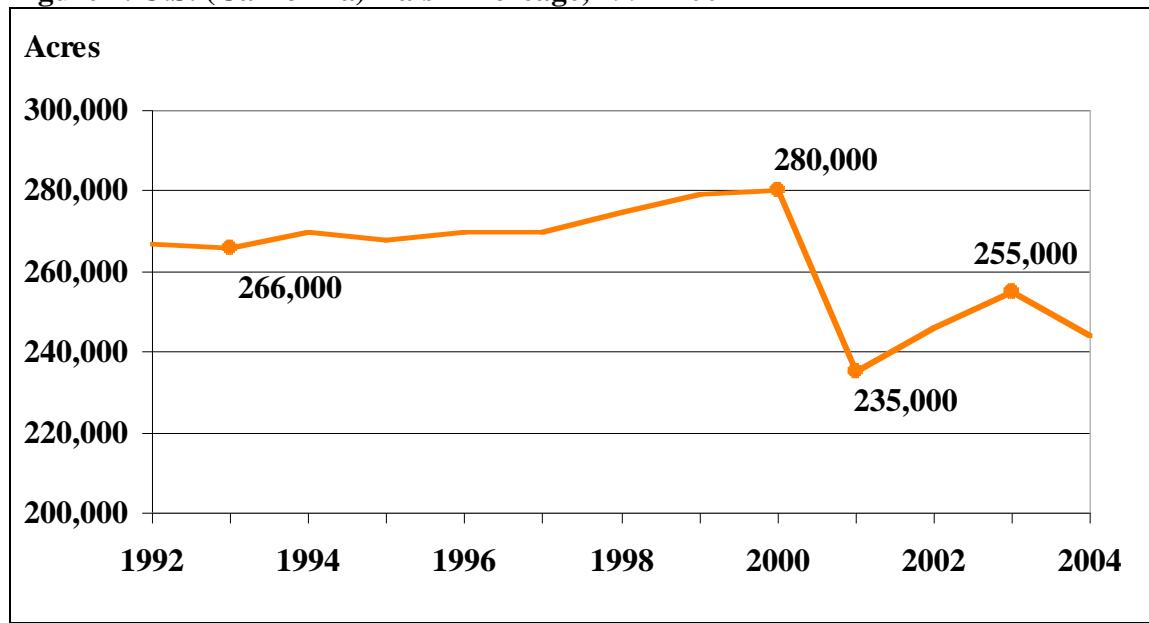
FIGURES

Figure 1. U.S. Per Capita Consumption of Grapes (fresh, canned, juice, raisins) on fresh-weight basis, 1980-2004



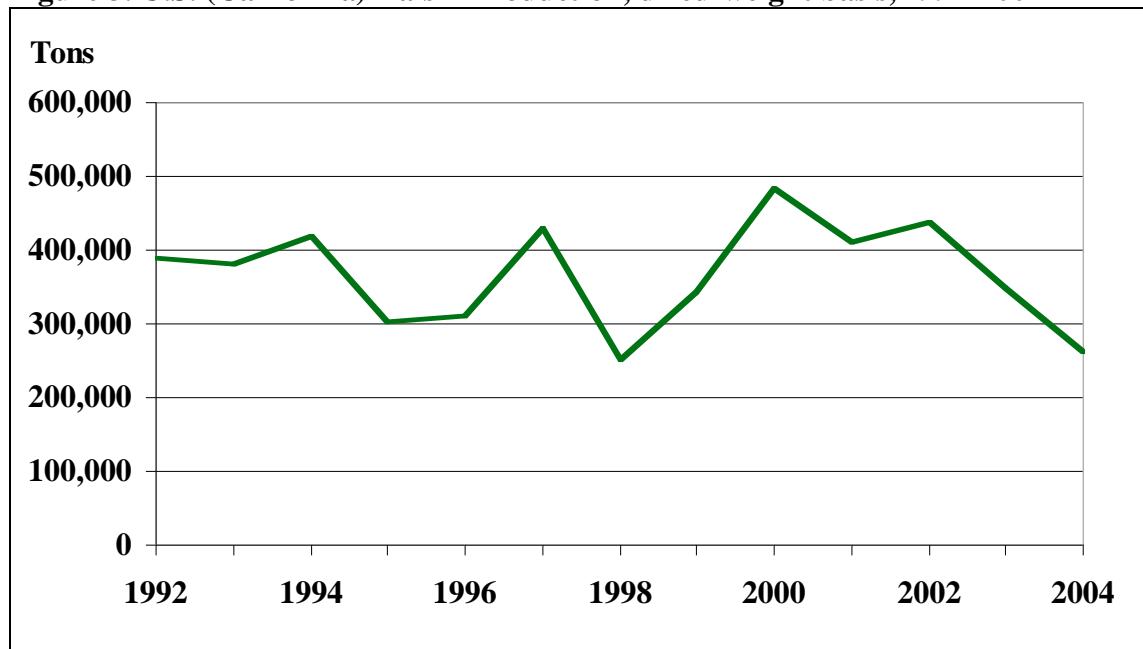
Source: USDA Economic Research Service, Per Capita Data System

