

Controlled Marketing of Tokays

car concentration plan is core of State program under marketing agreement no. 93 and order no. 51

Jerry Foytik

The following article is a condensation of a preliminary report presented at a July 27 meeting of the Tokay Industry Committee and at an August 3 meeting of Tokay growers.

Tokay f.o.b. prices generally, decline sharply during the early weeks of the shipping season and then level out.

Between week one and week four, as the volume of shipments increases, the price generally decreases by 40%. During the balance of the season—until shipments are made from storage—f.o.b. prices remain fairly uniform in spite of decreased shipments.

Interstate passings of all California table grapes usually remain constant at about 1,100 cars per week during the third through the tenth weeks of the Tokay shipping season.

Shipments of Tokay grapes increase sharply during the first four weeks, continue in large volume for weeks four to seven, decline rapidly during the subsequent three weeks, and are negligible after the tenth week. To a considerable extent shipments of other table grapes follow an opposite pattern—first decreasing and then increasing.

Changes in weekly f.o.b. prices and movement of the daily f.o.b. prices in relation to daily pack-out and interstate passings are immediately significant to the industry when regulation of daily shipment and use of packaging and loading holidays are contemplated.

The major factors responsible for changes in average weekly f.o.b. prices must be isolated and measured as to their separate influence. The extent to which modifications in availability of supply—due to specific regulations—affect daily f.o.b. prices must be determined. How daily regulations affect weekly shipments, and thereby influence weekly f.o.b. prices, must be established.

A quantitative measurement of these effects is an important point to be considered in an extended study. A preliminary statement—in the nature of a progress report presents: 1, an analysis of certain factors having variations which are correlated with changes in f.o.b. prices of Tokay grapes; and, 2, data on daily f.o.b. prices, pack-out, and interstate shipments and on the various regulations issued pursuant to the Tokay Marketing Agreement.

Weekly data on consumer purchasing power and daily and weekly Tokay f.o.b.

prices, Tokay pack-out, and interstate passings of table grapes—Tokay and other—were used. Data on average daily and weekly f.o.b. prices were compiled from information furnished by seven large shippers, representing over half the total sales.

Attention was focused primarily upon weeks two through nine of each shipping season. The first week of each season was designated as week one and succeeding weeks were numbered consecutively regardless of their calendar classification. This procedure was arbitrary but permitted greater comparability between observations of different seasons.

The period covered was 1937–1949 exclusive of the war years, 1942–1946. Thus, the seasons considered included five prewar and three postwar years. The necessity of using these years limits the usefulness of the findings since the conditions encountered during the two sub-periods were substantially different. It is felt that results obtainable from current data should be considered until such time as more adequate information becomes available.

Marketing agreement No. 93 and the companion marketing order—No. 51—established a compulsory marketing control program for the California Tokay grape industry.

The core of the control program is the car concentration plan which imposes loading holidays and places limitations on daily shipments and packaging.

When daily shipments are regulated a limit is placed upon the quantity of Tokay grapes which may be shipped from the state during each day. Excess cars are held at assembly points for a maximum period of 72 hours. Cars are released in the order of priority of billing date. Each shipper has his proportion of cars of each billing date released each day.

Packaging and loading holidays are established when the quantity of Tokay grapes at, or the amount in prospect for routing to, assembly points is substantially in excess of the quantity advisable for shipment.

Regulations of the type promulgated by the Tokay Marketing Agreement may have numerous consequences.

The 64 weekly observations—weeks two through nine for eight seasons, 1937–1941 plus 1947–1949—were considered as an entirety in order to test whether changes in the influence of the different factors affecting prices follow a systematic pattern during the season.

The average relations between weekly f.o.b. prices of fresh Tokay grapes and each of certain major factors or independent variables, for the period covered by the study, indicate:

1. A change of 100 cars in the interstate passings of Tokay grapes during a given week, with nonagricultural income held constant, was accompanied by a change in the opposite direction of about 5¢ a lug in the average weekly f.o.b. price of Tokay grapes.

2. A change of 10% in the value of the index of nonagricultural income for a given week, with interstate passings of Tokay grapes held constant, was accompanied by a change in the same direction of about 4¢ a lug in the average weekly f.o.b. price of Tokay grapes.

3. As the season advances, the influence of changes in nonagricultural income is weakened. Thus, a 10% change in nonagricultural income, with inter-

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state passings held constant, was accompanied by a change in the same direction of 5.3¢ a lug in the average f.o.b. price during week two compared to only 3.5¢ during week nine.

4. There is no clear statistical evidence revealed by the range of experience encountered—that is, for the particular years and the relative volumes of Tokay and other table grapes used in the study—that the f.o.b. price of Tokay grapes is affected in a systematic manner by changes in interstate passings of Tokay grapes during the preceding week or by changes in the current week's interstate passings of all other table grapes.

These average relations provide a reasonably good empirical fit to the observed data. About 86% of the variation on weekly f.o.b. prices during 1937-1949 may be explained by the combined influence of changes in interstate passings of Tokay grapes, consumer income, and week of season.

An analysis of the data obtained in this study revealed:

1. The differences between actual weekly prices and those indicated by the average relations derived from the statistical price analysis are, in general, reasonably small.

2. Restrictions on daily shipments, if severe, tend to reduce considerably the variability in day-to-day shipments.

3. The use of packaging and loading holidays tends to increase the fluctuation in the daily pack-out.

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