



# To Citrus Growers:

You want the facts about marketing. We want you to have them.

This booklet presents concise answers to the questions most frequently asked by members and prospective members about the California Fruit Growers Exchange, the cooperative marketing organization which is composed of and supported by over 75% of all California-Arizona citrus growers and which for almost 50 years has been the major factor in improving the economic welfare of this great industry.

It is impossible to present the complete story of the Exchange in this brief booklet. If you have additional questions, please 'phone, write or call, or ask to have a representative call on you.

CALIFORNIA FRUIT GROWERS EXCHANGE
Sunkist Building, 707 W. 5th Street, Los Angeles

Oranges

OUTSIDE COVER

graphically depicts
the services and ac-

tivities of the Cali-

fornia Fruit Grow-

ers Exchange, pic-

turing the flow of the fruit from grove

to consumer.

See map on inside

back cover for loca-

tion of SUNKIST district exchanges,

local associations,

products plants and lumber mills.

SUNKIST

Lemons

Grapefruit

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#### **FACTS**

about Citrus Marketing



Weekly Directors' Meeting

#### 1. What Is the California Fruit Growers Exchange?

It is a cooperative, non-profit marketing organization, distributing the citrus fruits produced by its members. It is entirely owned by and operated for the 14,000 California and Arizona citrus growers who make up its membership.

#### 2. What Is Its Purpose?

Its purpose is to sell its members' fruit at the best price and at the least expense. To further this purpose it has developed the national and international market for oranges, lemons and grapefruit; represents the interests of its members in all matters of industry welfare; and provides additional services designed to reduce cultural and other expenses.

#### 3. What Is Meant By a "Non-Profit" Organization?

It means that the entire proceeds of the sale of members' fruit, less actual expenses, are returned to the grower.

#### 4. What Does It Cost to Join the Exchange?

Not a cent, either for an individual grower or for a group of growers. Costs are met with retains from returns as the fruit is sold.

### 5. What Proportion of the Crop Is Marketed by the Exchange?

The Exchange markets from 75% to 80% of the California-Arizona citrus crop. The percentage varies with the crops but has increased consistently since the founding of the organization.

#### 6. Why Was It Organized?

The Exchange was organized in 1893 by the growers in an effort to stabilize a demoralized citrus industry. Due to haphazard distribution, lack of public appreciation for citrus fruits, and competition between growers and shippers, disastrous prices were received for crops one-twentieth the size of those marketed today.

#### 7. How Is the Exchange Organized?

It is organized similarly to a representative government. Each grower has a voice in shaping the policies of the group. The Exchange comprises more than a score of "District Exchanges" located in the principal shipping districts, which in turn consist of groups of "Local Associations." It is by affiliating himself with one of the more than 200 local associations that a grower joins the Exchange. Here he participates in the election of the board of directors of his association. His board of directors elects one or more directors to the board of his district exchange and, in turn, each district exchange elects a director to the Exchange board. Ten per cent of the 14,000 Exchange grower-members are directors on one or more of these groups. All directors are selected and elected by the growers.

### 8. When and Where Does the Exchange Board Meet?

The Exchange board of directors meets at 9:30 a.m. every Wednesday morning at the Sunkist Building in Los Angeles. These meetings, open to all members, are held in a large assembly room, where growers hear first-hand reports and discussions on which their directors decide Exchange policies.

### 9. How Much Salary Do Directors Receive?

None. The Exchange pays no salary to its president or other members of the board of directors, though the president and many other directors devote a large share of their time to Exchange problems.

#### 10. How Are Exchange Members Kept Informed?

Through the weekly open meetings of the Exchange directors and the detailed annual report of the general manager; through the meetings and reports of district exchanges and local associations; through field representatives and through the Sunkist Courier, published as a department in the California Citrograph. Every grower has access to every fact, from the proceedings of the directors to the sales of his own and other growers' fruit, reported in the daily sales bulletin and in the teletype service.

### 11. What Facilities Has the Exchange for Selling Its Members' Fruit?

No other agricultural and few industrial organizations have sales facilities comparable to those of the Exchange, with its own district sales managers located in 57 important marketing centers, covering the entire United States and Canada, and sales representatives in Europe and the Orient. These salesmen are in constant communication with the Los Angeles sales headquarters by teletype, telephone, telegraph or cable, reporting not only sales and orders, but also the supply and demand situation on citrus and other competitive fruits. All sales information is quickly teletyped to the district exchanges throughout California and Arizona and full daily sales reports are mailed to associations. The modern communication methods used make for speed, accuracy and economy.

