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Fruit - Marketing

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The United Kingdom Trade in Imported Fresh Fruit

by

J. H. KIRK and P. G. ELLIS

WYE COLLEGE MARKETING SERIES: No. 6

March 1971

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-

In addition, Wye College have been closely associated with the writing of "Co-operation and the Potato Market", by Dr. E. T. Gibbons, published by the University of Newcastle upon Tyne (price 15s.).

MARKETING SERIES

REPORT No. 6

The United Kingdom Trade in Imported Fresh Fruit

A mainly descriptive study of the organization of the import trade in fresh fruit (73 per cent of all the fresh fruit bought in the United Kingdom), from assembly in country of origin up to the point of wholesale distribution within this country.

by

J. H. KIRK and P. G. ELLIS

Copies of this Report may be obtained, price 65p. post free from the Secretary, Marketing Department, Wye College, near Ashford, Kent

March 1971

FOREWORD

The importation of fresh fruit into the United Kingdom is a trade worth some £120 millions a year at c.i.f. values, and this fruit amounts to 73 per cent by value at first hand of all the fruit bought. But so far as we have been able to discover this trade has never before been systematically described.

There seems to us three or four particular reasons for singling out the imported fruit trade as worthy of study.

First, fruit consumption in this country is at a lower level than most other advanced countries and has increased by less;

Secondly, the trade is an interesting combination of small-scale private trade and of monolithic State or semi-State organizations, collectively known as the Fruit Boards, which represent and sell on behalf of the producers overseas;

Thirdly, it is worthy of enquiry whether this type of Board organization successfully serves the interests of the producers it represents and of consumers in this country;

Last, a substantial part of the wholesale trade in home-grown and imported fruit and vegetables of all kinds has been acquired by and is organized by banana importing firms, two of which are subsidiaries of overseas firms or Boards.

At several points our comments have been critical of some of the Marketing Boards. The passages in question have been shown in draft to their representatives on the basis that while we have been glad to make the corrections of fact suggested to us, we maintain our own opinions, including those that may be unwelcome.

If the United Kingdom accedes to the European Economic Community much of what we have written will become past history. The channels of trade in fruit will quite certainly change substantially though it is not at present possible to predict how. This would, however, have to be a separate study.

J. H. KIRK.

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CHAPTER I

PRINCIPAL STATISTICS OF THE
UNITED KINGDOM FRESH FRUIT TRADE

Consumption of All Fresh Fruit

The importation of fresh fruit into the United Kingdom is a trade worth some £120 millions a year at c.i.f. values*, which is roughly 73 per cent of the total of all fresh fruit bought at wholesale. Home-grown fruit accounts for the remaining 27 per cent and is worth £45 millions at farm gate.† According to the National Food Survey in 1968, average household purchases of fresh fruit (excluding tomatoes) was 55·4 lb. per head per annum, worth £4 1s. 7d., while total consumption (including garden supplies, etc.) amounted to 60·4 lb. Consumption outside the home, i.e. in institutions or catering establishments, amounted to about 8 per cent of the whole. For comparison, the 1968 figure for imports of dried, canned and bottled fruit, and of fruit pulp and fruit juices, was £93 millions.

This Study does not directly embrace tomatoes, although these are counted as fruit in the National Food Survey and certain other statistical sources. Excluding tomatoes, 50 per cent of the fresh fruit consumed in the United Kingdom consists of species not normally grown at home, and 68 per cent of a year's imports occurs during the six months February–August, when marketings from the home crop, except for berry fruit, are at their lowest.

The fruits with which this Study is mainly concerned, being the staple lines of import, are oranges and other citrus, apples, pears and bananas. We look at some aspects of the trade in peaches and grapes, but pineapples, melons, avocados and the other more exotic species are outside our scope.

Trends in the total consumption of fruit over the years are of some relevance in this Study. In comparison with 60 lb. per head per annum of fresh fruit eaten in households in 1968, the 1954 figure was 52 lb. This is not a large increase, being just over 1 per cent per annum. On the other hand, there was a proportionately bigger increase—from 5 lb. to 9 lb.—in the consumption of fruits other than fresh (in the canned and bottled fruit sector) and in fruit drinks. The increase in canned fruit appears to be part of a continuing

* Possibly 10 per cent of this imported fresh fruit is used in the United Kingdom for processing.

† It is difficult to translate the combined figure of £165 millions into retail values, but these may amount to some £300 millions.

trend, largely because the canned article is available all the year round and is convenient to handle. The consumption of fruit drinks (in terms of fruit content) has increased even more rapidly, but from a much lower base.

There are no comparable figures for total fruit consumption in other European countries, partly owing to differences of statistical definition. Their figures for fresh fruit, however, are much higher than ours—even if this cannot be demonstrated in terms of all fruits, the point is made clear by the figures to be given for the main fruits taken separately. It is true that few if any of the Continental countries consume as much canned and bottled fruit as we do, and probably all of them taken together consume rather less processed fruit (unless perhaps we include fruit made into squashes in the home). But whatever may be the statistics of these processed fruits, it is quite clear that the United Kingdom is at or near the bottom of the league table for fruit consumption as a whole, as well as for fresh fruit.

Moreover, as the statistics for the main individual fruits will make clear, consumption on the Continent has increased much faster than here. This is true of almost all the individual Continental countries including those that have always been big fruit eaters, and it is true equally of those which are big importers and big home producers. This strong upward trend on the Continent appears to apply to almost every individual kind of fruit, although in practice it is the commercially important species—oranges, apples, pears, peaches, and bananas—which account for most of the overall effect.

The higher consumption on the Continent reflects for some fruits the warmer climates these countries enjoy, which enable an interesting range of fruits to be grown quite cheaply, and have created a tradition of fruit eating. Our climate puts more emphasis on boiled vegetables and puddings. Other factors have been radical technological developments in the growing of apples, and to a lesser extent pears, in France, Italy and to some extent Germany, and the freedom of Germany to buy (even under E.E.C. rules) bananas of the preferred kinds from the cheapest source (e.g. Ecuador). Factors of this kind will not, however, explain the big increase in orange consumption on the Continent—so much in contrast to ours, which has been stationary—since in this case all the countries considered would appear to start on more or less level terms.

The main explanation of the different trends in consumption of all fruit together is almost certainly to be found in differing rates of national growth. The increase in fresh fruit consumption in the United Kingdom of 1.2 per cent per annum is rather less than might be expected from the calculated income elasticity of demand applied to an average growth in real disposable income per head of

2 per cent per annum. If economic growth in the Continental countries, expressed in similar terms, has been 4-5 per cent, their rate of growth of fruit consumption would for this reason alone be at least double ours, even in the absence of the special factors relating to apples, bananas, etc.*

Oranges†

Consumption. This commodity displays an interesting reversal over the years in the United Kingdom's position in the international league table of consumption. In the 1930's imports into the United Kingdom were running at an annual average of over 500,000 tons, with a peak of 623,000 tons in 1937. We were by far the world's largest importer, the total exceeding the imports of Germany, France and the Scandinavian countries combined. In the 1960's, however, our imports were no more than 400,000 tons, despite the increase in population and standard of living. In Germany, on the other hand, imports increased from 85,000 tons in 1938 to 809,000 tons in 1966, and in France over the same period from 183,000 to 602,000 tons.

Current United Kingdom consumption is 16 lb. per head, which is less than in 1927 (19 lb.) and far less than the record 1938 figure of 25 lb. By contrast the German consumption per head has now risen to 32 lb. which is a phenomenal increase compared with any earlier date.

These statistics of orange consumption can, however, be a little

* The normal way of explaining or predicting the rate of change in the consumption of fruit or any other kind of foodstuff is to analyse it into two components: change in the size of the population, and change in consumption per head in response to change in income per head. The United Kingdom population has been increasing by about 0.6 per cent per annum, and for fruit the ratio for change in consumption to change of income is about 0.55 (i.e. a 10 per cent increase in income will result in a $5\frac{1}{2}$ per cent increase in consumption). Taking the rate of increase in income as 2 per cent, these two factors together should result in an increase in fruit consumption of about 1.7 per cent per annum, or rather more than has in fact occurred (1.2 per cent). The probable explanation of the discrepancy is that the 1.2 per cent represents the increase in *weight* of all fruit and thus neglects the continuing substitution of finer and higher valued fruits for the more customary kinds.

However that may be, the statistical evidence shows no sign that the consumption of fruit as a whole has been substantially modified in recent years either by spontaneous changes in taste for fruit as compared with other foods, or changes induced by promotional activities. At least the whole of the visible increase in consumption can be explained by population and income, and this adds support to the view that in any contrast made between the United Kingdom and other European countries, it is our slow rate of income growth that has been the chief factor in holding back our consumption.

† The figures in this section include types of fruit such as mandarins, clementines, etc., which are usually grouped in the import statistics with oranges proper. They also include small quantities of oranges imported as fresh and used for processing.

misleading unless account is also taken of the consumption of orange juice. In the United Kingdom the decline in the consumption per head of whole oranges since pre-war has been partly offset by an increase in orange juice, and the current consumption of this in terms of oranges at original weight is 6 lb. In the United States the substitution has been dramatic. The consumption per head of fresh oranges as whole fruit has declined substantially, but so large has been the growth in juice consumption that the latter now accounts for more than half of the total consumption of the original fruit.

Sources of Supply. At the present time the main sources of supply into the United Kingdom are:

TABLE 1

	Percentage
Mediterranean countries	
Israel	31
Spain	25
Morocco	9
Others	9
South Africa	20
Other, Northern Hemisphere	2
Other, Southern Hemisphere	4
	100

As the total import into the United Kingdom has declined, the increased supplies since pre-war coming from South Africa and Morocco must have taken the place of supplies from other countries. Those that have contracted (or been forced to contract) their trade with the United Kingdom are the United States (Florida and California), Spain, and to a lesser extent, Brazil. The growth in the South African trade has of course extended the season for oranges in the United Kingdom, so that there is now little difference among the different months of the year. But in common with many other countries supplying the United Kingdom, the South African trade is at the moment below its previous peak. Contrary to customary belief Israel has not become a more important source of supply than it was before the war. Total orange production in Israel was then lower, but the United Kingdom absorbed 60 per cent of the whole Israel supply, compared with 30 per cent at present.

Other Outlets for Oranges from the Main Exporting Countries. The United Kingdom is not the sole outlet, as can be seen from the following tables:

It will be seen that the United Kingdom is the chief outlet for Israeli and South African oranges, but that this is not the case for

TABLE 2
Percentage Distribution of Orange Exports from Spain (1969)

U.K.	..	..	..	..	..	7
France	..	..	..	..	..	28
Germany	..	..	..	..	..	35
Other (mainly Western Europe)	..	..	..	..	..	30
						100

TABLE 3
Percentage Distribution of Orange Exports from Israel (1969)

U.K.	..	..	..	..	..	29
France	..	..	..	..	..	4
Germany	..	..	..	..	..	26
Other (mainly Holland and Scandinavia)	..	..	..	..	..	41
						100

TABLE 4
Percentage Distribution of Orange Exports from South Africa (1969)

U.K.	..	..	..	..	..	34
France	..	..	..	..	..	18
Germany	..	..	..	..	..	13
Others (mainly Holland and Scandinavia)	..	..	..	..	..	35
						100

Spanish; and that the E.E.C. (European Economic Community) countries are more important to this group of three exporters taken together than is the United Kingdom.

Tariffs. There are no duties on South African or Commonwealth oranges (e.g. Cyprus) entering the United Kingdom, but for other oranges they are:

1st April–30th November	3s. 6d. per cwt.
1st December–31st March	10 per cent

The E.E.C. tariffs are 15 per cent from 1st April to 15th October and 20 per cent from 16th October to 31st March. These higher E.E.C. tariffs make it all the more remarkable that the E.E.C. enjoys a much higher consumption per head than does the United Kingdom.

