

**10 TALKS  
ON CITRUS  
MARKETING**

*By* CHARLES C. TEAGUE

CSW  
LA 4/30/49

Sincerely  
Charles C. League

*10 Talks*  
*on Citrus Marketing*

A SERIES OF RADIO BROADCASTS

by

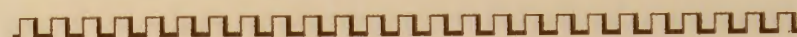
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*California Fruit Growers Exchange*

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## FOREWORD

*T*HE observations in this little book represent in a condensed form conclusions arrived at from a lifetime of study of the problems of marketing and distribution.

The statements herein made are concurred in by my associates who have given their time and energies to the building and perfecting of that great cooperative marketing organization, the California Fruit Growers Exchange.

The California Fruit Growers Exchange was organized forty-five years ago at a time when red-ink returns were the rule, and the distribution of the crop was exclusively in the hands of commercial operators.

There was no orderly distribution and no stability in the business. Nearly all of the men of that time are gone. The growers now are their children and grandchildren and new people who have come into the business.

With a membership of over 14,000 growers, continually changing through death and transfer of property, the problem of a properly informed membership becomes quite difficult. This is particularly true when there are still those who profit from handling citrus fruit, who are continually seeking to alienate growers from the Exchange by spreading false and misleading information.

I had been considering this series of radio talks for some time, when the failure of the industry distribution committee on November tenth to set a prorate on oranges presented an

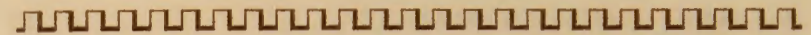
immediate crisis that made it imperative to go directly to the growers with the facts on fundamentals that effect their livelihood.

After dealing with this critical situation, I was impelled to go forward and tell the story of Exchange accomplishments and of the importance of this organization, which is the indispensable stabilizing influence in the citrus industry of California and Arizona.

If by this means growers and the many other people interested in maintaining a prosperous citrus industry are brought to a better understanding of the problems of marketing and distribution, I shall be amply repaid.

Charles C. League

Santa Paula, Calif.  
January 4, 1939.



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I

THE NEED FOR ORDERLY DISTRIBUTION

(Broadcast November 22, 1938)

THERE are many things on my mind tonight. I should like to speak of all of them. And I expect to on other evenings to come. But tonight there is one clear-cut and all-important issue before all citrus growers.

The representatives of the Mutual Orange Distributors and the American Fruit Growers, with the consent of a certain other few in the industry, have succeeded in blocking a prorate for the past two weeks.

Each grower must now decide this question for himself. *Do we or do we not need a prorate on California oranges?*

It is important that we all have the same understanding of what a prorate is and how it operates.

A prorate is simply this. Each week, representatives of the growers and shippers determine the maximum amount of fruit that can be shipped without demoralizing prices. Each grower is then allotted his percentage of the shipments based on the proportion of his crop to the total.

In other words *proration* makes it possible to ship a thousand cars of oranges this week and a thousand cars next week at *stable* prices — instead of fifteen hundred cars this week and five hundred cars next week at red-ink prices.

Five years ago, 82 per cent of the industry signed the prorate agreement. It declared itself *for* the prorate.

Now the question is — shall a small minority of the indus-

try defeat the will of this vast majority who favor orderly distribution?

Shall we enter on a period of destructive, survival-of-the-fittest competition among ourselves and with the other producing areas? If we do not have a prorate it means just that. Without a prorate shipments will go forward unregulated — in quantities larger than the market can absorb until red ink forces a halt. Then they will go again by fits and starts, with everybody in the industry losing money.

Do we growers want that? I don't think we do. That is the situation in Florida, where commercial shippers dominate the picture and growers have not yet learned to cooperate. And prices for Florida oranges are now averaging around a dollar seventy for their larger box, delivered.

You may wonder how a small per cent of growers and shippers can prevent the setting of a prorate?

At the time the marketing agreement was instituted in 1933, the Exchange, with more than 70 per cent of the shipments, in the interest of harmony, conceded equal representation on the control boards to less than 30 per cent of the shipments. The M. O. D. was given two of the eight members, the other independents two, and the Exchange four. Six of the eight votes were required to fix a prorate. It will be seen that the M. O. D. with the consent *or absence* of one other commercial representative, can defeat a prorate.

