Changes in Orange Marketing

developing revolution in marketing and distribution of the nation's food products affects fresh and processed oranges

A large part—perhaps most—of what has occurred in the orange industries during the past decade and a half revolves about the introduction and development of orange products, their manufacture, and marketing. At the same time there have occurred changes in the distribution and merchandising of food products as a whole.

When analyzing the orange industries, it is necessary to distinguish California navel from Valencias, and from Florida oranges.

California navel and Valencias differ very markedly. Navel oranges are purchased by consumers mainly for eating fresh; they are not best adapted for juice manufacture.

Although the California Valencias are adaptable for juice products, they also go primarily to fresh market, but this occurs for economic reasons. Three decades ago, over 90% of the California Valencia crop was shipped fresh. As the industry regulated the flow of fresh marketings to affect prices and returns and as the products market developed, the proportion of Valencia crop shipped fresh has trended down. But in spite of this trend, on the average about two thirds of the Valencia crop is still marketed fresh. Both in navel and Valencia, California orange shipments generally are tied closely to the fresh shipping market.

Situations Different

The situation is much different in Florida, where the products market has become the major outlet for that state's orange crop. With the fantastic growth in consumer acceptance of frozen orange concentrate, the percentage of Florida oranges processed into juice of some form, mostly frozen concentrate, has risen to two thirds of the crop.

The growth of orange production in Florida has been phenomenal. Up through the middle 1930's, Florida orange production was at about the same level and followed about the same trend as California Valencias. By the latter 1930's, Florida's output had surpassed California's Valencias and, in the latter 1940's, Florida production of oranges exceeded California's combined production of Valencias and navel. The Florida trend has continued up and is approaching 2½ times that of California.

The reason more California oranges have not gone into products is clear—although not simple—and involves relative prices and costs.

For a long time, the production costs of Florida orange growers have been lower than those of California growers. Yet, in spite of the higher costs, California growers had been able to operate profitably because the large bulk of their fruit was shipped fresh. And the essential point is that over the years, California oranges have enjoyed—and still enjoy—higher prices per pound on the fresh market than Florida oranges.

By contrast—because consumers are not willing to pay a premium for frozen concentrated juice made from California oranges—California's product must compete on a price basis without a premium. Florida growers can profitably grow oranges for juice manufacture, but California growers can not do so and must look to the fresh market for returns sufficient to continue operations profitably.

California navel growers also have long faced direct competition from Florida fresh oranges when both are shipped in the winter season. But the navel—because of their eating qualities and the premium consumers are willing to pay—competed successfully with Florida and offset the higher production marketing costs.

California Valencias have experienced a much more changed market picture than navel. The better packs of frozen concentrate can substitute—for many consumers—for home-squeezed juice from California Valencias more satisfactorily than canned single-strength oranges. Also, the storability of frozen concentrate permits its sales to consumers during the summer months—the Valencia season—which means that California Valencias no longer have a seasonal advantage. Also, Florida oranges as frozen concentrate have a wider geographical market. High-volume sales are made in the Pacific Coast states throughout the year.

The shift from fresh oranges to frozen orange juices has occurred for various reasons, the major ones being relative prices, availability, and convenience.

The California navel orange industries have reached a new balance in which the reduced supply goes to meet the demand for a specialty product consumed in fresh form. Future expansion of consumption depends, in large part, upon the country's growth and population unless such growth can be supplemented by an increase in consumer preference for fresh oranges. If present price relationships could be maintained, with a continuation of population growth and with some shift toward consumer preference for fresh navel, the navel-producing industry would be in a strong position, although it might vary in different parts of the state and in different seasons.

In the California Valencia situation, it is a question whether balance between profitable production and market demand has been reached. The increased growth in population is helpful. But increased consumer preference for fresh Valencias, at competitive consumer prices, is necessary to avoid further production adjustment to bring supply in balance with demand at levels profitable to growers.

Changing Patterns

The developments in oranges have been occurring along with dramatic changes in the over-all pattern in food merchandising.

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CHLORINE
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after, the percentages of chlorine in the
dry matter of the peel greatly exceeded
those of the pulp, both peel and pulp ac-
cumulating considerable chlorine.

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MARKETING
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During the postwar years, retail gro-
cery store sales have tended to trend up,
but that trend has not been distributed
evenly among all products. Some prod-
ucts and brands have gone ahead faster
than others. Another fact in food dis-
tribution today pertains to the distinction
between major advertised brands and
minor brands. The major advertised
brands not only account for the larger
part of the total food market but the
proportion has trended up slightly dur-
ing the past half-dozen years. However,
shifts occur within major brands, and
those—like all other brands and prod-
ucts—have to struggle to hold their posi-
tion.

Of the top brands existing in 1948,
more than one fourth had been intro-
duced within the preceding six years.
However, by 1954, 60% of the top
brands in 1948 had been replaced by
other brands. Not only is there a shifting
among the major or top brands, but a
competitive struggle is developing be-
tween nationally advertised and private
label brands.