Grapefruit, Lemons, Mandarins, Clementines, etc.

Grapefruit. Imports at 80,000 tons in 1969 amounted to about one-fifth of the orange total, and have been on a rising curve. The United Kingdom is the chief importer of grapefruit, having passed Canada in 1963, though we are not unlikely to be overtaken by Germany soon.

The main sources of supply are in order of importance, Israel, South Africa, Cyprus and the British West Indies. This is an interesting contrast with pre-war, when the United States was our major supplier. United Kingdom grapefruit supplies during the average of 1963-67 were about the same as in 1938. Although more grapefruit are seen in the shops than then, total consumption per head cannot have increased.

Lemons. United Kingdom consumption per head is only about one-half per head of what it was in 1938 (almost all other countries except Canada have increased). We are one of the world's smallest importers, ranking even after Poland. Italy accounts for more than half our supplies.

Mandarins, Clementines, etc. Mandarins and clementines were imported in large quantities for a while after the 1939-45 war. Thus in 1948 imports amounted to 41,000 tons. After 1969 they fell away rapidly and in 1952 only 5,000 tons were imported. In 1948 and 1949 Italy and Spain between them supplied more than 90 per cent of the total, but after 1949 imports from Italy fell away rapidly.

From 1951 until 1955 the average annual imports amounted to 11,000 tons, of which Spain accounted for more than 80 per cent. The average was only slightly up at 12,000 tons in the ensuing 5 years, but since 1961 a definite upward tendency has been established, a result not only of increased sendings from Spain but also the appearance of Morocco as an important source of supply. Thus in 1969 imports of mandarins and clementines totalled 31,000 tons of which approximately two-thirds were from Spain and nearly one-third from Morocco.

In the United Kingdom consumption is still concentrated in the Christmas period whereas on the Continent the marketing of this group extends from October until May.

Apples

Consumption. United Kingdom consumption per head during the mid and late 1960s was about 26 lb. per head per annum.* This might have been rather larger but for a succession of poor harvests at home, but even so there could have been no great increase

* This includes apples used by manufacturers. Before the war these were not recorded separately.

over the 25 lb. recorded at various dates between 1924 and 1938.

The 26 lb. per head in the United Kingdom can be compared with 47 lb. in France and 52 lb. in Germany. These figures represent a big increase over the last ten years, brought about mainly by the increase and cheapening of supplies grown in France, Italy and Germany, and a concurrent improvement in quality.

Sources of Imported Supplies. These are indirectly regulated by a quota system for apples coming from countries other than the Commonwealth (apart from Canada) and other than South Africa. They are particularly intended to give priority to home-grown apples in their season. The quotas are:

July–December	15,200 tons
January–June	68,750 tons

Quotas of this degree of stringency have of course very much curtailed imports from Northern Hemisphere countries, most of whose supplies would reach us during the July–December period. In the 1920's Canada and the U.S.A. together supplied nearly 250,000 tons: this has now fallen to 13,000.* Moreover, France and Italy have captured most of the trade of the Northern Hemisphere countries by virtue of low production and transport costs. Among the main exporters to the United Kingdom during the year as a whole are South Africa (28 per cent of our imports), Australia, 27 per cent, and New Zealand, 10 per cent. These, together with France and Italy, account for 92 per cent of our imported supplies.†

The United Kingdom is still one of the main apple importing countries but has been surpassed by Germany, which imports more than twice as much. The Soviet Union and France come next. France, of course, has relatively little need of imports, because of her vast home production. Apple imports into the Soviet Union come almost wholly from Hungary and Poland.

Exporting Countries' Other Outlets. For Australia the main outlets are the United Kingdom (70,000 tons) and West Germany (42,000). For New Zealand, the United Kingdom at 32,000 tons is dominant. The same is true for South Africa (71,000 tons). France and Italy have a greater range of destinations, with Germany heading the list in both cases (90,000 and 311,000 tons respectively). These figures, which relate to 1966, can be compared with total exports from the five countries, in the order in which they are named, of 145,000, 51,000, 107,000, 153,000 and 483,000 tons. For completeness it can

* Much of the decline in supplies from the U.S.A. came about before the war as a result of the preference given to Commonwealth countries. Quotas were introduced after the war, and these affect Canada as well as the U.S.A.

† Five per cent of our apple imports are of cider varieties. Imports of culinary apples are too small to be recorded separately.

be mentioned that the Argentine which is unimportant as a source of supply to the United Kingdom, is important in supplying Germany and Holland.

Fresh Pears

Pear consumption in the United Kingdom, at a little less than 5 lb. per head per annum, is higher than pre-war, but by little more than can be explained by population increase. Imports are 8 per cent greater than pre-war. In France and Germany consumption is 12 lb. and 14 lb. respectively, having greatly increased in recent years.

As in the case of apples, sources of imports have radically changed as a result of Commonwealth preference and the quota system. Before the war the United States and Canada contributed 52 per cent. This is now 3-4 per cent. The countries that have taken their place are, in the Northern Hemisphere, Italy (31 per cent), and from the Southern Hemisphere, South Africa and Australia, respectively 31 and 23 per cent.

West Germany heads the list of importing countries (167,000 tons) with the United Kingdom second at 66,000. Italy has Germany for its main market. Australia and New Zealand have the United Kingdom. The Netherlands and the U.S.A. are also important as pear exporters, but not to the United Kingdom.

Bananas

Consumption. Imports and consumption (the two are virtually identical) have remained almost constant per head compared with pre-war, though the actual quantity has increased 18 per cent. By contrast, total consumption has risen nearly four times in West Germany, nearly three times in France, five times in Spain, and no less than twelve times in Italy. All these countries will, however, have started from a lower base, but present consumption per head in each of them except Italy surpasses that of the United Kingdom. The figures are: West Germany, 23 lb. per head, France 20, Spain, 17, United Kingdom, 15, and Italy, 13.

Sources of Supply. Ninety-seven per cent of our bananas comes from Jamaica and the Windward Islands, and in roughly the same quantities from each. Before the war (1934-8) their combined proportion had been only 77 per cent, and if one goes further back still to 1909-14, our main suppliers in these years were Colombia, Central America and Canary Islands.

Sources of banana imports into many countries, not only the United Kingdom, are governed not by relative costs but by a network of preferential agreements and arrangements. Germany,

for instance, obtains 65 per cent of its bananas from two low-cost countries, Ecuador and Colombia, under arrangements which exempt it from giving a preference to the E.E.C. associates in Africa and the Caribbean. France, on the other hand, buys almost exclusively from her Caribbean dependencies and the Africa franc zone. Italy discriminates in favour of Somalia, where bananas are grown largely by Italian expatriate planters.

The dominance of Jamaica and the Windward Islands in the United Kingdom market is mainly the result of the limitation of 4,000 tons on bananas imported from the "dollar area". In addition there is an import duty of £7 10s. per ton on bananas imported from non-Commonwealth countries. The quota of 4,000 tons may be increased from time to time if supplies from the West Indies are reduced by hurricanes.

There are three firms engaged in this trade from the Caribbean:

Geest Industries Ltd., from the Windward Islands;

The Fyffes Group Ltd., from Jamaica;

Jamaica Producers' Marketing Co., Ltd., from Jamaica.

It is acknowledged by all concerned that bananas from Jamaica and the Windward Islands are high-cost fruit. Central and South America could compete with them despite the greater distances.*

Other Fresh Fruit

Peaches and grapes are mentioned here because they are handled by the South African Deciduous Fruit Board.

Peaches. The poor transportability of fresh peaches results in a pattern of consumption among various countries which in the main reflects their growing conditions. France, for instance, consumes fifteen times more peaches than the United Kingdom, and Italy sixty times. Germany, however, is quite a large consumer of peaches, importing eight times as much as the United Kingdom, mainly from Italy. United Kingdom imports, although four times higher than pre-war, are still modest.

Grapes. Imports into the United Kingdom have increased about 30 per cent since pre-war and consumption per caput is thus rather higher. However, we only import about a quarter as much as West Germany does, and this latter country clearly dominates the trade in grapes.

* The above relates to the position at the time of writing. It has, however, become known subsequently that Messrs. Fyffes would like partly to disengage themselves from Jamaica and develop alternative sources of supply on the grounds of dissatisfaction with the quality of part of the Jamaican supply. These possible new developments could also affect to a small extent what is said about bananas in Chapter II (E) and in Chapter V.

CHAPTER II

ORGANIZATIONAL DIFFERENCES IN FRUIT IMPORTING

(A) *Three Citrus Boards: South Africa (Outspan), Israel (Jaffa) and O.C.E. (Maroc)*

These are the foremost examples of the exportation of fruit from the respective countries being organized by bodies acting virtually as single buyers at home and single sellers in the countries of destination.* The Moroccan Board is, however, on a much smaller scale in the United Kingdom than the others. All three Boards handle grapefruit, lemons, etc., but it will be sufficient here to consider their operations in oranges.

In this Chapter, and the remainder of this Report, the word "panellist" is used many times. It refers to a wholesaler of fruit in the United Kingdom, usually located in or near a public market, who is one of a number of similar wholesalers selected by a Board to sell their produce. Wholesalers not so selected have to buy from those who are.

South African Citrus Board. This was set up in 1940, being the oldest of the Citrus Boards especially concerned with the United Kingdom market, but not the oldest fruit board. It was preceded by a Federal co-operative formed in 1926 and controlling more than 80 per cent of the crop. At the South African end it is in effect a compulsory co-operative. It has complete control of the marketing of citrus fruit whether for the internal market or for export, growers being paid grade for grade on a system of "pool" prices. The fruit is received from the growers or from the packhouses (both private and co-operative) already graded and packed. If it cannot be shipped immediately it is held in one of the pre-cooling stores belonging to the Perishable Products Export Control Board at the port of shipment. The P.P.E.C.B. negotiates for shipping space and freight rates; then the Citrus Board organizes shipments, receives delivery in the European port of destination, and finally resells in the country concerned. Except in Holland and Belgium where imported fruit is sold by auction, the Board places the oranges with panellists,

* If one of these bodies is a selling agent on behalf of the growers it is, strictly speaking, not a seller, but it will still have complete discretion as to method, time and place of sale. Similarly a body acting as selling agent abroad cannot be, in the strict sense, a buyer at home, but the effect is the same if the growers have no other outlet.

who as agents for the Board sell on commission to other wholesalers and to retailers. Uniquely, this Board instructs its panellists not to sell below a minimum price. The main Board office outside South Africa is in London, and it would appear that the principal function of the General Manager is to allocate supplies among outlets, treating every market on its own footing as an alternative to each other, including the Continental countries as an alternative to the United Kingdom. From Table 4 in Chapter I it will have been seen that France and Germany together are normally as an important a market for South African oranges as is the United Kingdom, and the whole of Europe is more important. The main ports of entry in the United Kingdom are Southampton and Cardiff.

Israel Citrus Marketing Board. This was set up in 1948 to concentrate the citrus exporting interests of Israel. Here again the United Kingdom is Israel's largest single market, but we nevertheless take less than a third of all the oranges exported to Europe. The Israeli crop being a Northern Hemisphere crop is in the main non-competitive with the South African, but faces competition from Spain and Morocco.

Virtually all horticultural produce leaving Israel is in the hands of monopoly organizations, and the Board under consideration deals with citrus, leaving vegetables, flowers and other fruit to a concern called Agrexco. The Board receives fruit from individual growers and co-operatives in Israel and organizes all aspects of grading, shipping, etc., as in the case of the South African Board. It sells in the United Kingdom through panellists, also on commission, but, unlike the South African Board, does not fix minimum prices, contenting itself with the issue of guide prices to its salesmen. In this case, too, the major decisions concern the allocation of supplies among alternative countries and to alternative markets within each. Using smaller vessels than the New Zealand and South African Boards, it brings them into a far greater number of ports, including London, Southampton, Newcastle and Glasgow, but Sheerness, Hull, Cardiff and Liverpool are the main ones.