# 12. What Advantage Is There to the Growers in the Exchange Sales System?

Large volume has made possible the development of a highly trained, salaried sales staff in the markets. This, in turn, made possible the delivered method of selling, by which the grower retains control of his fruit to its final destination and receives the full market price for it. Sunkist sales representatives are responsible only to the Exchange and their advancement is determined by the record they make for the growers. They do not speculate or work on commission or brokerage.



#### 13. Does the Exchange Sell At Auction or Private Sales?

The Exchange uses all the recognized methods of sale. It sells delivered at private sale in several hundred carlot markets which make up 47 of its sales districts and at auction in 10 districts, which are the large metropolitan markets. It sells f.o.b. in nearby and export markets, whenever that method of sale will bring the best result for the grower.

#### 14. Why Is the Auction Method Used?

The auction is a short-cut in large, congested markets, permitting quick and economical distribution of hundreds of cars of perishables daily to a maximum number of buyers with a minimum of handling costs. The fruit could all be sold by private sale in these large markets, but it would increase costs and slow down distribution. Perhaps most important is the fact that auctions concentrate the buying power of an entire market upon the single commodity. Through competitive bidding, the price is raised to the highest figure at which buyers believe the commodity will move. The price is known to everyone, serving to establish a definite market in the surrounding territory.

### 15. Cannot Auction Buyers Combine and Keep the Price Down?

It is conceivable but hardly probable. Competition is keen between buyers; many different nationalities and types of dealers are involved. As a matter of fact, buyer combinations are more of a problem in smaller private sale markets where three or four jobbers constitute the only outlet for fruit.

#### 16. Who Conducts the Auctions?

Auctions are conducted by companies organized for the purpose, usually owned in the city where they are located and doing business in terminal buildings owned by the railroads. Neither the Exchange nor anyone connected with it has any financial interest in any eastern auction company. The function of the auction is to furnish the room and auctioneer, display and sell the fruit, supervise delivery and collect the money.

### 17. How Are the Financial Arrangements Handled with the Auction Companies?

The auction company is paid for its services on a percentage basis, hence is interested in selling all it can and at the highest prices. It collects for the fruit sold and pays the Exchange within 24 hours, even though it has not itself been paid, and absorbs any credit losses.

#### 18. Does the Exchange Sell Only In American Markets?

No. The Exchange pioneered citrus exports over 40 years ago. It has sales representatives in Europe and the Orient and has developed markets for its fruit in many European and trans-Pacific countries. Particularly in years of heavy domestic production, these markets provide an outlet for fruit which could not profitably be marketed at home. They afford another valuable means of maintaining a fair price for fruit through wider distribution.

### 19. What Does the Exchange Marketing Service Cost?

The average net cost in recent years for all Exchange services, except advertising, has amounted to approximately 5 cents per packed box. About 4 cents of this goes for salaries of all employees in the markets and in all Exchange departments except advertising, with communications, office rental and travelling expenses taking the remaining one cent. Including average district exchange cost of around 1½ cents per box, brings a total operating cost of 6 to 6½ cents per packed box.

#### 20. What About Advertising?

Continuously since 1907, the Exchange has advertised at home and abroad to increase the use of citrus fruits and thus to provide a market for everincreasing production, and to build public preference for its members' brand, "Sunkist."

#### 21. Has the Demand for Citrus Fruits Been Increased?

After thirty years of Exchange advertising, the per capita consumption of oranges has increased 2½ times. Per capita consumption of lemons has increased 25%, the gain in demand being reflected more in price than in use. Grapefruit has been introduced into many markets with the help of advertising, though this variety has had much less advertising support.

#### 22. Has a Preference Been Formed for Sunkist Fruit?

Yes. Sunkist generally makes the market, and is the standard of comparison of values for the wholesale and retail trade, because they know that more people prefer "Sunkist" than all other brands of citrus fruit combined. Consumers willingly pay a premium for dependable "Sunkist" quality and dealers pay this premium because the fruit is easier to sell.



