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REQUIREMENTS FOR CONTRIBUTIONS

Articles in the field of agricultural economics, suitable for publication in the journal, will be welcomed.

Articles should have a maximum length of 10 folio pages (including tables, graphs, etc.), typed in double spacing. Contributions, in the language preferred by the writer, should be submitted in triplicate to the Editor, c/o Department of Agricultural Economics and Marketing, Pretoria, and should reach him at least one month prior to date of publication.

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THE PROBLEMS OF MARKETING CITRUS IN SOUTH AFRICA

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To understand the problems of marketing citrus in South Africa it is essential to realise that the Industry's growth has been based on export demand. In 1966, the Industry earned R47,000,000 gross in foreign exchange whilst total sales at home accounted for under R4,000,000, although the relevant quantities were the equivalent of 24,136,053 pockets exported and 12,474,723 pockets sold in South Africa.

With such large disparities between the relative quantities and the gross proceeds it will be obvious that the Citrus Industry relies almost entirely on exports for its continued economic existence and that the sale of fruit in South Africa can justifiably be referred to as a subsidiary operation - R4,000,000 is nevertheless a lot of money! The production of citrus is, however, geared to export requirements and as long as the Citrus Board is able to sustain and expand overseas outlets on a basis that is profitable to the citrus farmers, they will continue to grow oranges, lemons and grapefruit in quantities sufficient to meet this demand - almost regardless of the limit of local demand and the difficulties that this imposes on local marketing.

Any authority on marketing will appreciate that, if a product is produced specially for export but on account of export standards, a percentage has to be retained, difficulties will arise - especially, with a perishable commodity. The purpose of this article is to explain what these problems are and how they arise; briefly how the Citrus Board endeavours to overcome them and what long-term marketing objectives we believe must be pursued in order to overcome them eventually.

The seller of a manufactured article has an adjustable and reasonably flexible supply to which he must attune his sales objectives. For citrus this flexibility of supply is completely absent during the normal in-season period of marketing. There is every possibility of local market supplies increasing when the utmost use is already being made of all channels of sale. To explain this the reader must realise that there are four basic "grades" of fruit on the trees yearly and the percentage of each varies from orchard to orchard depending on varying conditions and steps taken or not taken by the grower. These "grades" are:

(i) Fruit with perfect, virtually unblemished skins and high quality juice content, Vitamin C and a proper sugar/acid ratio. (These are the only types acceptable on the export market and even some of these are not marketable overseas because of prejudice against certain sizes).

(ii) Fruit with slightly blemished skins but with the same high internal quality as export fruit. (This fruit - or as much of it as can be economically absorbed - is destined for fresh-fruit sales in South Africa).

(iii) Fruit with badly blemished skins but with high juice content, correct sugar/acid ratio and so on. (This fruit can only be sold to processors although quantities are sold on fresh-fruit markets in times of short supply and in the out-of-season period).

(iv) Fruit which is wasty and unsuitable for any purpose.

The proportion of the three usable grades is normally about two-thirds export and one-third local sales. Because the Industry is, however, geared to exports a major packhouse must commit itself to a weekly export estimate in order to permit the proper organisation of the vast amount of shipping required to move the crop. If the percentage of exportable fruit reaching a packhouse suddenly drops from 65% to say 45% during a particular day it is quite possible for an additional 100,000 pockets of non-exportable fruit to literally "materialise" overnight. Under these circumstances weekly supplies of non-exportable fruit from all producing areas can increase by a quarter of a million pockets whilst all outlets are being fully utilised.