O.C.E. (Morocco). The Moroccan organization while operating like a Board in having exclusive control of marketing for export, is constituted in a different manner. As O.C.E. (which means the Office for Commerce and Export) it came into existence in 1965 when certain important exports—citrus, cotton, canned goods and wine were nationalized. The cause of this move was perhaps less to bring about better marketing—it was acknowledged that a number of private enterprises in the export trade had been highly efficient—than to ensure that the bulk of the foreign currency earned by the export trade would flow back to Morocco.

Apart from being a State organization, unlike the other Boards which are controlled by producers, O.C.E. differs in the methods by which it operates in the countries of importation. Instead of having a central office in London, which controls all the European sales, it works through separate offices in each country—in fact there are two in Germany. These offices are known as O.C.A. (Office for the Citrus Trade) and are simply agencies which have been chosen by O.C.E. and appointed to act on its behalf in exactly the same way as the London offices of the Boards.

The official title of the United Kingdom organization is O.C.A. (Great Britain, Ltd.). It is in fact a firm of London importers with offices in Covent Garden and which carries on its own private trade as well as acting for O.C.E. All major matters of policy (such as the selection of panel salesmen) are the responsibility of a joint committee of O.C.A. and O.C.E. in the person of the London representative of the latter, who is the Commercial Counsellor at the Moroccan Embassy. During the four years since O.C.E. was established, the importation of Moroccan oranges into the United Kingdom has increased by 65 per cent.

(B) *Spanish Oranges*

This is not an example of large-scale organization, but it is described at this point for the sake of contrast. The assembly of oranges in Spain and their shipment to the United Kingdom and elsewhere is in the hands of some six hundred private merchants, although no doubt the larger part of the trade is handled by far fewer. At the United Kingdom end there is a large number of United Kingdom merchants, and some Spanish ones with long-standing connections with Spain, who are glad to accept a wide range of Spanish produce—melons, tomatoes, onions, etc., as well as citrus.

By far the greater part of the Spanish export trade is to the Continent of Europe and most of this travels overland, by train or road. Some Spanish oranges reach the United Kingdom by these means and the rest by small steamers, an increasing proportion of which are container-carrying vessels.

The importers of Spanish oranges into the United Kingdom (whether or not they be Spanish exporters as well) place their oranges on our public markets for sale on commission. There is no panel of preferred salesmen, merely a selection among the market men by the different importers: to create a panel implies a central organization.

This picture of atomistic free enterprise, which makes Spanish oranges resemble vegetables and minor fruits rather than oranges

and imported apples in general, is mitigated by some effort at central organization. The acknowledged high standard of the fruit is guaranteed by inspection and grading imposed in Spain by the Ministry of Commerce; the ownership of the large refrigerated road and rail containers which take out most of the Spanish crop is in the hands of one transport organization, TRANSFESA, while the Spanish Fruit Syndicate undertakes some collective publicity on behalf of Spanish oranges as a whole. Although at the time of writing the Spanish orange export trade nevertheless presents a predominant pattern of fragmentation, we understand that the Spanish Government are now more actively considering ways and means of achieving a higher degree of concentration and collective effort.

(C) *Apple and Pear Boards, New Zealand and South Africa*

These two have been bracketed together because both are monolithic and monopolistic organizations, standing in contrast to Australia.

New Zealand. Of the New Zealand production of about 100,000 tons of apples, a little over a half is exported, three-fifths of which comes to the United Kingdom. Production for export dates from about 1920, and very early on exports were subject to control. Thus the New Zealand Fruit Export Control Board was set up in 1926 at the instigation of the Fruit Growers' Federation. This had no hand in marketing operations in New Zealand until in 1948 the present New Zealand Apple and Pear Marketing Board was established at the request of growers to stabilize marketing. The present Board controls internal marketing as well as exports. It took over the war-time arrangements of the New Zealand Government, which had been necessary because of the loss of all export markets.

The difference between the present Board and the pre-war Board is that under the existing scheme the Board owns the fruit, whereas in the pre-war years the fruit was sold on behalf of the growers. Growers are paid a guaranteed price said to be based on a number of policy objectives together with estimates of average costs of production.* Although there is no rule compelling growers to sell

* Growers are guaranteed an average price for fruit submitted to the Board. This average price is set annually by the Apple and Pear Prices Authority made up of two members nominated by the New Zealand Fruitgrowers' Federation, two nominated by the Government and an independent chairman appointed after agreement between the Government and the Fruitgrowers' Federation. In determining the average price the Authority is required to take into account the following matters:

(i) "The necessity, in the public interest, of maintaining stability and efficiency of the apple and pear industry";

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to the Board, in fact many are obliged to do exactly that, because they cannot sell to wholesalers or retailers, and can only sell up to two cases at a time to consumers. They are allowed to sell to factories but the factory has to apply for a licence to the Board to purchase specified fruit up to a limit.

Within New Zealand the Board fixes wholesale prices according to the various grades and sizes (it has no competition from importers). For export it negotiates freight rates and organizes shipments after inspection of the fruit received, packed and graded by growers and packhouses. The London office supervises the unloading and organizes the distribution to the panel salesmen, all sales being on commission in the United Kingdom, and also for the most part in Europe, control being exercised by the General Manager and his staff in London. Main ports of entry in the United Kingdom are London, Hull and sometimes Leith.

It will have been noticed that this Board buys the fruit outright from growers and then handles it as principal. This can be regarded as an extreme case, where the other extreme is that each parcel of fruit retains its own identity and the producer or packer of it receives what it fetches.* This latter harks back to the practice originally initiated by the California Fruit Growers' Exchange in 1905, and which remains common in co-operatively organized internal marketing. But it is clumsy because of the vast amount of small-scale

* There can in fact be four main methods:

(a) The Board or other centralized agency buys outright from the growers, and the prices they receive do not depend on what their own fruit fetches.

a(i)—the price is virtually the same to all growers within broad grades only;

a(ii)—there is rather more differentiation of price among growers according to grade, count, apparent condition, time of purchase, etc.;

(b) The Board does not buy from growers but acts as their selling agent:

b(i)—the produce is put into categories and each grower receives the same pool or average price for all his fruit falling into any one of the categories;

b(ii)—the grower is given the price that his particular fruit happens to make, according to the place, method and time of sale that the Board chooses for him.

All four of these methods can be operated whether the Board places the produce for sale on commission, or sells it outright either by auction or private treaty.

Method b(ii) can be considered as rather primitive; a(i) is the easiest to operate, but may not be fair to the best growers. The commonest methods are a(ii) and b(i), particularly the latter.

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- (ii) Movements in the costs of producing and marketing apples and pears;
- (iii) Current market realizations for fresh and processed apples and pears, market prospects for the season and other marketing trends known or anticipated;
- (iv) The state of the Board's accounts;
- (v) The current and future requirements of the Board for finance, capital expenditure or other purposes;
- (vi) Submissions made by the Board or the Fruitgrowers' Federation;
- (vii) Any other matters the Authority may consider relevant.

accountancy to which it gives rise, and the commonest practice among Boards as a whole is the pooling of receipts, grade by grade.

The New Zealand Apple and Pear Board, however, by buying outright is committed to a price before the final disposal is known. This price is said to be based on "the necessity in the public interest of maintaining stability and efficiency of the apple and pear industry". Nevertheless the Board can do no other than sell fruit that would otherwise deteriorate for the best price it can obtain. We suspect that the price paid to the growers is in fact based on the Board's anticipation of the resale price, plus or minus some allowance for the profits or losses carried over from previous years.

South African Deciduous Fruit Board. The term "deciduous" covers a range of fruits, but those we are concerned with here are apples and pears. The Board which regulates these was set up in 1946, having been preceded by the setting up of a Co-operative Deciduous Fruit Exchange in 1931. The Board does not have jurisdiction over internal marketing within the Republic but like the New Zealand Board is sole buyer for export. The United Kingdom is by far the largest external market. The local, shipping and other arrangements are similar to those of the New Zealand Board. The Board receives fruit from growers and co-operatives' packhouses in the growing districts and organizes shipments mainly from Cape Town. Sales in the United Kingdom are made through panellists, using the trade name "Cape". Chief ports of entry are Southampton, London and occasionally Sheerness.

(D) *Australian Apples and Pears*

Australian apples and pears contrast in marketing organization with South Africa and New Zealand in much the same way, though not to the same extent, that Spanish oranges contrast with South African and Israeli. There is an Australian Apple and Pear Board, but it does not trade nor to any great extent take control of exports. Its functions are to make regulations designed to ease the links between exports in the various Australian States and the importing firms in the receiving countries, and in carrying out these functions it acts as a source of market information to be transmitted back to Australia; licenses exporters in Australia; negotiates for shipping space and terms; and fixes, in consultation with all the parties concerned, the total number of cases of fruit to be exported each season in relation to shipping space available. The Board also determines minimum export prices at Australian ports for fruit sold forward against letters of credit. (The proportion so sold has, however, shown a marked fall in recent years and now amounts to about one-third of the total exported.)

Although all these functions are useful and some are substantial, there is a clear contrast between this and a Board which trades, and which is, moreover, a monopoly trader. The South African and New Zealand Boards unquestionably exercise more control over the growers and have all stages of the export marketing process under their direct first-hand surveillance. The Australian Board does not directly interfere with the trade, which is carried on as between Australian exporting firms and importers in the countries to which the fruit is consigned.

Although the Australian Board does not exercise control on the quantity of fruit shipped to each market it does have the power to do so. In fact, the maximum quantity permitted for export to the United Kingdom is fixed each season and allocated on a basis of past performance to exporters in the six States. There is of course no system of panellists, but a list of first-hand salesmen is drawn up each year and only firms on this list are permitted to handle consignment fruit. The list, which is an extensive one, cannot be considered as a restrictive panel.

The basic reason why Australia took rather a different course from New Zealand and South Africa is because after the war, during which the Board handled all fruit under requisition, it was the wish of the Australian apple and pear industry as a whole to return to the private enterprise system of exporter/importer trading such as existed before the war. Traditionally the production and marketing of fruit in Australia and on export markets has been a matter for private enterprise, with the State Governments setting minimum standards for fruit permitted for sale on the domestic markets and the Commonwealth Government doing the same for exports. The requirements for export are amended when considered necessary and on the recommendations made to the Government by the Australian Board.

Among English traders the relatively more fragmented marketing of Australian apples and pears is sometimes thought to be a disadvantage. For one thing, there seems to be less control over arrivals, which is a matter of some consequence since the tail end of the Australian exports are apt to find themselves in competition with the beginning of the English crop. There will be even readier agreement that the lack of centralized control in Australia permits of haphazard methods in the marketing of the Tasmanian crop, which does not command the prices that its intrinsic merits deserve. For instance some of this crop is moved in inferior containers and in odd sizes and shapes that make for inefficient and insecure storage on board ship.

(E) *Bananas*

As already indicated, virtually the whole of this crop is shipped

to the United Kingdom by three large firms. These are registered companies but can be likened to Boards because of the scale and tight-knit nature of their businesses, and their overseas origins or affiliations.

Messrs. Geest Industries of Spalding, Lincolnshire, started business importing tomatoes, cucumbers, etc., from the Netherlands, but has developed the importation of bananas so successfully as to have become the largest importer. This firm operates its banana business from the Windward Islands. It arranges the distribution of the fruit from its own ships, sending a considerable proportion to its own ripening rooms and to those of its subsidiaries, and the remainder to other wholesalers with ripening facilities. Through its subsidiary firms the Geest Organization also has a large place in the wholesaling of fruit other than bananas, together with most types of vegetables, both home-grown and imported. It also grows and markets bulbs, pot plants and flowers.

