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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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Marketing of South African citrus as a management problem

By

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It would appear that an inadequate supply of survey literature on the management problems connected with the marketing of agricultural products gives rise to a need for a proper concept of these problems. Obviously no claim can be laid to completeness within the space of this article and allowance must be made for possible limitations in the information which had to serve as its basis. The object is mainly a greater appreciation of the marketing problem, as seen from a management point of view. Attention is, therefore, focussed briefly on the latest management concepts in the marketing field generally, primary factors affecting the problem of South African citrus marketing, the international citrus situation, the marketing organisation which has been built up, the management result achieved, the physical concentration activities and a few concluding remarks.

MARKETING AS A PROBLEM OF MANAGEMENT

Although marketing in one or other form has already been practised for centuries, it commenced to assume an independent field of study, especially in America, only since the beginning of the present century. It is significant that one of the first comprehensive works in marketing literature furnished a description of the institutions and functional activities connected with the marketing of various agricultural products²). The institutional, functional and product approaches were formulated subsequently and have retained their usefulness as descriptive concepts. The serious sales problems which occurred in the thirties, focussed the attention of authors on sales management, that is, the management function considered essential to dispose of already existing quantities. This opened the way for the management approach of the marketing problem which presented itself so forcibly in the years following World War II.

As a management problem, marketing is viewed as an energetic action and a directive act of the management of the concern. The consumer and

his needs are considered as the beginning and the end phases in the decision-making processes and marketing is integrated in all the activities of the concern, with profit as a long-term objective. Marketing research and market outlook estimates serve as expedients for the management to take decisions on the most favourable promotion policies in respect of product, distribution, price and sales in the light of ruling environmental factors. On the one hand it is actively endeavoured to meet the needs of consumers and, on the other hand, to persuade the consumer to purchase the product of the particular concern. Competition, consumer preferences, non-marketing costs, distribution structures and political situations are among the factors largely considered as uncontrollable in the short run. Planned obsolescence and replenishment of products, product differentiation, market segmentation, service to distribution channels, differential prices aimed at market development and well planned promotional strategies are accentuated as general marketing practices, particularly in trade and industry.

The application of the management approach is perceived less strikingly in works on the marketing of agricultural products. This occurrence should probably be ascribed firstly, to certain unique characteristics connected with agricultural products, agricultural production and the purpose for which the products are utilised. Secondly, reliance is mostly placed on middlemen and central bodies in the form of co-operatives and control boards for the execution of the marketing function in agriculture. Where central bodies undertake marketing management on behalf of producers, the application of sound management principles nevertheless remains a logical requirement for successful marketing. The necessity for this, with due regard to the particular characteristics of the product, production and consumption purpose is clearly perceivable in the marketing of South African citrus.

THE PARTICULAR CHARACTERISTICS OF CITRUS

The complex circumstances which sharply influence the marketing of South African citrus in general, and particularly the functions of concentration, grading, packing, transport and processing are reflected in the following:

1) This article is based mainly on information contained in an unpublished M. Com. thesis in business economics: Du Toit, C.M., Aspects of the marketing of South African citrus, R.A.U. 1969 (with acknowledgement to the University of Port Elizabeth for a research grant).

2) Weld, L.D.H. Marketing of farm products, Minneapolis, University of Minnesota, 1915, as quoted by Bartels, R., The development of marketing thought, Homewood, Illinois, D. Irwin, Inc., 1962, p. 163.

* A large assortment of citrus varieties is offered for marketing. One overseas horticulturist identifies not less than 91 main and 128 subordinate varieties which are generally produced on a commercial basis.

- * The fruits appear in a multitude of sizes, shapes and colours and skin thickness, juice content, flavour and internal quality can be widely divergent.
- * Citrus fruits are perishable - at times inexplicably more so than at other times.
- * Bulkiness and the geographical dispersion of South African production cause spatial cost items such as railage, shipping freight, pre-cooling and handling to amount to over one half of the total marketing costs of the South African Co-operative Citrus Exchange.
- * In 1969, 4 107 citrus producers were registered at the South African Citrus Board. The majority of these represent small farming units with their own financing and production problems.
- * Citrus production is a long-term undertaking with considerable costs of a constant nature; this intensifies the financing needs and causes the long-term supply to be exceptionally inelastic.
- * Uncontrollable climatic conditions in the form of extreme temperatures (especially overseas), drought, hail damage, wind damage and the occurrence of pests cause fluctuations in the supply to markets over short periods.
- * Citrus fruits are consumed in the fresh state because of their pleasant taste, flavour and health giving qualities and also because of the refreshing and appetising qualities of the fruit. Processing on the other hand, offers advantages of reduced waste, bridging over of seasonal gaps, product renewal and variety, but also the disadvantage of large additional costs.
- * Export marketing has traditionally been the most remunerative method of disposal of South African citrus fruit. Approximately two thirds are exported and one third is marketed locally. Owing to the varying needs of these two main channels of disposal and the particular product and production characteristics, it becomes an extremely complicated problem to meet the divergent needs at all times to the greatest advantage of citrus producers.

THE INTERNATIONAL CITRUS SITUATION

The international citrus situation is of great significance to the South African citrus marketing programme in the light of the importance of export marketing. Although other citrus producing countries of the Southern Hemisphere, particularly Brazil and Australia, compete with South Africa during the same season on the large markets of the Northern Hemisphere, those countries are not dependent on export to the same extent as South Africa. Similarly to producers of North America and the Far East, they largely market their fruits on their own local or other closely situated markets. The position of the Mediterranean Sea area does correspond with that of South Africa, in that these countries, in the first place, also rely on export marketing of large quantities in the same marketing areas as South Africa. There is, however, an important difference in another sense, in so far that South African producers enjoy a seasonal advantage - thus far one of the most important advantages in the South African marketing programme.