And that is what has just happened.

Why did they do this?

They say the entire crop can be profitably marketed without prorate. Yet the Secretary of Agriculture, less than a month ago, called a meeting in Washington to discuss ways and means to move the largest crop of oranges and grapefruit in history — 41 thousand cars larger than last year's — 39 per cent greater than the average for the past five years.

The Secretary is so concerned that he has felt it necessary to attack the problem from two fronts. He has petitioned the railroads for lowered freight rates to let more fruit move to market. In addition, the government has agreed to purchase several million boxes of oranges and grapefruit if the industry will withhold from fresh fruit trade channels like amounts of low-grade fruit.

T W O

When the Secretary of Agriculture makes it a condition that, for every box of oranges purchased for relief, a box in addition will have to be withheld from market to prevent disastrous prices, he, at least, recognizes that there *is* a surplus.

But an M. O. D. official disagrees. He says we have not yet scratched the surface in the effective merchandising of fresh fruit and vegetables. It might be well to ask who *has* scratched the surface up to this time! It has been scratched by the Exchange in spending 27 millions in Sunkist advertising and trade work in the last 30 years. That is only a little more than one per cent of the delivered value of Exchange fruit, it is true. But it has increased the per capita consumption of oranges two and one-half times. What have the M. O. D. and others done to increase demand?

They say it is useless to prorate unless all areas do the same. Texas has just started proration. Texas did not wait for Florida. Neither can we. We must get more for our fruit than they do. Last year, under the prorate, we got considerably more per pound for Sunkist fruit than Florida got, in the same markets at the same time.

When the freeze curtailed our crop two years ago we got good prices in spite of unlimited shipments from Florida.

Will it encourage Florida to prorate if we stop ourselves? Of course not. We must lead the way as we always have done. And we must remember that Florida and Texas must adopt some diversion program this year to participate in government purchases. That gives them a new incentive.

Until the demand for our fruit can be made equal to the supply, there are just two ways to control shipments. One is red ink. The other is prorate.

I have much more to say on this and other subjects. But tonight I wish to close by quoting the expressed policy of the Exchange on this subject. It is short.

1. The Exchange is for volume regulation of shipments.
2. The Exchange is for an equitable plan of industry elimination in seasons of surplus, which means that each grower must stand his share of the burden of elimination on his crop, and which would involve withholding from market the least valuable grades and sizes.

T H R E E

3. The Exchange believes that volume regulation is necessary whether elimination is practiced or not, because volume prorate is essential to insure shipment each week during the season of a definite quantity of fruit in line with existing demand. It is also the only method by which each grower is given equality of opportunity to supply the market.

Fellow citrus growers — you, I, each one of us has the same problem. To get the best return per acre that we can. We must all now decide whether or not we will overthrow the prorate that has saved us the loss of millions of dollars. I believe the vast majority of you *want* the prorate. And I believe the time has come for the wishes of the majority to prevail.

• • •

*The current campaign of citrus grower education is being conducted by the California Fruit Growers Exchange in an effort to turn its temporary prorate victory into a permanent one.*

*For years the Exchange has kept quiet under constant sniping by its smaller rivals. It has turned the other cheek till there is no cheek left to turn. Now, for a change, it is showing a few teeth. In a series of radio broadcasts (for which he is paying out of his own pocket) President Teague is making plain what cooperation means. As head of an organization representing 75 per cent of the industry and sponsor of a marketing system that benefits 100 per cent of it, he has a right to warn obstructors that further interference with orderly marketing methods will not be tolerated.*

*Prorating and advertising have been the twin foundation stones of the industry's success.*

*Prorating has avoided disastrous glutting of markets. Advertising has increased consumer demand two and one-half times when that for other fruits was falling off. The Exchange has carried the burden in both programs.*

*Unanimous cooperation in the citrus industry is the only real solution. That cooperation cannot be brought about as long as small groups are continually trying to upset the orange cart. The Exchange is doing the grower, the shipper and the consumer a favor by detailing the facts and pointing the remedy. — LOS ANGELES TIMES, December 5, 1938.*



## II

### REGULATING SUPPLY TO DEMAND:

#### PRORATION

(Broadcast November 24, 1938)

**I**N MY first talk, Tuesday night, I outlined the policy of the California Fruit Growers Exchange in the present orange prorate crisis.