The second largest banana firm is Fyffes Group Ltd., a United Kingdom subsidiary of the huge international firm formerly called the United Fruit Company and now United Brands Ltd. The third is the Jamaica Producers' Marketing Co. Ltd., a subsidiary of the Jamaica Banana Producers' Association Ltd. Like Geest Industries these two have gone in quite a big way into general horticultural wholesaling, partly under their own names and partly through various subsidiaries.

All Jamaica bananas fit for export must be sold in Jamaica to the Jamaica Banana Board, a statutory body set up by the Government. This Board formerly sold all its bananas for the United Kingdom market through two agencies—the Fyffes Group Ltd. and the Jamaica Producers' Marketing Co. Ltd. During the last year the Jamaica Government has created a United Kingdom company called Jamco, whose function is to oversee marketing in this country. At the time of writing, Jamco continues to arrange sales through the aforementioned firms.

Bananas are sold each week at what is known as the "green boat" price. This includes the cost of inland transport to the railhead nearest to the various ripening rooms. A little over 50 per cent of the bananas exported from Jamaica are ripened at branches owned by Fyffes and the Jamaica Producers' Marketing Co., the balance being sold to independent ripeners who are chiefly general fruit and vegetable wholesalers operating both inside and outside the main markets. The "green boat" prices and the quantities to be sold are negotiated each week with Jamco, representing the Jamaica Banana Board.

It is of interest that this Board (a State organization) should

operate in the United Kingdom through firms who are in the general horticultural trade as well as the banana trade, and who carry on business in a complex fashion with which hardly any Jamaican farmers could be expected to be familiar. This link between Jamaica and the two firms, especially J.P. as a subsidiary of a Jamaican enterprise, must not be underestimated. The United Kingdom is virtually the only outlet for Jamaican bananas, and the economy of the island depends heavily on the efficiency and enterprise of Messrs. J.P. and Fyffes.

The reasons why all three banana importing firms have gone into the general horticultural trade in a big way are of some interest in themselves. Messrs. Geest and its subsidiaries are reported to be the biggest single horticultural wholesaler in the United Kingdom. With the other two firms added (which is not to imply that all three are anything but strictly competitive) the banana group has gained a very prominent place in the market as a whole.

Anomalous as this may appear, it can be explained by the convergence of several reasons. First, the banana firms desire some measure of diversification. The sale of bananas is pretty regular throughout the year, but has shown little growth and would be vulnerable to a change in tastes. Secondly, the banana importers have desired to establish captive outlets—wholesaling firms that would be obliged to accept their fruit—and to obtain places in the public markets which, often enough, could be secured only by buying the firms that had those places. Third, the nature of bananas is such that there is merit in undertaking one's own distribution down to shop level, so as to guarantee condition and freshness, and the lorries that transport these bananas are conveniently used for potatoes, greenstuffs and apples as well. It thus comes about that the banana firms, prominent as they may be as market wholesalers, have become perhaps even more so as travelling wholesalers, operating retail rounds.

CHAPTER III

THE DEVELOPMENT OF THE UNITED KINGDOM FRUIT IMPORT TRADE

Historical Evolution

The import of fruit did not reach a significant size until the latter part of the nineteenth century. The most rapid period of growth came after 1900. It is said that before 1885 hardly anyone in this country had seen a banana. The story has been written of the pioneers of the last century, men like Baker, Keith and Preston who built up the banana trade between Central America and the U.S.A., which resulted in the formation of the United Fruit Company at the turn of the century, but little is known outside the private records of the firms of the many thousands of small traders who built up the fruit trade as it now operates.

In the United Kingdom at the present time there are probably between four and five hundred firms concerned in the importation of fruit, including those that serve as panellists for the big importing organizations. Many of these importers are also wholesalers with premises in the main markets and dealing in home produce as well. Those who confine themselves to importing often manage with one or two rooms, and apart from clerks, their main items of expense are rent and telephone.

The private importers developed in one of two ways. One was that a member of an English firm (usually one of the family) would go out perhaps to Spain and buy produce which he sent back to his firm to sell. Or he may have persuaded Spanish merchants or Spanish growers to allow his firm to sell their produce for them on commission. The point is that he had to go to the country to seek out the trade and develop it. He did this by building up confidence in himself among those from whom he was seeking business. They had to believe that he was a man they could trust, not only in the financial sense but also in his capacity (or in his firm's capacity) to handle produce successfully. On his part he had to seek out producers or merchants whom he could trust. He needed to find people on whom he could depend for regular supplies of produce. Moreover, it had to be a kind that could stand up to transport and of a quality that justified sending it to a distant market where it would be likely to command a price high enough to cover the risks and expenses.

All this required a great deal of time, more time in most cases than could be devoted to it from an occasional visit. Consequently

some of these men settled in the countries with which they were doing business (as is the case in the wine trade for example). They then might marry into local families, which would give more permanence and stability to the trading connections which had been established and which, by then, had firm feet in both the exporting and importing country. In this manner trust and confidence developed on both sides, without which it would have been impossible for the trade to have grown.

The initiative was not, however, confined to English firms, foreign—especially Spanish—merchants sent representatives to this country (often sons) to establish a foothold here from which they could conduct their business. Hence the many foreign-sounding names of firms established here perhaps three generations ago, and which are now in outlook and practice indistinguishable from those which have purely native origins.

The great bulk of the fruit, vegetables and flowers imported into the United Kingdom is handled on a commission basis in the same way as the internal trade conducted in the main markets of the country. It is true that a proportion is handled on the basis of guaranteed advances by the importers here to the exporters abroad. This has long been the custom in the trade with Spain and had also been the practice with imports of Australian fruit.

Essentially the system of guaranteed advances is no different from the pure commission system. There is no firm commitment to a price in either case. The guaranteed advance gives some security to the exporter that at least some of his expenses will be covered whatever the final outcome of price. It also has a deterrent effect on reckless importing by firms without thought to the marketing possibilities. Perhaps it might be best described as a system by which the importer shows his good faith, but it is also a means by which he can take part in financing trade which might not otherwise take place owing to lack of working capital by the exporter. It might also represent the first stage in relations between importers and exporters, when the former especially have to develop the confidence of the latter.

The most advanced form of trade relationship exists when the trade takes place with entire trust on both sides. When this stage is reached importers and exporters are working as almost a single firm with the minimum number of documents passing between them. Obviously such a close relationship takes time to grow and there are limits to the extent to which these ties between firms exist in the trade at any particular period. Distance is obviously the main barrier to such relationships although air travel is now making them easier.

So flexible, however, are conditions in the fruit trade that specialist firms have arisen whose job it is to bring exporters and importers together. These firms are usually described as "shippers' agents". They are most often family concerns with perhaps a few partners whose main qualification is an ability to speak several languages, as well of course as a thorough knowledge of the trade. They travel in all parts of the world looking for suppliers. The key to their success lies in their power to find reliable men on both sides and to bring them together, for which service they receive a small commission.

Another section of the trade which is not always clearly distinguishable from the one just described is that of the forwarding and clearance agencies. These specialize in arranging transport (they may, in fact, own some) and in clearing goods through the customs. In France they are known as "transitaires", a word by which they are becoming increasingly known in this country. They are situated at both sending and receiving ends, especially at the ports and airports, but also at the main railway stations, and make it unnecessary for the exporters and importers to be at these places. In order to increase their business some of them undertake work similar to that of the shippers' agents. Quite obviously they require a great deal of knowledge of the trades for which they are acting—not least among which is their up-to-date information on the market situation.

From what has already been described, the reader will perhaps have grasped the strength of the competitive forces operating in the traditional fruit trade. It is a very keen business. A man cannot survive in it unless he devotes to it a great deal of time and energy. It therefore tends to draw to it men who absorb themselves in their work and who find satisfaction in the strong personal relationships which they develop with those with whom they do business.

The commodities with which they deal are many, with varying characteristics. Much knowledge is required of the production areas and of individual packers and producers, because in spite of advances of standardization, the inherent qualities of fruit are very dependent on local conditions of soil and climate and on the skills of individual growers. These are the kinds of knowledge which importing firms are forced to acquire if they are to remain in business and prosper, because everything depends on reputation. They are known for the quality and dependability of the produce they supply and to ensure that this is maintained they must constantly look to their sources. There is, therefore, a very strong force at work separating the sheep from the goats, operating through the activities of the importing firms, constantly looking for better supplies.

This then is a summary of what we have called the traditional trade. By and large it remains an accurate account for vegetables, salads, flowers and minor and exotic fruits. But it has had superimposed on it, in successive stages, a large-scale type of trading organization for the main types of fruit, of a kind briefly described in the previous Chapter. This has by now so far developed as to account for 96 per cent of our bananas, 66 per cent of our oranges, and 33 per cent of our imported apples and pears (excluding Australian apples and pears which, despite the existence of a Board, are still handled by private traders at their own risk). In no other non-Communist country is the fruit import trade so largely in the hands of large-scale organizations. In the two other main fruit importing countries, Germany and France, the shares of the import boards are only 10 and 15 per cent respectively.

The Arrival of the Boards

Although organizations such as the Californian Fruit Growers' Exchange were set up as early as 1905, as institutions backed by statutory powers, marketing boards of the type considered here are comparatively recent, one of the first being the New Zealand Fruit Export Control Board, established in 1926. This was followed by others in Canada and Australia soon after. New ones came in one after another as a result of the depression of the 1930's, mainly in the English-speaking countries and their dependencies but later in the French territories overseas. In other words they were conceived in an atmosphere of reaction against the normal operations of markets which suddenly seemed incapable of putting themselves into order again. For Governments pressed on all sides for economic relief, the concept of the marketing board which promised to rectify the instability of the agricultural markets, made a strong appeal, particularly as it involved little public expenditure.

On their side, farmers, normally a very independent class of people, were in the very depressed conditions of the time, ready to submit to the rule of the Boards, as promising a number of advantages. These included the power to:

- (a) raise the bargaining power of producers on the markets at home or abroad;
- (b) make regulations to improve marketing practices, e.g. by the standardization of quality and packages;
- (c) collect and disseminate market intelligence—both short- and long-term;
- (d) seek out the special requirements of different outlets so as to spread sales to the best effect;
- (e) set up processing plants if necessary;

- (f) secure economies of scale in organization and transport;
- (g) shelter producers from sharply fluctuating prices.

We shall endeavour to consider how far these advantages have been realized in fact. But before doing so, it will be as well to repeat that the Board type of organization has been superimposed on, rather than replaced, the traditional fruit import trade. No Board through its own employed staff deals direct with retailers. They employ wholesalers, mainly on commission, and these are the same types of wholesaler, often the same firms, as were doing a thriving business before the advent of the Boards, and which are usually doing the traditional type of wholesaling business in other lines of produce.

The Boards have, however, eliminated the former importer, so far as he can be distinguished from the wholesaler, and similarly have eliminated the overseas exporter.* The Boards are also a new type of organization in so far as they have been set up under statutory powers, operate in the United Kingdom as agents or branch offices of parent organizations in South Africa, etc.; operate avowedly for the exclusive benefit of their constituents, the fruit growers abroad, who ultimately control them, and have the legal status of being non-profit makers.

One circumstance common to the Boards is that they operate from a distance, involving a substantial sea passage. One could not easily imagine the creation of a Board for importing from France or Holland although both these countries have experience with and no apparent distaste for large organizations. If the distance is not great, there is much to be said for traditional private enterprise with its capacity for seeking out bargains and seizing fleeting opportunities. Moreover, trade with nearby countries is commonly carried out through a variety of exit and entry points, all of which are used simultaneously. The United Kingdom horticultural import trade from our near neighbours on the Continent takes place through at least a dozen ports and there is no ready means of effecting control of so many.