The international situation is further characterised by progressive increasing cross-making and considerable increases in the world production of citrus. The Food and Agricultural Organisation of the United Nations predicted a world surplus of between one million and three and a half million tons of citrus by 1975. Rising costs in every sphere is a general threat and contribute to an increasing lag in citrus prices, compared to some other prices. The future seems to be fraught with great problems. The serious need for more research and collaboration in connection with aspects such as picking, transport, packing, general marketing and accounting methods was consequently stressed very strongly at the recently held international citrus symposium.

The South African industry can learn much from the position in overseas citrus producing countries. The Florida industry illustrates the necessity of consumer orientation and the pre-requisites for successful processing, namely compact large-scale production of specially suitable fruit and purposeful mechanisation. California, on the other hand, illustrates the premium which can be earned by orderly marketing of fresh fruit of edible quality. Israel excites the imagination with its modernised packing methods and the results of strict control and marketing, while the Spanish industry remains an example of marketing on an individualistic basis.

MARKETING ORGANISATION FOR SOUTH AFRICAN CITRUS

The establishment of the South African Co-operative Citrus Exchange and the Citrus Board as the main organisations responsible for the marketing of South African citrus fruit can be justified in the light of the difficult problems of the past. Following the successes attained with the initial exports, the exceptional favourable results of 1919 encouraged speculators in the next two years to purchase, pack and export citrus fruit on a large scale. But careless packing, coupled with delays resulting from inadequate shipping space, caused large quantities of oranges to arrive in England in a spoiled condition. The absence of an orderly overseas marketing programme contributed further towards exceptional low prices and heavy losses on the part of consigners. These circumstances and the successes which had already been achieved in California by co-operative marketing of citrus, led firstly, to the establishment of a co-operatively organised general fruit exchange in 1922 and ultimately to the establishment of the South African Co-operative Citrus Exchange in 1926.

In the case of the South African Citrus Board, reference can particularly be made to three contributory causes for its establishment in 1940:

- (i) The absence of a fair method according to which all citrus producers who have benefitted from market development and orderly distribution overseas, would share in the risks and costs involved.
- (ii) Only a control scheme would ensure the necessary government guarantee for the Land Bank to finance the wartime marketing arrangements.

- (iii) The progress already made with co-operative organisation would ensure that co-operative producers would retain a controlling representation in the Board.

The integrated marketing organisation which arose with the Citrus Board as the controlling body and the Citrus Exchange as the executive managing body, ultimately culminated in the following:

In the first place a one channel pool scheme with control over the physical flow of all South African citrus fruits was developed; in due course financing through medium of the Land Bank could be used to an increasing extent; and a delicate pooling system was developed whereby all realisations and costs were pooled, with allowance for adjustments to provide for deviating factors in respect of distance, time and quality in respect of individual producers.

In the second place, the Citrus Exchange could develop a strong decentralised marketing organisation, with head office in Pretoria and departments for local marketing, exports, secretarial work, purchases on behalf of producers, accounts, field services and research and technical services, as also an European office in London from where the overseas executive head directs the overseas marketing programme in the various countries. In consequence a market orientated organisation for South African citrus producers arose, thus facilitating adjustments to the constantly varying conditions in the marketing field.

THE MANAGEMENT RESULT

As in the case of the creation of a central marketing organisation for South African citrus, the management results of the past decade may be traced back to a problematical condition in the past. The sudden decline in orange prices overseas in 1960 was the major factor leading towards examination and reorganisation, which caused the application of consumer oriented marketing management to become a practical reality. The more passive earlier approach according to which the ordinary forces of the trade and the market functioned adequately under ruling circumstances, was gradually replaced by a more active programme of research, planning, product improvement and support, price maintenance, service to distribution channels, economic sales promotion methods and maintenance of good relations, both in foreign and domestic markets.

The greater stability in the final results of recent years is an indication of the successes attained with the new approach, in spite of increasing quantities and greater overseas competition of foreign citrus at the commencement and the end of the marketing season, and of deciduous fruit throughout the season. The relative drop in the free-on-rail revenues of producers which could nevertheless be observed, must mainly be ascribed to increases in uncontrollable costs. Additional positive results are also evident from the earnings of external currency, employment,

purchases of producing requirements and the expansion of markets on the long-term - from 6.2 million carton equivalents to five European countries in 1947 to 18.2 million cartons to sixteen countries in 1966.

THE PHYSICAL CONCENTRATION PATTERN

Managing functions having been transferred to the Citrus Exchange and the Citrus Board, producers and other bodies are mainly responsible for the physical concentration pattern in respect of citrus. The manner in which picking, transport, packing and processing activities take place, reveals a pattern dictated by South African production, transport and labour conditions. In terms of consumer requirements and producer objectives, a problem situation has arisen because of the large quantity of fruit which has of necessity to be dispatched to ports other than those nearest to producers, the large number of dispersed packing houses with different circumstances, the services and accounting methods and the other local processing industries with their own needs and problems. But also in this respect, the machinery to attain greater integration of the physical aspects of marketing management has already been created with division and development of the field services and research departments of the South African Citrus Exchange and the improved communication with producers by way of an confidential newsletter.

CONCLUDING REMARKS

Measured against the developments in the marketing field in general and the available information on the marketing of South African citrus, it is clear that a functionally suitable marketing system has been developed. The success attained in the handling of controllable managerial instruments is evident from the strategic methods applied, the stable result of the past years and the respect commanded overseas for the marketing programme - in spite of the impeding effect of a large number of uncontrollable factors.

That individual final results differ from the average is understandable, since the pooling system, although aimed at the greatest possible collective benefit, provides for individual quality and other variations.

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