Tonight I want to recall to you why the industry was able to survive for many years without a prorate agreement.

I want to show how the picture has changed — why industry proration or a high percentage of cooperative organization, one or the other, is now the only alternative to bankruptcy for us growers.

Supply and demand set the price. When supplies are in surplus they must be regulated. Otherwise prices will fall until they do not cover packing costs and freight.

A small surplus is all it takes. If unregulated, it can be just as disastrous as a large one.

Regulation of supplies must take place at the source of production. For we are dealing with perishables. And once a surplus of perishables is shipped to market it will be sold even if the price does not cover the freight charges.

There are only two ways of regulating supplies at the source:

1. By cooperative control of the product.
2. By prorate agreements, either State or Federal, or both.

When production is only a little beyond the demand, a cooperative with 60 to 75 per cent control can protect the market.



It holds back when competitors over-ship. It diverts the surplus from the regular channels of trade and still makes a better return to its growers than competitors can.

That is what the California Fruit Growers Exchange did before the California-Arizona prorate agreement was organized. Over a period of 30 years its single-handed regulation of supplies added hundreds of millions of dollars to the returns of all California growers.

But this won't work when production is 10 per cent or more in excess of the demand for fruit at fair prices. Members of a cooperative cannot shoulder the full burden of removing heavy surpluses while unorganized producers sell their entire crops at protected prices.

Present surpluses of California oranges and lemons are too large for the Exchange to handle alone. To avoid marketing chaos it was necessary to proceed to bring oranges under the Federal prorate act and lemons under the State prorate act.

Tuesday night I told how the Exchange initiated the orange prorate. With more than 70 per cent of production among its members, it conceded an equal vote on the control boards to the other less-than-thirty per cent. I told how 82 per cent of the growers had signed for this agreement through their packing houses and how a small minority had now succeeded in temporarily blocking proration.

The case with lemons is even more amazing.

For the past 10 years there has been an average lemon surplus of 20 per cent. But all during this period, lemons brought good prices. The Exchange, marketing 90 per cent of the national production, could *and did* regulate supply to demand.

In 1935, however, the lemon surplus reached the alarming figure of *35 per cent*. Even larger surpluses were seen ahead due to new acreage coming into bearing. It was evident that the Exchange could not continue regulation unless outside shippers took their share of surplus removal.

The Exchange initiated a petition to bring lemons under the State prorate. Seven out of every eight growers signed it. But the Mutual Orange Distributors and American Fruit Growers, with less than 10 per cent of the lemons, obtained a court injunction against it.

During part of that season, when non-Exchange shippers were marketing more than their proportion, lemon prices were the lowest in 20 years.

Given more years like 1935 — and they are coming — and the Exchange will be unable to continue unaided regulation of lemons. Without an industry prorate it is certain that crops will sell at heavy losses.

The California citrus industry can be thankful today that it has a strong grower-cooperative with a large percentage of control to regulate supplies and build the demand for its fruits. The field is full of examples of what happens to producers who lack this protection.

The demand for apples and many other fruits declined all during the depression.

The demand for citrus fruits has risen constantly. It is said that the great apple crop of the Northwest this past season returned only about enough to pay the cold storage bill, with practically nothing for the packer or grower.

Florida citrus growers have not yet learned to cooperate as well as we have. Their industry is dominated by commercial shippers whose principal purpose is to collect a packing or handling profit through shipping maximum volume regardless of returns to growers.

These shippers have, for the most part, opposed all prorate plans. And first-grade Florida oranges are now selling for about a dollar seventy, delivered, a ruinous price for the grower.

In contrast, consider this year's California valencia prorate record. By diverting 20.72 per cent of the crop from fresh fruit sales channels the delivered price was advanced from two dollars and a half to a season's average of about three dollars. This 20 per cent increase in delivered price gave the grower over double as much return per acre. That is what cooperation and prorate can do to save us from losses!