Practical Advantages of Boards

Shipping. But where a distance of some thousands of miles is involved there is likely to be only a small number of ports suitable for large ships, so that the produce necessarily passes through a smallish number of bottlenecks. This creates the opportunity for centralized inspection and grading, uniform packing, etc. But the major effect of distance is that it creates the need for a central organization to negotiate shipping arrangements and rates, and so organize the produce that it is ready for particular ships at particular

* These statements are only completely true of the Boards that trade.

ports at particular times. One can concede that much of this task can be successfully accomplished by forwarding agents, and if the Boards did not exist it would be achieved somehow. There are, however, various aspects of this shipping job and its charges which need to be considered separately, and a Board is not necessarily at an advantage for all of them.

First, on freight rates, a Board would appear to have a good deal of bargaining strength, because of the quantities it can command and its possible power to switch a bulk shipping contract from one line to another. Similarly, the Boards can offer the shipowners virtually full ship loads of uniform cargo, to be collected at a given place or a known date, to be taken to one or two places of destination, with a minimum of intermediate calls and no scouring of minor ports for the topping-up of loads. This assurance, moreover, goes beyond the loading of the individual ship. A Board can estimate the approximate size of the crop to be exported during the season and negotiate on that. An arrangement for the exclusive right to a large minimum quantity would be attractive to any shipowner, and it would be even more attractive if a maximum quantity were to be stated as well. In practice a Board will negotiate terms for substantial quantities—perhaps of the order of 50,000 tons—falling within a certain range. The details of these contracts are not as a rule public knowledge, but we know of one comparison between freight rates to England from New Zealand and from Australia, which showed much lower rates in the former case, and one reason will be that the New Zealand Board has closer control over quantities and shipments than the Australian Board has.*

The shipowners also get the benefit of a massive reduction in documentation if a ship is filled with a cargo from one consignment. For instance one consignment of mixed fruit from Cape Town may have a value of perhaps £500,000 all contained in one bill of lading.† In other circumstances a cargo of this size might generate a hundred bills of lading and other supporting documents.

Nevertheless a Board in negotiating a shipping contract may face one disadvantage. The large quantities it has to dispose of will reduce the number of shipping lines competing for the trade. It may find itself faced with a Shipping Conference which can be a

* In addition, New Zealand operates from only two or three ports, whereas Australia must export from fourteen ports around a much longer coastline. The very much larger quantity shipped from Australia also requires that some ships have to go out to that country in ballast.

† The expression "one bill of lading" conveys the true sense of this arrangement. A more accurate expression would be "conveyed to one consignee with a separate bill of lading for each compartment of the hold". But these separate bills of lading are handled as one.

monopoly as complete as itself, and perhaps more ruthless. On the other side of this argument, however, it can be contended that if, for example, a country has 50,000 tons of apples to be shifted over a short season, only Conference Lines could handle that quantity, and that a collection of independent exporters would be at an even greater disadvantage in dealing with that Conference than the Board is.*

On the face of things a Board is clearly at an advantage over unorganized exporters in respect of forcing the shipping companies to provide specialized vessels and a frequency and regularity of sailings which they might otherwise think too good for the trade. So far as we can discover Conference rules are less prohibitive of competition among the various lines in these respects than in respect of freight rates as such. The kind of ships and frequency and regularity of voyages can, of course, be just as important as freight rates, or in the case of perishable produce, even more so.

Even granted the kind of shipping service, and the freight rate, there nevertheless remain many advantages of detail in the organization of shipments by the Boards. A Board will discuss with the shipping line the best way of spreading the total of exports over the marketing season and the selection of ports at both ends of the voyage. The season's programme is then broken down into monthly or weekly periods, which gives a detailed target timetable, and which can be further elaborated into an allocation system, concerned with particular varieties, local variations in the crop, and the requirements of particular markets. Clearly these timetables plus allocation systems, known in outline for up to six months ahead, are of major importance in securing that the vessels have full cargoes and that stocks held in cold store are kept to a minimum.

If a Board is in being and organizes shipping services, it can also procure for its constituents and customers other advantages in the field of transportation. It may, for example, be able to negotiate favourable rates for road or rail haulage to shipping point in country of origin, reduced port handling charges at either end or both ends of the sea voyage, and again, reduced road or rail charges for distribution in country of destination. For various reasons a fair amount of space has been given here to the sea voyage, but if it were possible to add together all the economies in transportation capable of being secured by the Board type of operation, those arising on the water would not necessarily be the largest, and all the movement economies need to be considered together as part of a substantial combined economy.

* In 1970 the New Zealand Apple and Pear Marketing Board withdrew from the British Conference Lines and made a contract with Danish and Israeli shipping companies.

Organization, Standardization, etc. We have mentioned the simplification and reduction of shipping documents. The Boards, too, obtain the benefits of this for their constituents, and save the considerable administrative costs associated with a multiplicity of small transactions. This saving may well offset the administrative cost of a large centralized organization, paying salaries and occupying premises that would be unnecessary in ordinary private trade. We would surmise also, though we have no evidence on it, that a Board can negotiate better marine insurance rates than private shippers can do.

Another practical benefit that Boards can bring their members is that of negotiating reduced rates of commission on sale in the United Kingdom or other country of destination. In the general horticultural trade in the United Kingdom the standard wholesaler's commission is about 10 per cent. A Board, able to offer large quantities of uniform produce, can expect to be granted nearer 5 per cent.

The Boards can also exert a strong influence, and indeed compulsion, in setting up and enforcing standardization in the quality and grading of fruit, the sizes and types of pack, the use of pallets and containers, and so on. In the conditions in which fruit is grown in several of the overseas countries, it lends itself more readily to standardization than is the case in the United Kingdom, but even so, the Boards have found it worthwhile to establish very precise standards. Relatively inferior fruit, e.g. that corresponding to Grade III in the United Kingdom, is rarely if ever despatched. It would weaken the commercial image that the Boards endeavour to create and would probably not bear the costs of a sea voyage. Standardization of size of pack and strength of packing material is of course an obvious need when a ship has to be loaded economically and a more or less perishable article exposed to a possible rough journey of several thousand miles. Even where it is practicable to use the more advanced handling methods, such as the use of pallets which hold forty-two cases, or containers (metal bins) which enclose some hundreds, which are then moved as one unit, the use of these systems can be completely defeated unless there are several thousands (or tens of thousands) of cases all ready for the same treatment at the same time.

A fair amount of use of pallet and container (road container) systems has developed in recent years in the short-haul trade from the Continent, but even so, there is a profusion of systems still in use in this trade that would be profoundly uneconomic if used in (say) the New Zealand trade.

Standardization of fruit for quality is a subject deserving further

attention because it is one of the major features of the operations of most of the Boards. Not only do they eliminate the inferior fruit as not worth dispatching and as tending to tarnish the Board's reputation; many of them have seen as one of their main functions the establishment, by selection and tight quality control, of distinctive categories of fruit, recognizable by the public as characteristic of the country of origin, and dependable in the sense of being always the same, and within its season, always available. Thus Outspan, Cape and Jaffa have become household names; and housewives who ask for oranges or apples under these names can have a very exact idea of what they will get.

It follows that if quality control and standardization can be taken to these lengths, the foundation has been laid for promotional campaigns which have good chances of success. The article is lifted out of the category of generic sales promotion (or advertising) and transferred to that of branded goods promotion: this latter is invariably easier to organize and produces quicker and bigger results for a given outlay. One need only contrast the sales promotion techniques that have been applied to, e.g. Outspan oranges, with those applied to Spanish oranges. Anyone who has seen Outspan advertised will know exactly to what type and quality of orange the advertisement relates and where to find it. Spanish oranges are also advertised, but it is almost impossible for anyone to have a clear idea of a Spanish orange, except that it comes from Spain, or have any confidence in being able to find Spanish oranges in any particular shop.

The Boards are, in our opinion, entirely justified in claiming that modern methods of advertising and sales promotion are important for their products, and that they would not be capable of application unless the Boards were there, not merely to organize these campaigns but make sure that the fruit could always match the claims being made for it.

Other Advantages

Within the limits of the perishability of the fruit the Boards can engage in a certain amount of storage. Some storage is in any event imposed on them while they are awaiting the arrival of ships. But centralized organizations are better placed than private traders to store in anticipation of a stronger market, or extend the marketing season. Private traders are apt to be short of working capital for storage, and in any case it is the tradition of their kind of business to achieve maximum speed of throughput, not to act as ware-housemen.

Similar considerations apply to the choice of alternative markets,

where the alternatives are different countries. We have already seen that most of the countries that operate Boards are selling in several simultaneously. Here, too, the choices that arise, and the means of giving effect to them, are outside the scope of all but the largest private traders. These are well accustomed to shift produce about among the several markets of a single country, and what is more important, to have the knowledge and speed of decision which enables them to know what to shift, when, how far and to what extent. To shift between countries is a more formidable undertaking as it calls for a wider range of contacts, a more comprehensive network of market intelligence and the ability to operate in several languages according to the customs of different countries. The Boards have set themselves out to meet these conditions, and it is not uncommon for them to divert cargoes on the water, in consequence of changes in prices and other market conditions that developed since the fruit was loaded.

Allied to the above is the question of acquiring and disseminating information on competing supplies, demand, prices, etc., both at the moment and in prospect, and market by market. Where a Board exists this is a centralized function, aided by an up-to-date network of telephone and telex calls and a battery of modern office machinery. The corresponding arrangements for securing and passing on information in ordinary trade may or may not be as effective but are bound to be more expensive. In the orange trade, for instance, it may require several hundred calls between England and Spain to do as much business as one call between England and Israel.

The next practical benefit that can be claimed for the Board type of organization is its ability to find funds for and to organize experimental and developmental work. This begins in the growers' orchards and packhouses and extends into packs, packing materials, fruit storage, mechanical handling, refrigeration, etc. Most of the Boards also organize advisory services for the benefit of their members in the orchards and local packhouses.

Finally, it would be the normal practice of any Board that had concerned itself with standard packs, to place bulk contracts at reduced prices for the purchase of packaging material conforming to its specification.

Wider Objectives of the Boards

Impressive as these practical achievements of the Boards may be, they were not the sole, and probably not the principal, motive for their creation. Others were to raise the bargaining power of producers on the markets at home or abroad, and shelter them from sharply fluctuating prices.

The literature of economics includes a good deal of material on the operations of marketing boards and agreements for cocoa, coffee, rubber, tin, and other export commodities. Most of this has been critical. The Boards are generally held to have overreached themselves or to have accomplished little that private enterprise could not have done more cheaply. There does not seem to be any corresponding literature on the Fruit Boards, and although the present authors do not desire to make a full-scale philosophical study of the subject, some reflections seem to be called for.

It would seem that the Boards have been able to increase the bargaining power of their members *vis-à-vis* three classes of trader—the shipping lines and other transportation agencies (freight rates and facilities), marine insurance rates and the wholesale merchants (commission rates). In all three cases they have been able to bargain more effectively than individual traders, or even a loose consortium of them, could have done. But if, as seems likely, one of the original objectives was to raise the bargaining power of producers against consumers, or even against middlemen generally, we can see little evidence of success. Some of these objectives are in principle virtually unattainable. All imported fruit is a luxury, more or less, and most fruits are competing against other fruits. A major shift of bargaining power could only have occurred if all the relevant fruits, of whichever species and from whatever country, could have come under the same ownership or control, and if the resulting monopoly were prepared to be ruthless in starving the market until the price was what it considered right.