Figure 2. U.S. (California) Raisin Acreage, 1991-2004



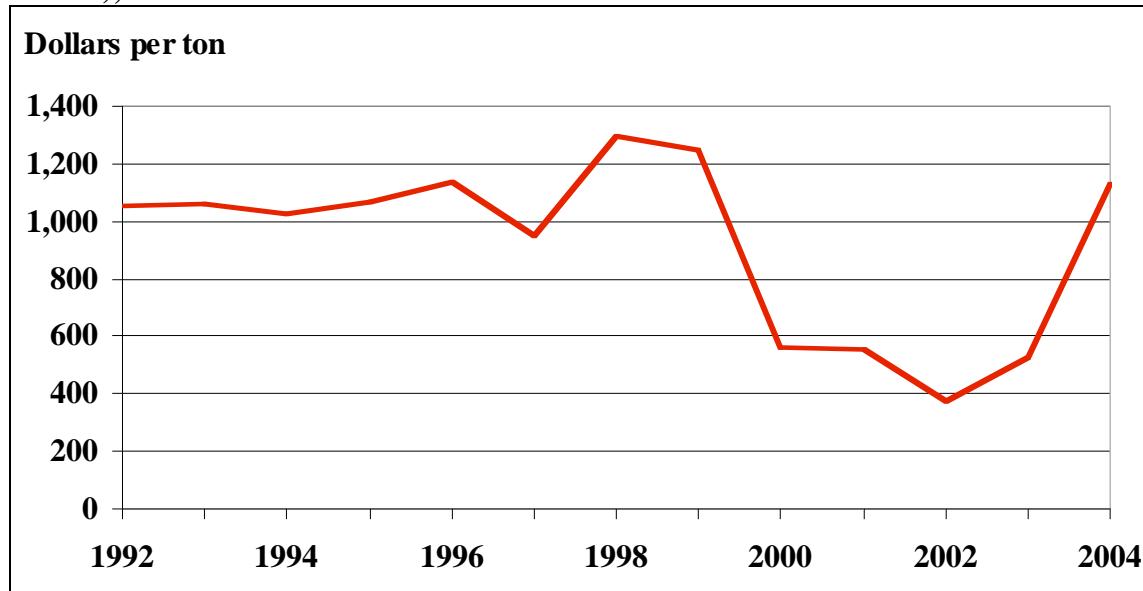
Source: USDA National Agricultural Statistics Service