I have never understood how any grower could market outside the Exchange. It seems to me that those who do market outside just do not realize what the Exchange has done for the industry in the past — what it is doing now — and that the problems of the future can be met and solved only through the united action of growers in this great cooperative group.

It is to remedy this lack of understanding that I am giving this series of talks, at my own expense.

The California Fruit Growers Exchange is acknowledged throughout the world as an outstanding example of what may be accomplished by an efficiently operated, grower-owned and controlled marketing cooperative.

Its marketing machinery and operating staff are unequaled. It has a long record of efficient, honest operation. It is democratic in form and in practice.

We are threatened with a surplus 30 to 40 per cent above the quantity we have ever sold in the past. Without prorate, nothing but red ink can stop shipments. Crops are sure to sell below the cost of production.

Success with proration depends greatly upon the support of a cooperative controlling a large percentage of the crop. The larger the percentage, the more successful the prorate.

It's up to you growers. Do you want to go through a long period of bitter competition to see which one of us can last the longest? Do you want unregulated shipments — loss after loss after loss?

Or will you pool your brains with those of your fellow growers in an organization owned and controlled by you to get the best possible result from a situation which at best will be difficult?

I believe most of you want to support orderly marketing and the best way to do that is to support the California Fruit Growers Exchange.

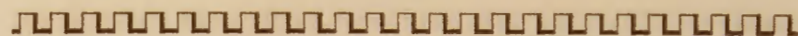
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*Dear Mr. Teague: I wish to express to you my appreciation of your radio talks; they are right to the point, and will, I feel, accomplish great good for our organization. I am one of the very little fellows but find I have just the same privileges in the Exchange as the man with large holdings.*

*I am very proud of my "Sunkist Grower" sign at the edge of my little grove.*

*Thanking you for your big cooperative boost, I remain,  
Yours for more cooperation,*

J. W. MANNING,  
Whittier, Calif., Dec. 22, 1938.



III

BUILDING DEMAND

(Broadcast November 29, 1938)

*I*N MY previous two talks I have dealt largely with the orange and lemon prorates. I have done this because proration is the first need of the California-Arizona citrus industry today.

The decision to resume proration this week is welcomed. The question now is: will it be properly operated? I propose to devote some attention to that subject next Thursday night. But tonight I want to talk about building demand.

I have pointed out that supply and demand set the price. The prorate will regulate supply to demand and give us a living return. It will *relieve* our situation.

But relief is only temporary. We must go farther. We must *remedy* over-production. We must build *demand* to the point where it will absorb these heavier crops at a fair price to all.

That is our fight. And tonight I wish to tell you how we are going to win it. I say this confidently. *We are going to win it.* For we have had the same fight more than once before and we have always come out on top.

This year we sold nearly 75 thousand cars of oranges. We would laugh at a matter of selling a mere 6 thousand. But it was only 45 years ago that a 6-thousand car crop almost wrecked the California industry. The condition of the growers was even worse than now.

It was then that the California Fruit Growers Exchange was formed. It brought orderly, cooperative distribution to the in-

dustry — such as we now need on a larger scale through the prorate. Thus a place was made for much bigger crops.

By 1907 we were shipping 30 thousand cars a year. And we were in trouble again. In that year, Exchange growers decided to test the force of the strange power called *advertising*, which had not been used before to increase the sale of a natural product such as oranges. We spent some 7 thousand dollars in the state of Iowa. Results were so gratifying that the work was continued and expanded.

The per capita consumption of oranges has increased two and one-half times in the 30 years since.

That is why I say *we are* going to remedy our present situation. If we can increase our demand from 30 thousand cars a year to 75 thousand we can lift it still farther. The time will come when we regard a 75-thousand car crop with the same complacency that we think of a 30-thousand car crop today. And the more growers that join the movement to increase demand, the sooner that time will come.

Some people like to belittle the effect of Sunkist advertising. They like to credit something else with the increased demand. They point to the nation's improved standard of living.

But the use of meat and potatoes, wheat and corn has fallen off greatly in these 30 years.

Another thing you hear is that people do less physical work now, they eat lighter foods, and oranges have reaped the benefit.

But such fruits as apples, pears and bananas have not gained. They have actually lost ground.