At this point we have to ask to what extent this can and does occur, and no one answer is equally true of all Boards. Common to virtually all of them, though this is scarcely an example of starving the market, is a withholding of supplies from export unless the price realized abroad is appreciably higher than the cost of exporting. In some circumstances it would even pay to dump the fruit already grown or sell it at very low prices on the internal market. Some of the citrus Boards are in a stronger position here than the apple and pear boards because, if there is a local processing outlet for citrus, this may be reasonably remunerative, even if less so than the export of fresh fruit normally is. But these possibilities of withholding or diverting some fruit from export, which do not extend beyond the produce of one harvest, and only a small part of that, do not and cannot amount to a planned and deliberate regulation of supplies to force up prices appreciably beyond what ordinary market forces would produce. To do this would run counter to the expansion of production and export to which the fruit growers and their Governments are dedicated. Put more briefly, once the fruit has been grown

or is in prospect, price is basically determined by supply and demand, and the parties to a bargain obtain their bargaining positions from this statistical situation, not from the particular way in which they are organized, unless the organization is so tight that the supply itself can be closely regulated, and competing supplies can be completely excluded.

Some beliefs to the contrary spring from a confusion between power as such and the economies of scale. Naturally an organization operating on a large scale can secure better terms. It can offer more economical operating procedures to those with whom it deals and eliminate many of the uncertainties that would otherwise face them. But most traders would be prepared to offer better terms for these advantages, whether presented by Boards or anyone else. The argument that a Board simply as a source of sheer power can secure better terms from the trade probably has only two elements of truth in it—first, that a trader may be prepared to cut his profit to the bone on transactions with a Board (because the loss of them would damage him too much and because the handling of this business attracts to him other and more profitable business of other kinds), and second, that a Board can and may be prepared to dispense with the marginal fringe of unprofitable sales.

Whatever may be the general arguments in favour of Boards as a means of securing price stability—i.e. stability as between one year and the next—they are virtually inapplicable to perishable commodities. The best that a Board can hope to do—apart from the minor relief of eliminating the most unprofitable sales in bad trading seasons—is to put to reserve some of the receipts of a good year and distribute them to growers in a lean year.

There remains, however, one function of the Boards, which falls between the practice and policy, and that is the power to allocate supplies between countries. We have suggested that this is a function not easy for private traders to undertake. The Boards are entitled to credit for what they do in their producers' interests in directing supplies so as to exploit the favourable factors in these alternative countries as they change from time to time.

In the main, however, our conclusion must be that it is in the practical sphere that the Boards have accomplished most, and this is chiefly by obtaining for their constituents the benefits of operating on a much vaster scale than they could severally command. We would assume, and nothing in our investigation has contradicted this, that the Boards operate efficiently within the rules they set themselves. In practice they will only operate efficiently if tow conditions are met, as is usually the case. The first is resistance to quasi-political pressures from the growers, which might be aimed at

reducing the discretion of the Board in such matters as minimum acceptable grade standards for exported fruit. The second is that the top management in the country of origin must either be fully conversant with marketing conditions in the countries of destination or be prepared to give almost unlimited authority to marketing management who are. The marketing of fruit over thousands of miles is a case in which remote control can be nearly fatal.

CHAPTER IV

THE SELLING PRACTICES OF THE BOARDS ON THE UNITED KINGDOM MARKET

Description

In their earlier days the Boards tended to follow the established practice of the larger fruit importers, which was to sell part of their supplies through commission traders on the public markets and part at the fruit auctions established at what were then the main fruit importing ports—London, Liverpool, Manchester, Hull and Glasgow. This auction system, which depended on the willingness of wholesalers from various parts of the country to assemble at the auctions, has been in decline since World War II and is no longer of much significance. In point of fact the decline has been very largely a consequence of the Boards' own policies. Having come to dominate the trade, they then switched their patronage from the auctions in favour of the development of alternative systems of distribution of their own.

Appointment of Selling Agents. The main system at present in use is that of the selection of firms situated in the main public markets to act as the Boards' selling agents. These agents (or panellists as they are commonly known) operate on commission. Almost all conduct a general wholesaling business in the same market in which they operate as panellists, also doing it on commission. The sales they effect are to secondary wholesalers (in the same or different markets) to retailers, institutions and caterers, but as compared with other kinds of primary wholesaler, the panellists do the main part of their business with secondary wholesalers.

The Boards emphasize that their general policy is not to sell direct to large retailers, such as chain stores and supermarkets. This is certainly true, but the extent of the self-denial seems to be a matter of controversy, or at least uncertainty. Two of the Boards have created subsidiary companies which look as if they were in fact selling part of the Board's supplies direct (i.e. not through the panellists). If the Boards do in fact increase their direct sales they will be behaving no differently from many home growers and co-operatives, but, as we have said, at the moment the Boards are putting their main emphasis on panel selling.

The Boards are in any event likely to be wary in attempting to meet the stated demands of the supermarkets and chains. These apparently include the negotiation, before the marketing season

starts, of a programme of deliveries for stated quantities by variety, grade and count, at known prices. In addition, the produce is to be palletized at source, with a segregation of the different descriptions, and preferably pre-packed as well. The Boards may well reckon that if they met these requirements, the supermarkets would be taking the cream of their supplies, leaving them with much difficulty in disposing of the remainder, and that they would be shouldering an undue share of the risks of poor harvests, etc.

It has not been possible to discover what proportions of the sales made through the panellists physically pass through the markets. Imported fruit, being well standardized, lends itself to direct consignment from port to any place designated by the panellist. But if the transaction is effected by the panellist it will count as a market transaction and enter into the formation of the price as if it had physically passed through the market.

The commissions paid to the panellists vary between $4\frac{1}{2}$ per cent and $7\frac{1}{2}$ per cent, according to the Board concerned. If the panellist sells to another wholesaler in the market, as is common, the latter will require a profit too, on his resale to a retailer, or possibly a third wholesaler. The sum total of these charges is, therefore, likely to exceed the 10 per cent which is common in non-Board trade.

Number and Location of Panellists. It is remarkable that the three Citrus Boards, the New Zealand Apple and Pear Board, and the South African Deciduous Fruit Board, whose combined market sales must be of the order of £50 millions a year, have together less than 200 firms on their panel lists. More than two-thirds of these are situated in the eight main port markets (London, Liverpool, Hull, Bristol, Southampton, Cardiff, Leith and Glasgow) and almost exactly one-half of this two-thirds are in London. To this extent the Boards have not departed so much from the original pattern of selling at port auctions, since although the method is different, the venues are much the same.

Three of the Boards have no panellists outside the eight port markets (named above) and four other primary markets (Manchester, Leeds, Newcastle, Birmingham). That is to say they do all their sales in twelve markets out of a possible of (about) forty. On the other hand the South African Citrus Board and O.C.A. have a by no means insignificant number of panellists in the small (secondary) markets, and even some in places hardly to be considered as markets. Moreover, O.C.A. although handling in the United Kingdom less than a third of the volume of fruit imported by any of the other Boards,* has the largest number of panellists.

* U.K. only. Total O.C.E. sales in Europe exceed those of any Board in the U.K.

If a Board were to sell or be prepared to sell through all the wholesalers in all the markets, the number capable of handling some part of their business would be about 1,600. Even in London no single Board has on its panel as many as 5 per cent of all the wholesale firms in the trade, although of course not all of these are handlers of fruit.

In making their selections the Boards have obviously been guided by a number of considerations:

(a) too big a selection increases the number of firms with which the Board has to deal, and as it might argue, probably wrongly, promote excessive competition and weak selling. On the other hand too small a number will result in insufficient coverage of the total market, and perhaps appear to give some panellists a position of undue strength *vis-à-vis* the Board;

(b) the location of the panellists, granted the number decided upon, must reflect the main centres of trade, with some preference given, as it would appear, to locations at or near the main receiving ports;

(c) preference is given to the larger firms and particularly those with branches in several primary markets. The firm must have sufficient warehouse space to be able to hold fruit for some days; the capacity to receive and handle large lorry and wagon loads; a reputation within the trade as a whole for sound and honest dealing and an impeccable financial status;

(d) the panellists must be willing and able to act as the eyes and ears of the Board in collecting and transmitting market information.

It will have been seen that the receiving of one of these franchises (the average value of which in terms of guaranteed throughput must be of the order of £250,000 per firm) confers a considerable advantage on those selected to receive them. What is the *quid pro quo*?

(a) As we have seen, the panellists have to trim, and indeed substantially reduce, their normal rates of commission;

(b) They are put into competition with one another. Not only do they compete with one another in the ordinary course of business but in order to hold the franchise have to satisfy the Board that they are keen and efficient. Panellists who for any length of time return less than average prices, or a declining share of the business, will lose their places (contrariwise the staff of the more successful ones may be given prizes);

(c) The panellists, being agents of Boards which are in some respects monopolists, have on occasions to be prepared to sink

their own commercial judgement. As agents they may find themselves acting in ways which, if they were importers, they might regard as unwise. This applies *inter alia*, to implementing the price policies of the South African Citrus Board, to which we refer in more detail below;

(d) So far as we have been able to discover, all panellists have to go to some trouble to feed back information to the Boards, on receipts, sales, prices, market conditions and prospects, etc., which they do either through telex or by telephone. An ordinary importer or wholesaler is under no obligation to do these things, though up to a point both those for whom he sells or from whom he buys, will expect such a service. We should expect the service demanded by the Boards to be much fuller and more detailed, regular and speedy. The cost and trouble may be considerable.

The Allocation of Supplies among Panellists. The existence of these necessarily entails some system of allocation among them. They are not of course issued with *pro rata* shares based on past performance: this would be too mechanical and would lead rapidly to an ossification of the distributive system. The Boards instead allocate the supplies among the several panellists in accordance with the market information available to them, subject to some preference for maintaining a steady flow to all of them, unless there is some reason to the contrary.

In so far as this information is sound this would appear at first sight to be a good system. But one needs to consider the possibility of errors due to incorrect or out-of-date information. These errors would express themselves in some panellists obtaining less than they could easily dispose of and others finding themselves overloaded with fruit that has to be sold cheap in order to get rid of it, or put in store.

There is, regrettably, a fallacy in the common argument that if centralized decisions by a single body were to result in errors of the same frequency as those made by independent merchants procuring supplies when and to the extent that they wanted them, then the total error would be the same in both cases. This view overlooks the fact that the errors made by large numbers of persons taking decisions independently of one another tend to a considerable extent to cancel out.* But large errors by a central body cannot: if there is any error it will not be neutralized. Naturally the same line of argument will tell against centralized decisions made in any branch

* This passage refers to errors of judgement on the part of independent traders in assessing their particular day-to-day circumstances. The cancelling out theory is less applicable to misjudgements on the part of traders of overall supply and demand: it is not unknown for all to be affected by waves of misinformation in the same way and at the same time.

of commerce. But in this case we are considering perishable commodities, and a main feature of a perishable commodity is that errors of supply allocation are virtually irretrievable.

There are, however, some factors on the other side. First, as we have seen, the risk of error is much diminished if a Board (and this is true only of some Boards) can regulate allocations on the basis of a daily feed-back of information from its panellists, and for this purpose the information must include daily sales. If such information is available and put to good use, the errors should be short-lived. Secondly, the allocation of supplies to panellists must be seen in the context of being a combined operation along with regulating the flow of fruit from the ships, so as to maintain steady supplies to the shops.

South African Citrus

Matters are somewhat different in the case of the South African Citrus Board, and to a lesser extent the Israeli Citrus Board. It cannot in these cases be said that their selling systems do not differ significantly from normal commission selling, because the essence of that is that prices are discovered in the market, not determined or controlled in advance. The Israeli Board in seeking this latter aim goes no further than to issue guide prices to its panellists, but the South African Board sets minimum prices below which they are not permitted to sell.