### 23. Is There Further Evidence of the Productiveness of Sunkist Advertising?

Much. For example: The drinking of orange juice was comparatively unknown until promoted by Sunkist advertising; now this use accounts for two-thirds of the crop. When asked why they drink orange juice, people almost invariably cite one or more of the health reasons advanced in Sunkist advertising. The Exchange has developed and distributed at cost thousands of juice-extracting devices. The commercial type Sunkist Electric Juice Extractors have been invaluable in extending the consumption of fresh fruit drinks, particularly at public eating places. Smaller, home models of the machine have had a similar development, and hundreds of thousands of Sunkist hand reamers have been sold.

### 24. How Much Is the Sunkist Name Worth to Exchange Members?

That is difficult to say. "Sunkist,"—or more correctly, the reputation for which it stands—has been declared worth millions to growers in the Exchange. Dependable fruit, sound sales policies, and years of Sunkist advertising have built a public and trade preference for Exchange fruit that has no parallel in agriculture.





Magazine and Newspaper Ads

Window Display

### 25. How Are Funds Raised for Sunkist Advertising?

By an assessment against each box of fruit as it is shipped. The customary orange assessment is  $5\phi$  per packed box, lemons,  $10\phi$ , grapefruit,  $3\phi$ . The directors determine these amounts and may increase or decrease them in line with the effort deemed necessary to sell each crop to best advantage.

### 26. How Much Must New Members Pay for Using "Sunkist"?

Only the current rate per box on fruit as it is shipped. There is no cost to the new member for years of work and investment in the "Sunkist" name.

# 27. If the Exchange Is Going to Advertise Anyhow, Why Should I Incur This Extra Expense?

Many Exchange members feel an obligation to their industry to further its welfare by helping to improve the demand for all citrus fruits. But there is also a dollars-and-cents answer to this question. The entire cost of Exchange services, including advertising, compares favorably with the marketing cost alone of other agencies. Exchange growers consistently average higher net returns for their crops.

#### 28. Of What Does Sunkist Advertising Consist?

The Exchange does not employ one method of advertising to the exclusion of others, but rather uses practically all of the accepted mediums: magazines, newspapers, radio, outdoor, street car cards, store displays and others. It makes extensive use of booklets and motion pictures in educational work among consumers.

#### 29. Is Sunkist Advertising Confined to Consumers?

By no means. A principal objective of Sunkist advertising, not previously mentioned, is the improvement of distribution and merchandising by educating the trade in better displays, reasonable margins and more rapid turnover.





Outdoor

Radio

#### 30. How Is This Trade-Education Carried Out?

By personal calls, direct mail and trade paper advertising. The Exchange pioneered the dealer-service movement: providing the trade with personal assistance in the matter of displaying, pricing and selling fruit. A staff of men make thousands of calls every month, not only on fruit dealers, but on soda fountains, restaurants, hotels, hospitals and schools.

#### 31. Is Any Attempt Made to Reach Educational and Health Groups?

Yes. Sunkist advertising reaches not only the people who use citrus fruits and the people who sell them but many who are leaders in educational work. Teachers, editors and writers, physicians and dentists, dietitians and nurses are regularly supplied with scientific information about citrus fruits.

#### 32. Is the Exchange Active in Developing New Uses for Citrus Fruits?

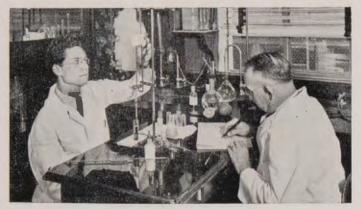
Yes. It maintains a Home Economics Department and Sunkist kitchen in the Sunkist Building for the purpose of developing new recipes for use in advertising and publicity. A Nutritional Research Department with a laboratory in the Sunkist Building cooperates with research agencies in various universities and maintains many contacts with scientists the world over.

The Sunkist Kitchen



### 33. Does the Exchange Provide Other Services Than Marketing and Advertising?

Yes, many others. These help the member to reduce expenses, improve the quality of his crop, and be relieved of incidental problems of the business of being a citrus grower. Exchange service includes Products, Supply, Field, Research, Traffic, Pest Control, Legal, and Insurance Departments.



Nutritional Research Laboratory

#### 34. Are Not These Extra Services Costly to Growers?

They would be to an individual grower, but acting for more than 14,000 growers, the Exchange can apply to agriculture the economies of large-scale operations which have proved so successful in the mass-production industries. With advertising, research, by-product development, legislative activities and many other things done for the good of the industry as a whole, all included, the cost of Exchange services still compares favorably with the marketing cost alone of any other agency.