Oranges *have* reaped the benefit and growers everywhere have profited. But they have reaped it largely because of Sunkist advertising.

It is difficult for growers here in the West to get the full feeling of Sunkist advertising's tremendous pull. It is difficult because we see little of it. Loose fruit competition drives Sunkist fruit from our local markets. Sunkist advertising is concentrated where the Sunkist fruit is sold. We see only the limited portion of Sunkist advertising which runs in national magazines.

We do not see the Sunkist outdoor advertising which covers the rest of the country — the street car cards, the newspaper

advertising. We did not hear the radio program of last year. We do not see the fruit stores piled with Sunkist oranges and decorated with Sunkist display materials.

And even when traveling in the East we cannot see the advertising which is teaching wholesalers and retailers to be better salesmen for us, telling them the best ways to display oranges and lemons, how to make more profit by taking less per sale.

We don't see the constant educational campaign that is going on among doctors, nurses, home economists and teachers.

We aren't in on the thousands of personal calls made on dealers, hospitals, soda fountains, hotels and restaurants by our dealer service staff.

But it is all going on every day of every year, as for the past 30 years.

How have people learned that citrus fruits are good for them?

How have they learned that oranges, lemons and grapefruit have an alkaline effect even though they have an acid taste?

How have they learned about the vitamins and minerals of oranges?

How have they learned that oranges and lemons help the teeth and gums?

How have doctors and dentists been made aware of the value of citrus fruits in treating a great number of ailments?

How do school children learn of Sunkist fruits from the very first grade?

Why do people drink orange juice instead of eating halved oranges as they used to?

Why do dealers give prominent display to Sunkist fruit?

Why is nearly every worth while soda fountain and eating place equipped with a Sunkist juice extractor?

Why are women willing to pay a few cents more per dozen for Sunkist?

You know the answer. It is because of the educational program carried on by the Exchange through Sunkist advertising.

And who developed the facts which Sunkist advertising has given the public? They did not spring from thin air! They

are the result of long and costly research in many fields — much of it originated and paid for by the Exchange.

The apple growers and others have found what happens when consumer education is neglected. Even when it is conducted as aggressively as the Exchange has done it is sometimes not possible to keep demand growing as rapidly as production.

That is the situation today. The heavy plantings of the twenties have come into bearing during a period of low buying power. In a period of about 15 years our California-Arizona orange shipments have nearly doubled. Our lemon shipments have increased 60 per cent. That is a terrific rate of gain. It will take us time to catch up.

Until we catch up we must match supply to demand through prorate. But we must fight more vigorously than ever to bring the demand in step with the supply.

No one grower can do it. The Mutual Orange Distributors and American Fruit Growers give little or no help although they will readily admit that they get some of the benefit. Only when the great mass of growers join together, as in the Exchange, can this work be done.

It sounds overwhelming to say that the Exchange has put 27 million dollars into advertising and trade work during the past 30 years. But this sum is only a little more than one per cent of the delivered carload value of the fruit. It is far less than most industrial advertisers spend to sell their products.

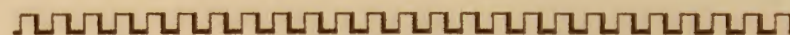
The efficiency of the Exchange's large-scale cooperation actually absorbs the expense. Exchange costs, including advertising, will stand comparison with the marketing costs alone of any other agency.

Fellow growers, our two immediate needs are proration and the expansion of consumer demand. The means of getting this expansion are already set up in the industry's great, grower-owned cooperative.

The cost of this vital work is returned over and over again. The more who help, the more citrus fruit we can sell.

In your own interest, I ask you to forget prejudice and add your weight to the program sponsored by the vast majority of your neighboring growers. You can help yourself and your industry, too, by supporting the Exchange.

T W E L V E



#### IV

### MAKING PRORATION WORK

(Broadcast December 1, 1938)

AS I told you Tuesday night, I am extremely gratified that we again have the means of securing orderly distribution of oranges through proration.

I am gratified — but I am not complacent.

It is one thing to have a prorate. It is another to have it operated in the interests of the growers.

It is no good to have a prorate, if we set the weekly shipment without regard to the ability of the market to buy. It is proration in name, but not in fact, when quotas are determined solely by what the shippers want to ship.