Consumers reading this article will immediately react by saying: "Fine, put these on the market and we will be able to buy them cheaper". The producers cannot however, sell all the fruit at any price. He will rather use some for cattle feed than depress prices to an uneconomic level. In principle this action does not differ from that of the industrialist. In certain circumstances it is the final step taken to ensure at least a semi-economic return to the grower. At this stage it can be asked "Has local demand been promoted to its maximum", or "How can demand be stimulated to reduce the amount of surplus fruit?" With regard to the first part of the question it must be realised that the South African public are already one of the highest citrus consuming nations in the world and that, although a great deal of time and trouble is expended on trying to increase these sales at reasonable consumer prices, the growth potential of such sales is reasonably limited while proper marketing is, at the best of times, a difficult proposition because of the demands of export requirements and programmes. There are, however, three main areas of growth potential for sales in South Africa:

1. The promotion of pure citrus products.

2. The development of Bantu Sales (as purchasing power increases).

3. Increased consumption of pure fresh orange juice in the home.

Space here is too limited to elaborate on 2 and 3 above other than to say that the Citrus Board is at present actively pursuing these objectives. The reader may already be aware of the orange sales slogan - "Orange Seas'n - Start your Squeez'n - Health's the Reas'n". Furthermore a special electric machine is being sold by the Citrus Board at R8.00 direct to the public to make it easier for the housewife to extract orange juice in the home. (17,000 of these machines have already been sold and we are hoping to move another 3,000 by the end of this year).

With regard to point 1, the promotion of pure citrus products, few people realise, however, that processing factories absorb some 60 per cent of all locally marketed citrus (nearly 90 per cent in the case of grapefruit). The grower on the other hand is very aware of and most concerned by the misrepresentation of the word "orange" by the manufacturers of so-called citrus drinks. A certification mark known as the "Citruseal" has been devised to encourage the sale of pure citrus products and to enable the consumer to know what she is getting. Although the range of approved products is still relatively limited, the "Citruseal" promotion was launched on a nation-wide basis from early October of last year and represents the biggest single potential for increased sales of citrus in South Africa. Besides this it will also make our processors and growers a little less dependent on overseas juice prices as is at present the case. This promotion will cover pure frozen concentrate in "take-home" consumer packs, available from Supermarkets or grocery stores and bottles of single-strength juice delivered to homes by dairies. Cartons of single-strength juice for "on the spot" consumption will be provided at cinemas and places of entertainment and finally the serving in hotels of good standing of pure citrus juices approved by the Citrus Exchange.

The reader may, however, still be concerned about the fruit retained by the grower. This action is only resorted to after every conceivable step has been taken to achieve economic marketing of the enormous quantity of fruit available for sale in South Africa; including offers which are made to recognised charities to collect fruit free of charge in times of absolute surplus. It is nevertheless expected, despite all these steps, and notwithstanding any population increases or full exploitation of every conceivable marketing outlet, that the excess of supply over local demand will increase during the next five years. This is based on estimates of the yield of newly planted trees which will come into full bearing between now and 1970.

It will be seen from the above that the success or non-success of local marketing cannot be simply assessed by market prices or the retention of fruit each year, but by total sales and the average return to the grower, one or preferably both of which should be improved upon each year. In this connection, it can be stated that fresh fruit sales on the Markets were increased by 1,400,000 pockets which is an increase of 35% whilst average prices obtained have dropped by only 9%. Total citrus sales to markets and processors in 1967 have soared to an all time peak of 18¼ million pockets, compared with 12½ million in 1966. The year 1967 has also shown a record for factories, with an improvement of 40%.

In conclusion it can be fairly stated that one of the main prerequisites of successful marketing at home or abroad is that the product should be right. This infers good quality and quality control. For many years insufficient attention was given to the quality of fruit sold locally because of the completely uneconomic return obtained and the cost of a proper "inspection force".

A tremendous step was taken a few years ago, however, in raising the grades of fruit for the local market and employing a full team of inspectors. This has paid dividends as it was soon found that the consumer was prepared to pay a better price for top quality fruit, and to the consumers who are still tempted to ask: "Why is the price of oranges so high?", we would point out that a 30 lb. pocket of oranges retailing even at 90c is still equivalent to 3c per lb. What other fresh fruit can the housewife obtain at this price?