

Changes in Orange Marketing

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

Sidney Hoos

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 navels from Valencias, and from Florida oranges.

California navels 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 navels and Valencias, 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 navels. 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 do 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 navels—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 navels. 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 navels, 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 accumulating considerable chlorine.

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MARKETING

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During the postwar years, retail grocery store sales have tended to trend up, but that trend has not been distributed evenly among all products. Some products and brands have gone ahead faster than others. Another fact in food distribution 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 during the past half-dozen years. However, shifts occur within major brands, and those—like all other brands and products—have to struggle to hold their position. Of the top brands existing in 1948, more than one fourth had been introduced 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 between 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 product 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 happening, 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 introduction has gone along with changes in promotional activities. During the past half-dozen years, remarkable changes have occurred in uses of advertising media. Since 1948, advertising—in newspapers, 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 expended is accounted for by network TV.

The competitive struggle by merchandisers for consumer attention has not been limited to printed matter and TV. In 1955, consumer promotions—excluding couponing and house-to-house samples—accounted for 11% of the total sales of seven major commodities; but in 1956, this type of consumer promotion accounted for 14.4% of total sales of those seven commodities. Whether merchandisers do or do not like to bother with promotional devices or whether consumers 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 occurred 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 average 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 developments 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 general store with its many lines of products has returned in changed form. The medium-sized supermarket today carries 5,000 different items, all of which compete 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, popsicles, frozen pies, salads, and pizza as well as frozen TV dinners.

As food stores have grown in size and added new product lines, the market structure 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 expansion of cooperative buying by independents has reinforced the changing market structure facing growers. These large-scale buyers of farm products—voluntary cooperatives as well as corporate chains—do not operate as did the independents acting singly. Product specifications, 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 distribution system that orange marketing today must operate. The changing marketing patterns provide opportunities—and new problems—in the marketing of California oranges.

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ALBINISM

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infection during the extraction and preparation 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 storage 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 complete removal of the embryo from contact with the seed coats prevents the occurrence of albinism.

Attempts to demonstrate that a fungus is causing the albinism have given inconclusive results.

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James F. L. Childs, Pathologist, and Gustave Hrniciar, Fruit and Vegetable Crops and Diseases, United States Department of Agriculture, conducted the studies in Florida mentioned in this report.

H. B. Frost, Associate Plant Breeder, Emeritus, University of California, Riverside, advanced 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 Horticulture, University of California, Los Angeles, determined that removal of the seed coat prevents albinism.