During our five years of proration there have been many weeks when quotas were so large that we had, in reality, no prorate at all.

An example will make clear what I mean. I am happy to say that such examples are the exception. But they have occurred. And the fact that certain interests are, by their own statements, still opposed to prorate makes it necessary to watch for a recurrence.

The distribution committee meets each Thursday to set the prorate for the coming week. There are eight members. Four represent the California Fruit Growers Exchange with 70 per cent of the oranges. Two represent the Mutual Orange Distributors with 10 per cent. Two represent the remaining 20 per cent, including the American Fruit Growers. Six votes are required to set a prorate.

T H I R T E E N

At this meeting the committee is given all the figures of supply and price. Most of these figures are presented by the organization best equipped to supply them—the Exchange.

The Exchange represents the growers' point of view. Its representatives base their prorate vote on years of experience in determining the distribution of supplies to bring the best return per acre. They suggest a prorate of, say, one thousand cars — their best estimate of the safe maximum of shipments.

While some non-Exchange committee members agree, other interests counter with a demand for fourteen hundred cars. To get a prorate at all, under the six-vote rule it is necessary to compromise at twelve hundred cars. And an extra two hundred cars in a given week can make the difference between a profit and red ink to the grower.

There is a certain market price at which we growers break even. This price covers all the fixed charges—cost of production, picking and packing—cost of freight and marketing. Anything obtained above this price is almost pure net to us.

When oranges sell for two dollars and a half a packed box, delivered, the consumer will pay about 21 cents a dozen, and we growers will receive about 39 cents a field box, or \$117.00 an acre, which is less than the cost of production.

When oranges sell for three dollars a packed box, delivered, the consumer will pay about 25 cents a dozen, and we will receive about 72 cents a field box, or \$216.00 an acre.

In other words, a 50 cent difference in the delivered price, a 4 cent-a-dozen difference in the retail price, can bring a small profit to the average grower instead of a loss. And this results merely from regulated shipments, with no elimination.

That is why we growers must not only have proration but have it operated for our welfare.

Proration cannot succeed on a hit or miss basis. So long as a small and admittedly antagonistic minority has the power to upset it, we must be on guard.

The Exchange prefers to work in harmony with the rest of the industry. But the successful outcome of this program is too vital to the growers to allow anything to interfere with it.

Honest differences of opinion on volume prorates are inevitable and should be expected. These are easily distinguish-

able from premeditated attempts to nullify proration. We have had our prorate blocked once. We wish for openness and sincerity in carrying it forward now.

Lacking that, the members of the Exchange and other growers who think similarly can have but one course — to reframe the voting power so that majority grower opinion can effectively assert itself.

Now, I have been talking about the benefits of proration to producers, and you may wonder about the effect upon consumers. For many years consumers have benefited from the orderly distribution of our crops, markets have had a steady supply all the time, rather than alternate "gluts" and "famines," with corresponding extremes of low and high prices.

Today, we have bumper crops from large acreages planted in boom times. In spite of today's economic situation, our demand has been good. We have maintained an uptrend in consumption which few commodities can equal. But the demand has not increased as fast as supply, so at times we have actual surpluses.

The 14,000 Exchange growers built by-products plants many years ago, as outlets for unmerchantable, low grade fruit —always with us—and to be ready for the surplus production.

This past year we have sold surplus fruit to the Federal Surplus Commodities Corporation for relief use. It was a big help, and we expect to take advantage of the government's offer to buy more of the big 1939 crop. The government buys this fruit to help stabilize the market and provide these healthful foods to families unable to afford them.

The California-Arizona Marketing Agreement has a standing offer to furnish oranges, when available, to any organized charity group that can arrange transportation. The growers cannot afford to give away the fruit, and also pay transportation, which is our heaviest cost. Citrus growers do not relish the idea of growing fruit only to see it eliminated. But during years of bumper crops and low buying power it may be unavoidable.

No one expects the automobile manufacturer to continue making cars, or to give them away, when they can't be sold. Fair-minded consumers grant the farmer equal rights, I am sure.

We are fully aware of the public attitude toward destroy-

ing food, and we wish to assure you that very few oranges fit for human consumption have ever been destroyed. They have gone to useful by-products and to these other outlets.