#### 35. What Are the Services of the Products Department?

This is the sales department for the various byproducts made from the unmerchantable and surplus fruit of Exchange members. Products plants owned by Exchange growers have been manufacturing the unshipped portion of the crops into various products and constantly developing new ones for over 20 years, so that Exchange growers now receive substantial returns for fruit that formerly represented a loss for dumping charges.

#### 36. How Is This Operation Organized?

Two companies, the Exchange Orange Products Co., at Ontario, and the Exchange Lemon Products Co., at Corona, owned by the Sunkist growers, provide the conversion facilities. These plants are the largest in the world devoted to citrus by-products.

### 37. Do Not These By-Products Compete With Fresh Fruit?

Not appreciably. The major portion of the output consists of pectin (used in making jams, jellies and confections), citric acid, citrate of lime, orange and lemon oils, orange meal (stock feed) and various types of juice products, most of which are not directly competitive with fresh fruit juices.

### 38. Do the Exchange Products Plants Can Orange or Lemon Juice?

Yes. These plants are canning juice to perfect processes and keep abreast of developments and have the facilities to can in greater volume. The Exchange has been able to collectively sell its growers' juice grade oranges to commercial canners at good prices. Exchange products plants are prepared to can juice on a large scale whenever that seems necessary to protect or improve the growers' return.

### 39. Are the Exchange Products Companies Commercial Successes?

They have returned several times their cost in returns to members on processed fruit. Their main value to the industry, however, comes through their function of eliminating unmerchantable and surplus fruit from competition with merchantable grades on the fresh fruit market.

#### 40. What Is the Supply Company?

The Fruit Growers Supply Company, owned by Exchange associations, purchases and manufactures supplies for members, assuring dependable grove and packing house supplies at reasonable prices. Its manufacturing activity at present is confined to box shook, for which purpose it owns two lumber mills and large timber holdings in Northern California. The company's total capitalization of \$6,000,000 is fully paid in and since its organization in 1907 over \$7,000,000 has been refunded to members as patronage dividends.

### 41. Why Does the Exchange Manufacture Box Shook?

Box costs were a serious problem until the Exchange growers provided their own mills to insure adequate supply of boxes whenever needed and at reasonable prices. Grower-owned shook mills, like grower-owned products plants are a form of insurance and a balance wheel for the industry.

### 42. What Other Services Does the Supply Company Perform?

The Supply Company is the purchasing agent for its members of all orchard and packing house supplies, including fertilizers, insecticides, orchard heaters and fuel, cover crop seed, boxes, nails, labels, tissue wraps and all other essential materials.

#### 43. How Is This Helpful to Growers?

It relieves the grower of the necessity of himself becoming a purchasing agent. The Supply Company is able to provide a vigilance over specifications and values that the individual grower cannot otherwise secure. Total requirements of all Exchange growers are known in advance and arrangements made to have necessary quantities of materials delivered when and where needed. In addition, there is frequently a saving in cost to the grower.

#### 44. What Are the Functions of the Traffic Department?

Its responsibility is to see that Exchange crops go forward to market swiftly, efficiently and economically. It arranges the car supply and refrigerated space on ships. It averts delays, demurrage and misrouting charges. It collects justified loss claims for Exchange shippers.

#### 45. What Collection Fee Is Charged?

None. The entire amount of the claim is paid to the local association without fee or commission.

#### 46. What About Freight Rates?

The Traffic Department represents the growers in all matters pertaining to freight rates. Exchange representatives, empowered by more than 75% of California's growers, have weight at railroad and Interstate Commerce Commission hearings. The importance of this activity cannot be overestimated, since transportation represents about 20% of the consumer dollar spent for citrus fruits.

#### 47. What Does the Field Department Do?

It gives active, personal assistance to all associations in working out harvesting and packing problems, and guards quality standards.

Authorities on pest control are at the growers' service at all times. Frequent reports keep members advised on the newest controls.

The Field Department laboratory is a clearing house of information. It develops and tests equipment, materials and processes and gives all associations the results of this research. It offers an excellent demonstration of the benefits of large-scale cooperation.



The Citrus X-Ray Machine developed with the assistance of the Exchange is credited with being the most important new development in the industry in recent years. This equipment permits accurate segregation of frost damaged fruit and of granulation in oranges and blossom-end decline in lemons, which are serious problems in some districts every season.