Figure 3. U.S. (California) Raisin Production, dried-weight basis, 1992-2004



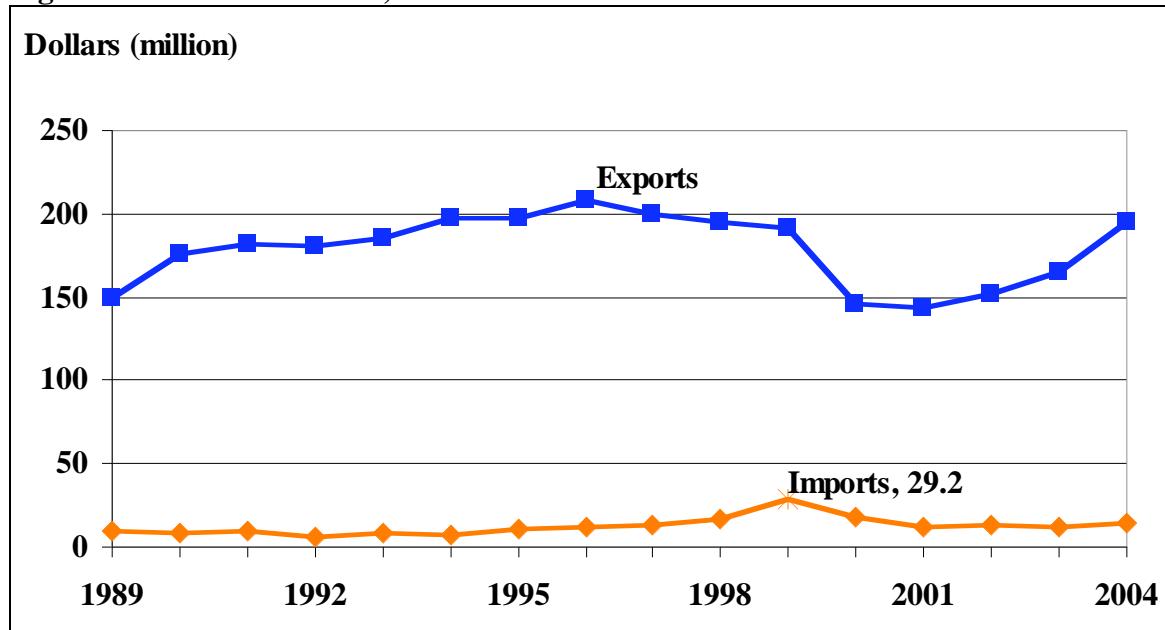
Source: USDA, National Agricultural Statistics Service

Figure 4. U.S. Raisin Price, dried weight basis, (in year-2000 inflation-adjusted dollars), 1992-2004



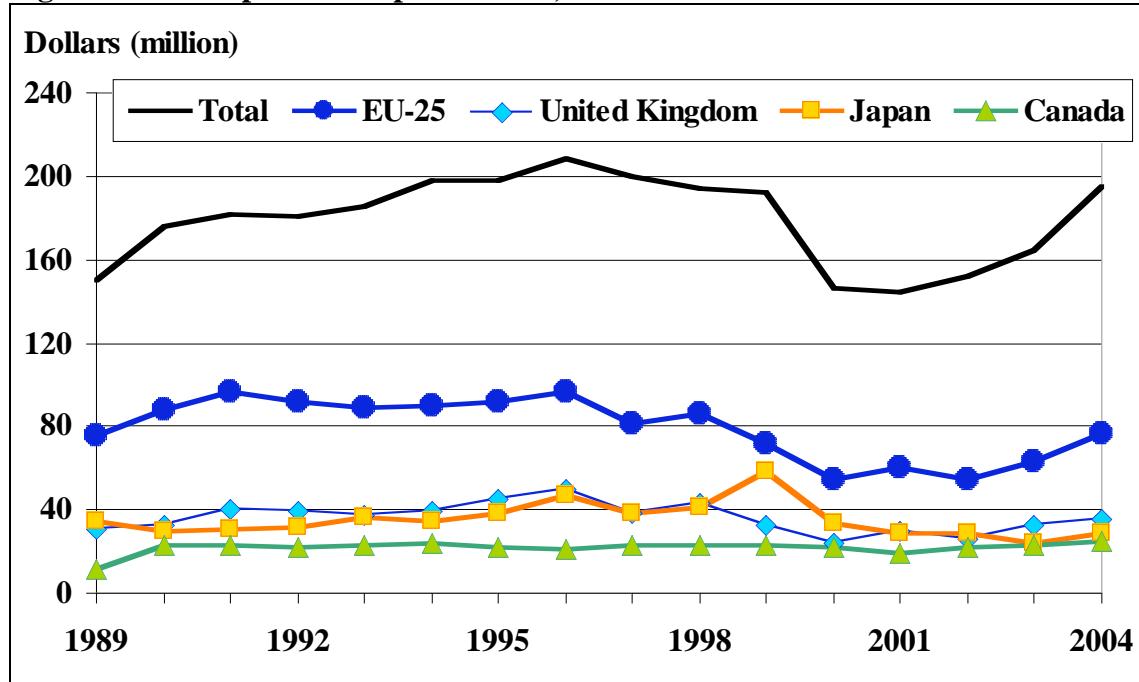
Source: USDA National Agricultural Statistics Service

Figure 5. U.S. Raisin Trade, 1989-2004



Source: USDA Foreign Agricultural Service

Figure 6. U.S. Exports to Top Countries, 1989-2004



Source: USDA Foreign Agricultural Service