Shifting of positions among brands
is not limited to the product or where the
name of a brand is changed or even
where a new brand is introduced. The
shift is tied in with the development and
introduction of new products. Between
1948 and 1955, the dollar sales of prod-
uct classes without new or improved
products increased 10%; but for product
classes with new or improved products,
the dollar sales in 1955 were 78% above
1948. As an indication of what is hap-
pening, one manufacturer merchandising
through retail grocery stores reported that
probably 70% of that company’s volume
comes from products that did not
exist 10 years ago, which emphasizes
the importance of research in foods and
food products.

New product development and intro-
duction has gone along with changes in
promotional activities. During the past
two or three years, remarkable changes
have occurred in uses of advertising
media. Since 1948, advertising—in newspa-
pers, magazines, network radio, and
network TV—as a whole has increased
some 80%, but the proportion taken by
newspapers and magazines has trended
down. There has been a considerable
downward shift in network radio, but a
fantastic growth in the use of network
TV. It is estimated that in 1957 some
45% of the total advertising funds ex-
pended is accounted for by network TV.

The competitive struggle by merchan-
disers for consumer attention has not
been limited to printed matter and TV.
In 1955, consumer promotions—exclud-
ing couponing and house-to-house sam-
ples—accounted for 11% of the total sales
of seven major commodities; but
in 1956, this type of consumer promo-
tion accounted for 14.4% of total sales
of seven commodities. Whether
merchandisers do or do not like to bother
with promotional devices or whether con-
sumers may be getting tired of them, they
have been increasing in number and in
dollar importance in the past several
years.

Among the most notable changes in
food distribution have been in the stores
themselves. In 1942, clerk service oc-
curred in about three fourths of the
stores and self-service in the remaining
one fourth. By 1955, the position was
reversed with 75% of the stores classified
as self-service and only 25% as clerk
service. At the same time, the size of
stores in terms of dollar volume has
grown tremendously. In 1942, the aver-
age grocery store did about $78,200
worth of business a year. By 1955, the
volume had grown to over $415,000, an
increase of some 480%.

The growth of supermarkets—and in
some cases giant supermarkets—has
been one of the most significant devel-
opments in food distribution. As mass
production has come to characterize
American manufacturing industries, mass
distribution is characterizing food
marketing. However, supermarkets do
not restrict themselves to food. They
often carry hardware, clothing, notions,
records, variety and drug items.

In some sense the old-time country
grocery store with its many lines of prod-
ucts has returned in changed form. The
medium-sized supermarket today carries
5,000 different items, all of which com-
pete for shelf space and floor space. The
food items are being crowded more and
more as indicated by what is happening
in frozen foods. The original cabinets
were introduced primarily for frozen
fruits and vegetables, but these items are
being crowded for space by ice cream,
popsciles, frozen pies, salads, and pizza
as well as frozen TV dinners.

As food stores have grown in size and
added new products, the market struc-
ture to which growers sell has changed.
Mass buying by corporate chains is now an
old story; but in recent
years, privately owned or independent
stores have been joining together in
large-scale buying groups. The expan-
sion of cooperative buying by independ-
ents has reinforced the changing market
structure facing growers. These largescale
buyers of farm products—volun-
tary cooperatives as well as corporate
chains—do not operate as did the inde-
pendents acting singly. Product specifi-
cations, point of purchase, product mix,
and trading terms may be affected. The
balance of bargaining power between
growers and those to whom they sell is
changing.

It is within the current dynamic dis-
tribution system that orange marketing
today must operate. The changing mar-
ketting patterns provide opportunit-
ities—and new problems—in the marketing
of California oranges.

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ALBINISM
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infection during the extraction and prepa-
ration for planting. 2, Its appearance is
prevented by treatment of fresh seed with
a variety of fungicides. 3, Treatment of
seed with the same fungicides after stor-
age does not always prevent albinism.
If infection occurs at the time of planting,
treatment at that time would be effective
in preventing development of the fungus,
thereby preventing albinism. However, if
infection with the fungus has occurred
before storage, a treatment after storage
would not be expected to have the same
preventive effect. If a microorganism is
responsible for the chlorophyll deficiency,
it must produce its effect through some
action on the seed coats, because com-
plete removal of the embryo from con-
tact with the seed coats prevents the oc-
currence of albinism.

Attempts to demonstrate that a fungus
is causing the albinism have given incon-
clusive results.

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Hrniciar, Fruit and Vegetable Crops and Dis-
eases, United States Department of Agriculture, con-
ducted the studies in Florida mentioned in
this report.

H. B. Frost, Associate Plant Breeder, Emeri-
tus, University of California, Riverside, ad-
vanced the possibility that toxic action of fungi
or bacteria might affect the presence or absence of
chlorophyll in citrus seedlings.

J. M. Tager, Plant Physiologist, University of
Pretoria, Pretoria, South Africa, and S. H.
Cameron, Professor of Subtropical Horticul-
ture, University of California, Los Angeles, de-
termined that removal of the seed coat prevents
albinism.