#### 48. How Do Exchange Members Save On Insurance?

Growers effect two insurance economies through Exchange membership. The Exchange operates a Mutual Indemnity Compact which provides protection for packing houses and contents at low cost. Through a grouping together of its members' risks, the Exchange is able to save expenses for underwriters, and thus secure lower rates on compensation insurance for which it has two blanket policies with the State fund, one for associations and the other for individual grower employers of labor.

### 49. What Are the Functions of the Legal Department?

They are many and increasingly important in recent years of extended government regulation of agriculture.

### 50. Has the Exchange Been Active In Legislative Matters?

Yes. The Exchange represents the interest of more citrus growers than any other marketing group. Thus, it has been widely consulted by government bodies in shaping industry legislation.

#### 51. What Kind of Research Does the Exchange Do?

Many kinds. In addition to the research activities of the Advertising and Field Departments, already referred to, the Research Department is constantly developing new products and processes for the utilization of cull and surplus fruit, improving cultural, handling, packing and storing methods and through its complete laboratory facilities cooperating with other departments in many ways.

#### 52. What About Patent and Trademark Protection?

This field has grown widely in scope and importance during recent years, both as to fresh fruit brands and various products and processes for making them. The Exchange is the owner of a great many patents and trademarks. Patent protection is afforded by the Research and Legal Departments both in domestic and foreign markets. Such service safeguards the investment Exchange growers have in their good name and assures for them the benefits of their industry and initiative.

### 53. Is Not All This Legal Service Costly?

Yes; costly but necessary. It would be prohibitive to individual growers; as a group endeavor, it is part of the operating costs of the Exchange.

### 54. Why Should α Grower Join the Exchange?

For two reasons:

First, Exchange members, year after year, average the highest returns for their crops. Proof of this fact is abundant. One of the best demonstrations lies in the size of Exchange membership. No marketing method could attract more than three-fourths of the growers in California and Arizona and hold them year after year if it did not produce the highest return.

Second, each new member adds to the ability of the Exchange to serve all its members, and shares in these extra benefits. (See last page.)





#### 55. Won't the Exchange Get Too Big? In Other Words, Isn't It Necessary to Have Competition Between Cooperative Selling Agencies?

This fallacious theory is refuted by many well known facts. First, Exchange associations compete with each other in serving the grower efficiently and economically.

The Exchange policy of identifying association brands to the trade, in addition to the Sunkist brand for the consumer, provides a fully protective measure of legitimate competition.

That greater cooperation would be beneficial is demonstrated by the lemon industry with 90% membership in the Exchange.

## 56. If I Wish to Join the Exchange or Secure Additional Information, How Should I Proceed?

Talk to the manager of your nearest District Exchange or Local Association. Or call on the Growers ers Service Department, California Fruit Growers Exchange, Sunkist Building, Los Angeles.

The Exchange is operated by and for the growers. Through this agency of cooperation, growers serve each other. They are held together in a common confidence through an exchange of all the facts, all the time. Facts have brought three-fourths of the industry together, and we want you to have them.

#### Cooperation

is not a sentiment. It is an economic necessity.

A successful cooperative can only be founded on a faithful and enthusiastic membership, a sound management and efficient employees. The California Fruit Growers Exchange meets these requirements.





#### TEN BENEFITS

### of Increased Cooperation

The Exchange today is the result of nearly half a century of grower-cooperation. It has three times as many members as all other agencies combined.

The benefits gained through years of work are yours—at no cost whatever—the minute you join the Exchange.

As membership increases, still further advantages will come to all Exchange growers:

- 1. A more uniform and intelligent movement of the varieties over their respective seasons.
- 2. A more accurate, original distribution of shipments among the markets.
- 3. More complete and accurate records of the total consuming capacity of the different markets under varying conditions.
- 4. A more uniform and equitable handling of emergency conditions in the industry by the producers themselves.
- A broader dissemination within the industry of advantageous developments in cultural, handling and packing methods.
- 6. Lower marketing costs.
- 7. Lower cost of supplies.
- 8. A larger fund for consumer advertising and trade work.
- 9. A safer and more stable business for the trade, enabling them to handle your fruit on smaller margins.
- 10. A stronger position for the industry in handling its common problems of freight rates, tariff, wages, trade relations, trade practices and taxes.

Join the Exchange



The SUNKIST district Exchanges ( ) are all connected with Los Angeles sales headquarters by teletype for speed, accuracy and economy in sales.

More than 200 SUNKIST local associations (\*) serve growers in every producing section of California and Arizona. (Space does not permit showing all associations.)