It can be argued, both by economists and by upholders of the traditional systems of wholesale trading in British horticultural marketing, that these minimum prices are either redundant or a mistake. They would be redundant if they did no more than closely follow the market, and mistaken if they were out of line, since that would mean that the fruit would move slowly and in some cases deteriorate. But even if one takes the view that the minimum price policy is mistaken, it would appear that there is little chance of the mistakes becoming quantitatively serious. The Board have a continuous flow of market information reaching them from panellists, including information on daily sales, so that minimum prices can be, and commonly are, continuously revised in the light of that. The number of times during the Outspan season when the general level of prices is altered is about 12-15, and the number of times when the price of some particular variety or count is altered can be about 50. It is also the case that the apparent uniformity of minimum prices throughout the United Kingdom is in practice mitigated by setting different prices for different counts: thus if a particular district is a big consumer of a particular count of oranges, and oranges are moving slowly there, the price of that count may be lowered.

In any case even if one or more of the minimum prices turned out to be higher than the market would take, the Board would demur to the expression "mistake". It sees the chances of temporarily excessive prices and slow sales as a calculated risk it is prepared to take for the sake of other objectives. In other words the minimum price system is the product of a conscious selling policy intended to be in some respects the antithesis of normal commission selling, and which must be regarded as a package deal of another kind.

One effect of it is to discourage speculation since it becomes more risky to buy fruit for resale later or in a different market if there is a minimum price which is liable to be reduced before the produce has been resold. The Board argues that the traditional function of secondary wholesalers in speculating at their own risk is redundant and ill-conceived where a large importing Board is operating: it is the proper function of the Board to bear the risk, which it can do better and cheaper because its resources of capital and information are far greater than any collection of speculators can have.

Secondly, the Board would say that only by exercising some control over wholesale prices can they effectively control retail prices. The objective of this latter control is to assist sales promotion by creating in the consuming public's mind certain associations between price, cost, variety and quality, but that the retail trade could not be expected to respond to influence or pressure from the Board if the prices they paid at wholesale fluctuated too rapidly and varied from one market to another.

These specific effects and objects of the minimum price system may appear to some readers to be comparatively unimportant either for good or ill. It is, however, difficult to do justice simply by quoting specific examples to the general concept of centralized control as visualized by the South African Citrus Board. The Board has had to make use of the traditional wholesaling system because none other exists. But it is basically a system which grew up for the purpose of handling and forming the price for vegetables and other highly perishable produce: it has therefore the well-known features of great flexibility and opportunism of outlook, and it is organized mostly in small units, many of which are family firms. Oranges and grapefruit, however, and to some extent other citrus and other fruit, have many of the characteristics associated with manufactured foods. They are not highly perishable, and an almost complete uniformity can be obtained without great expense. They can be branded and endowed with an image, and thus lend themselves to mass promotion campaigns. Above all, the fruit we are mainly

concerned with here, the South African orange and grapefruit, arrives in England in large shiploads, in the hands of a large organization, and faces no great degree of competition within its own season. It is therefore no matter for surprise that a Board trading in such a situation tends to regard the traditional wholesale market as well organized to handle cabbages and such like, coming in day by day from a variety of sources, and in a profusion of sizes and grades, but as obsolescent for the handling of their product. The Board would argue that starting with complete control of the product up to the point of unloading the ship—a control which, moreover, is supported by complete knowledge both of present and prospective supplies and of current trading opportunities—it would be sacrificing a position of strength if its produce were to be passively placed on the market to sell just for what it would fetch.

Whatever may be the strength of these arguments, it is evident that they cannot appeal to many of the wholesalers, since implicitly their function and even existence are brought into question. Although the South African Citrus Board has no shortage of would-be panellists, since Outspan fruit is too important for them to be without it, they do not care for the position of being agents and almost servants of the Board, deprived of the exercise of their own commercial judgement. Many of them claim that in their own local circumstances their judgement will be superior to the Board's, and perhaps in those particular circumstances—that is to say, their assessment of the needs of their own particular customers—that claim could be justified. But even if it were not, loss of status and loss of discretion would rankle. It has, therefore, to be reported as a fact that the South African Citrus Board is a target for criticisms from large sectors of the wholesale trade, who accept neither its philosophy nor its methods. And equally the Board is entitled to reply that it has its own objectives, and is to be judged by its success in achieving these, not by its popularity.

CHAPTER V

SUMMARY AND CONCLUSIONS

This Report has examined the organization of the fresh fruit import trade into the United Kingdom in the light of several distinguishing factors.

It has been noticed, for instance, that the fruit import trade has been rather static. This is of course largely an outcome of the absence of any strong upward trend in fresh fruit consumption. In the cases of apples, pears and bananas the relative stagnation can be explained by the fairly high price policy we maintain in the United Kingdom, in the case of apples and pears in the interests of the home producer, and in the case of bananas, in the interests of Jamaica and the Windward Islands. There is a clear contrast here with Germany in which consumption—and imports—of these fruits has forged ahead on the basis of cheap imports. But the more general explanation, applying to fruits as a whole, is that Germany and the other Continental countries have experienced more rapid rates of economic growth than we have, and this is reflected in their fruit consumption.

We have considered the possibility, though without being able to reach a clear conclusion on it, that the particular structure of the import trades in the United Kingdom may have contributed to our poorer showing. The Boards which dominate the United Kingdom trade have clearly put less money into advertising and promotional expenditure than have business concerns of equal size selling confectionery, soft drinks, etc. But there are few instances in which generic promotions—on behalf of a commodity as a whole—are as large or successful as those devoted to selling a particular branded article; and, moreover, in the absence of the Boards, total sales promotion of fresh fruit in the United Kingdom would probably be even lower than it is today. Probably the only point at which the Board structure can be said to have contributed to the rather static picture of the United Kingdom fruit market is that nearly all large-scale organizations of an administrative type are more successful in allocating supplies than in active selling, and are likely to regard surpluses as a nuisance rather than an opportunity. However, the net effect of the Boards' operations is likely to have been beneficial to the consumer in the United Kingdom because of the economies they have brought about in organizing and dispatching the fruit from the several countries of origin.

The United Kingdom remains a major market for imported fruit, and in Europe is second only to Germany. The staple lines are apples, pears, citrus fruit and bananas, of which all but the last reach us from a variety of countries, in both the Northern and Southern Hemispheres. Our banana imports come almost exclusively at present from Jamaica and the Windward Islands; oranges substantially from South Africa, Spain, Israel and Morocco; apples and pears mainly from South Africa, Australia, New Zealand, France and Italy. These sources of supply have undergone a good deal of change through the decline of the United States and Canada, and the increased prominence of France, Italy and some of the Mediterranean countries. Except in the case of bananas, the United Kingdom is far from being the sole outlet for any of these countries; all have important outlets on the Continent of Europe or elsewhere, as well as their internal trade, but it remains the case that the United Kingdom is an outlet which South Africa, New Zealand, Israel, and, to a lesser extent, Australia could ill afford to lose.

For each of the commodities we have particularly singled out much of the trade is in the hands of a monopoly Board, or a small group of large firms. The proportions of imports so handled are: bananas 96 per cent, citrus 66 per cent, apples and pears 33 per cent (excluding Australia). The Boards were created and are run by the exporting countries, and the three banana firms who between them do virtually all the trade, are either subsidiaries of foreign firms or organizations, or have substantial overseas connections. Of the important countries and commodities not organized in that pattern, the most conspicuous case is that of Spanish citrus, which has mostly remained in the hands of small-scale private trade.

The dominance of organized overseas interests cannot be regarded as particularly welcome, but is natural enough. Granted that large-scale organization in this trade has some particular merits, it would not have arisen except on the initiative of the exporting countries. The United Kingdom end of the trade is handled by a multiplicity of firms who find difficulty in co-operating in even small matters and are only achieving some measure of concentration by the process of mergers and take-overs. In any case no one in the United Kingdom has had the same motivation to seek the advantages of large-scale organization, as compared with those producers abroad, separated from their main markets by some thousands of miles, and faced with a sea voyage which in itself must be organized as a large-scale operation to be economic. It is no doubt the absence of this factor of a long sea voyage which goes far to explain why the Anglo-Spanish trade remains in the province of small-scale enterprise.

Most of the Boards were born during years of depression before

the war, when prices to producers were unsatisfactory and it was thought that producer-controlled Boards could exert substantial countervailing power so as to jack up the prices received. But in the main these hopes were probably unrealizable at the time and have remained unrealized. In the fruit world little can be done by the exercise of power unless that is backed up by a restriction of supplies. It is, however, still the aim of the Boards to market as much fruit as the United Kingdom will absorb at reasonable prices, with the emphasis put on the quantities as well as the prices. In these circumstances the Boards must find their main justification, and plenty is to be found, in the practical services they can give their members, by organizing exportation for them more efficiently than they can do severally, and promoting the sales of their fruit as well recognized names.

There may, however, be one substantial exception to what has been said about the illusion of countervailing power. The relations between the shipping companies and the Fruit Boards are not public knowledge, but we must regard as a real possibility that the shipping companies may have been induced—and even pressurized—to provide better, more frequent and more regular services than even the offer of guaranteed large cargoes would have tempted them to agree to. In addition, the reductions that private merchants in the United Kingdom have made in their commission charges, and the parallel successes of the Boards in negotiating for the bulk purchase of packing material and marine insurance, have been useful economies, even if they have not gone much beyond the reductions which larger scale of operation would have in any case have justified.

Although most of our study of the trade in fruit in the United Kingdom, after it has been landed, has been in terms of fruit imported by Boards, it will be as well to summarize first the state of affairs in the banana trade, which is handled by three companies. In this case the degree of integration of all stages of marketing, from plantation or smallholding in the Caribbean to shop counter in England, is even greater than in the case of oranges, apples, etc. Owing to technical features of this commodity it is kept in the same hands through the various stages of assembly, inspection, loading, sea transport, receipt, internal transport, ripening, and wholesaling. So much so that distribution right down to retail level in this country tends to be virtually a forwards extension of the production stage, itself carried out thousands of miles away.

Even more intriguing is the way in which these three banana firms have extended and diversified into the ownership of many general wholesaling businesses in the horticultural trade, not

necessarily connected with bananas. Even their commercial rivals would concede that much of the initiative and enterprise in the sphere of horticultural trade of all kinds in the United Kingdom has stemmed from these three firms.

The arrangements the Boards make for disposing of their produce on the United Kingdom market are no doubt the chief interest of the British readers of this Study. By and large they can be regarded as having been superimposed on existing selling methods and not as having transformed these. Had the Boards decided to auction most of their fruit, this would have prolonged the life of the fruit auctions, but the major decision of the Boards so far has been to abstain from direct selling, e.g. to large retailers (or even to most of the secondary wholesalers). This remark is not true of bananas, since a substantial proportion of this commodity undergoes distribution in the hands of the importers, and small quantities of some other fruits are directly distributed; but the main bulk of the citrus, apples, pears, etc., is sold through the markets by wholesalers acting as commission agents.

In the cases of imported oranges, apples, etc., there is probably not a strong commercial case for direct sale. For many other kinds of horticultural produce the large retailers have decided to by-pass the wholesale markets largely because these cannot provide them with sufficiently large quantities of uniform produce. This difficulty should not, however, apply to the well-standardized lines of imported fruit which arrive by the shipload. Nevertheless it is worth reflecting that if the Boards were to change their minds on this matter, the wholesale trade would be forced to undergo a further and serious contraction, and that some of the expensive facilities provided at new markets would become redundant.

Some of the Boards have to their credit successful promotional campaigns and the creation of brand images for their fruit—without, however, having been conspicuously successful in raising demand for fruit as a whole. Much could be said, at the risk of going far beyond the terms of reference of this Report, on the extent to which prices and volume of consumption of fruit are determined fairly exactly by the statistical position of supply and demand, or respond to salesmanship and other aspects of merchandizing. There is, however, one extension of the merchandizing concept to which we are bound to refer, and that is movement control and allocation of supplies.

Whatever may be the statistical position in the United Kingdom market as a whole, what makes the price in any particular town is the amount of fruit, together with its qualities, grades, etc., available in that town in particular shops on particular days. There is therefore considerable scope for enlightened merchandizing in the sense

of controlling supplies so as to make the best, not of the United Kingdom market as a whole, which is a rather meaningless concept anyway, but the best of the market in Leeds, Cheltenham or anywhere else for apples or oranges of a particular variety, grade and count, in the kinds of shops most patronized by consumers, on the days of the week on which they are most likely to buy fruit.

Some of the Boards have very deliberate policies towards these objectives. Their first unit of supply is the ship arriving at a particular port, and that is a large indivisible unit. For instance, one shipload of Outspan oranges arriving at Southampton would be enough to satisfy not far short of the whole United Kingdom demand for a week. Bulk has to be broken and dispatch organized to a variety of particular outlets over a period. The fruit can if necessary be held some days in quayside warehouses, or if need be, moved out rapidly by overtime working. And of course it is a regular part of merchandizing in the sense in which we are considering it that the fruit can also be moved to a variety of alternative destinations in almost infinitely flexible proportions.

It is not easy to speculate how these matters would turn out if the import trade were totally lacking in organization. If it were being handled in many small ships frequently arriving at many small ports, probably the uncoordinated efforts of many traders would produce an acceptable result. None would have any decisions to make which he could not adequately match with his resources. But large and infrequent arrivals do seem to us to present problems of dispatch and allocation which it is reasonable to suppose are best suited to large-scale centralized control.

We have already alluded to one particular aspect of merchandizing, which is the allocation of supplies among alternative countries. This is a major preoccupation of several of the Boards and in our view only the Board type of organization could accomplish it.

At the present time all the Boards operate through selected wholesalers, known as panellists, who sell for them on commission. As this is substantially the same system as applies to the bulk of home-produced horticultural produce, and other lines of imported, one can say, in general, that the existing system has been left undisturbed. Nevertheless there are some important aspects in which the panel system does differ from normal commission trading in the markets.

In the first place the panellists are remarkably few in number for the amount of trade they do. Indeed the larger Boards seem to prefer the smaller numbers. In so far as this smallness of numbers reflects the Boards' desire for rigorous selectivity among wholesalers according to the amount of business they can conduct efficiently,

their financial standing, etc., this may be a sound commercial judgement. We would feel less acquiescent, however, over any restriction on panel appointments motivated by a desire to restrict competition. Most panellists do not have sufficient retail customers of their own to buy all the produce they handle but re-sell to other wholesalers. The result in double profit puts up the cost of distribution beyond what it would be if the Boards used larger panels with a view to reaching more retailers in a first-stage transaction. On the other hand, the excess is not very large, perhaps only 1 or 2 per cent of the wholesale price.

Whatever the number of panellists may be, the existence of a panel forces the Board into some system of deciding what quantities of fruit will be consigned to them, from whatever ship has arrived. The Boards make these decisions on the basis of a system of market intelligence, largely fed back to them by their panellists. If this information reaches them at very short intervals, say twenty-four hours, and is fully comprehensive, probably the allocations will be made as efficiently, in the sense of responding to market needs, as could happen under any system—for instance, by each commission trader seeking out whatever supplies he reckoned to be able to sell. But some Boards operate less than complete systems of market intelligence, so that they are liable to make mistakes of a kind which, if there were hundreds of decision-making points in the trade, would be likely to be self-cancelling. Moreover, any errors of judgement in dealing with perishable commodities can be serious.

Naturally we must accept that once a Board exists, which monopolises importation, then sale through some sort of panel system becomes inevitable. Even if a Board were to sell through any reasonably well-qualified wholesaler there would still be a sort of panel, even if it were not called that, because there are plenty of so-called wholesalers whose qualifications any prudent Board would reject. Nevertheless we feel that the number of panellists serving several of the Boards is too small to achieve adequate coverage and penetration of the market, and that the conferring of very large franchises on an unnecessarily small number of panellists is in principle undesirable.

It may appear at first sight as if there is some contradiction between praising the highly centralized operations of most of the Boards before the fruit arrives in the United Kingdom and recommending more decentralization of selling methods within this country. The distinction arises from the fact that operations in the first group are basically materials handling operations, highly susceptible to the economies of scale, while the latter are essentially commercial, calling for flexibility and even opportunism. And for

these same reasons the United Kingdom marketing managers need the maximum of delegated authority from their home managements.

Although for the purposes of this study much space has been allocated to the selling operations of the Boards, we must repeat that we find their main justification and success in the many functions the South African, New Zealand, Israeli and Moroccan Boards perform before the fruit is put on sale in the United Kingdom. These are valuable in their own right, having both reduced the cost and raised the quality of the fruit arriving here. They are also essential preliminaries to the merchandizing policies that have made the produce of these Boards into household names.

APPENDIX A

Imports of Fruit and Fruit Products into the United Kingdom (thousand tons)

Annual Averages	1934-1938	1948-1952	1953-1957	1958-1962	1963-1966
<i>Fruit (Raw)</i>					
<i>—kinds grown in U.K.</i>					
Apples	313.1	129.4	161.8	207.7	239.6
Pears	59.0	75.2	58.0	64.1	63.8
Plums	14.6	10.6	6.2	7.8	9.6
Cherries	0.6	6.1	1.3	2.0	1.8
Strawberries ..	1.0	2.0	0.6	0.7	0.5
Currants	0.8	0.4	...	...	...
Gooseberries ..	0.6	1.3	0.1	...	...
<i>Total</i>	389.7	225.0	228.0	282.3	315.2
<i>Fruit (Other Raw)</i>					
Apricots	3.4	4.8	7.7	4.9	3.7
Bananas	299.6	154.0	297.0	343.8	360.5
Bilberries	—	3.0	2.1	2.2	1.6
Grapes	43.0	42.5	39.6	50.6	59.1
Grapefruit	60.0	46.5	49.4	54.2	68.9
Lemons, Limes, etc.	60.8	32.5	29.9	34.3	33.5
Melons	2.0	5.7	11.2	25.5	39.2
Oranges	534.7	367.5	375.2	396.5	399.0
Peaches and Nectarines ..	4.8	14.9	10.1	14.7	23.5
Pineapples	2.5	2.4	3.9	4.0	2.8
Other sorts	17.2	3.9	3.9	4.4	5.4
<i>Total</i>	1028.0	677.7	830.0	935.1	997.2
<i>Total All Raw Fruits</i>	1417.7	902.7	1058.0	1217.4	1312.4
<i>Fruit (Dried)</i>					
Dates	17.7	33.9	11.1	15.2	13.5
Currants	54.7	37.9	50.8	48.9	46.9
Figs and Fig Cake..	5.8	8.0	3.2	4.1	3.8
Plums, Prunes, etc...	20.3	9.5	10.3	11.8	9.5
Raisins and Sultanas	69.5	62.0	75.6	66.1	66.5
Apricots	—	0.8	1.8	1.7	1.1
Apples, Pears, Peaches, etc. ..	2.2	0.6	0.8	1.2	0.9
Other Sorts	0.6	4.0	2.3	0.8	0.5
<i>Total Dried Fruits</i> ..	170.8	156.7	155.9	149.8	142.7
<i>Fruit canned or bottled in syrup</i>					
Apricots	12.4	3.3	23.9	19.8	18.7
Peaches	40.4	13.9	49.2	89.7	101.1
Pears	40.7	11.5	34.6	55.4	64.1

Pineapples	47.6	6.2	51.0	63.0	56.7
Oranges	8.5	3.7	20.8	31.1	22.5
Fruit Salad.. ..	11.7	0.7	3.7	17.1	28.2
Grapefruit	7.0	0.9	8.4	16.2	23.3
Other Sorts	16.9	21.6	8.3	19.0	26.4
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Total Fruit Canned or bottled in syrup ..	185.2	61.8	199.9	311.3	341.0
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<i>Fruit and Fruit Pulp, preserved without sugar</i>	45.7	23.5	34.1	39.7	56.9
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Total Imports of Fruit and Fruit Products ..	1819.4	1144.7	1447.9	1718.2	1853.0
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<i>Fruit Juices</i>	(million Imperial gallons)				
Orange/Grapefruit ..	1.1	4.3	5.0	6.9	9.0
Lime/Lemon	1.2	1.9	2.3	3.8	3.4
Grape	1.1	1.1	0.8	1.1	1.4
Other kinds	(a)	1.4	2.6	2.4	2.9
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Total Fruit Juices ..	3.4	8.7	10.7	14.2	16.7

(a) Included with Orange/Grapefruit in this period
... indicates a negligible figure. — indicates not available

APPENDIX B

(i) *Fruit Import Boards— Location and Numbers of Panel Salesmen—Summary*

		South African Citrus Board	Citrus Marketing Board of Israel	Morocco OCA (G.B.)	South African Deciduous Fruit Board	New Zealand Apple & Pear Marketing Board	No. of Panellists in each market	Total No. of Wholesalers
Port Markets	35	47	53	54	15	134	1054	
Inland Primary Markets	9	7	15	11	1	31	355	
Inland Secondary Markets	5	—	9	—	—	14	252	
Other Places	16	—	1	—	—	16	—	
, Total	65	54	78	65	16	195	1661	

(ii) *Fruit Import Boards— Location and Numbers of Panel Salesmen*

			South African Citrus Board	Citrus Marketing Board of Israel	Morocco OCA (G.B.)	South African Deciduous Fruit Board	New Zealand Apple & Pear Marketing Board	No. of Panellists in each market	Total No. of Wholesalers
<hr/>									
<i>Port Markets</i>									
London	..	..	11	14	30	32	9	68	750
Liverpool	..	..	7	9	7	5	2	23	94
Hull	..	..	2	4	4	—	—	7	44
Bristol	..	..	3	4	2	4	1	6	43
Southampton	..	..	3	6	4	8	1	11	20
Cardiff	..	..	5	6	3	2	1	8	31
Leith (and Edinburgh)			1	—	1	—	1	2	23
Glasgow	..	..	3	4	2	3	—	9	49
<hr/>									
Total	..	..	35	47	53	54	15	134	1054

(iii) *Fruit Import Boards—
Location and Numbers of Panel Salesmen*

		South African Citrus Board	Citrus Marketing Board of Israel	Morocco OCA (G.B.)	South African Deciduous Fruit Board	New Zealand Apple & Pear Marketing Board	No. of Panellists in each market	Total No. of Wholesalers
<i>Inland Primary Markets</i>								
Manchester (a)	..	1	2	4	3	—	9	180
Leeds	..	3	—	2	2	—	5	35
Newcastle	..	3	4	3	3	—	9	31
Birmingham	..	1	1	4	3	1	5	63
Sheffield	..	1	—	2	—	—	3	46
Total	..	9	7	15	11	1	31	355

(a) Although a port, Manchester has not been a major port for fruit imports in recent years.

(iv) *Fruit Import Boards—
Location and Numbers of Panel Salesmen in the U.K.*

		South African Citrus Board	Citrus Marketing Board of Israel	Morocco OCA (G.B.)	South African Deciduous Fruit Board	New Zealand Apple & Pear Marketing Board	No. of Panellists in each market	Total No. of Wholesalers
<i>Inland Secondary Markets</i>								
Nottingham	..	1	—	—	—	—	1	29
Leicester	..	—	—	1	—	—	1	10
Coventry	..	—	—	1	—	—	1	20
Wolverhampton	..	—	—	1	—	—	1	11
Bradford	..	2	—	2	—	—	3	40
Brighton	..	—	—	—	—	—	0	28
Barnsley	..	—	—	1	—	—	1	3
Bolton	..	—	—	1	—	—	1	17
Preston	..	—	—	—	—	—	0	13
Middlesbrough	..	—	—	2	—	—	2	8
Swansea	..	—	—	—	—	—	0	12
Portsmouth	..	1	—	—	—	—	1	12
Plymouth	..	1	—	—	—	—	1	8
Total	..	5	—	9	—	—	13	211

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