When there are surpluses, prices at best will be low. Periods of extremely low prices will be followed by reduced production and extremely high prices. Consumers know many examples of this and realize, I believe, that they are best served by reasonable, stabilized prices.

There is probably a lack of understanding among growers and public alike, of the difference between *regulation of shipments* and *elimination of surplus*. We regulate shipments to improve returns to growers and insure a steady supply and reasonable price to consumers, even when all the production is marketed over the season. But in some years the crop is larger than can be marketed at any return to the growers. Then it becomes necessary not only to regulate the quantity shipped each week, but also to *divert the surplus* to by-products, or otherwise eliminate it from fresh fruit trade channels.

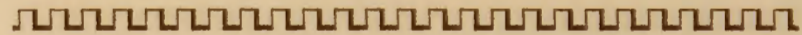
The government is encouraging such a program by offering to buy fruit for relief, provided equal quantities of inferior fruit are so eliminated. Government figures for 1939 orange and grapefruit production indicate an increase of 41,000 cars, or 39 per cent over the past five-year average.

But there is much that is hopeful in the outlook. Buying power promises to be a little better. The government stands ready to buy ten million dollars' worth of oranges and grapefruit for relief from industries in producing states which organize to help themselves. The government is working for lower costs, especially lower retail margins.

The Exchange has been working to these same ends. Over three years ago I suggested such a program to the National Cooperative Council, and headed a committee which met with organized distribution groups to promote lower margins and better trade practices, and to put the enormous sales pressure of these large groups behind agricultural surpluses, which has been effectively done.

All these efforts help, but nation-wide reforms in merchandising practices among half a million retail outlets are not accomplished over night. In the meantime, fellow growers, if we want to remain in business, *we must continue regulation*.

S I X T E E N



V

WHAT MAKES THE MARKET?

(Broadcast December 6, 1938)

WHAT makes the market for citrus fruits? In other words, what establishes the price for our oranges, lemons and grapefruit? I have mentioned some of the factors in previous broadcasts. I have pointed out that supply and demand set the price. I have shown that we can improve prices by controlling supplies through regulation of shipments. I have shown how we can further our purpose by building demand through advertising.

It is one thing to have control of supplies and an active demand for our fruit. It is something else to bring supply and demand together.

It doesn't do any good to have people want your fruit unless you can get it to them. To move our heavy crops we must get our fruit to every person in the world who will pay a fair price for it.

That is a big order. It requires a sound system of distribution. The fact that the Exchange has the best fresh fruit marketing system in the world is one reason why Exchange growers receive the highest average returns.

To create the maximum demand, and then supply it, we must use every possible means of selling our fruit. No one method of selling is comprehensive enough for the whole crop.

There are those who believe that a change in the method of selling will solve the industry's problems. Some believe we should sell all our fruit before shipment, f.o.b. California. Some

S E V E N T E E N

go to the other extreme and would have us establish our own retail stores for citrus fruits.

The advocates of the f.o.b. method may not fully realize that we already use f.o.b. selling to the safe limit of its capacity. Buyers will not come to you in sufficient numbers when there is a buyers' market such as exists today. Total dependence on the f.o.b. method almost brought disaster to the industry 45 years ago.

Those who want to establish grower-owned wholesale and retail outlets can scarcely have reckoned the cost. Half a million retail stores now handle our fruit. We cannot replace them. There is one on every corner and they sell the housewife all her foods—not just oranges, lemons and grapefruit.

We cannot revise the entire distribution system of our country and the world. But we can make the most of the existing system. And that is exactly what the Exchange does. It uses *all* of the system—and uses it more effectively than any other fruit-marketing organization.

The Exchange sells f.o.b. California. It sells delivered at private sale. It sells delivered at auction.

Last year the Exchange sold carloads of fruit to over 1,800 customers at private sale in over 700 markets. It uses the auction system regularly in 10 of the largest metropolitan centers, where several thousand additional customers buy our fruit.

Auction sale is the one way to get the full effect of the intensive demand which exists in the biggest cities.

The Federal Trade Commission has recently investigated the fruit auctions in its Agricultural Income Inquiry. This long-awaited report has just been published. It reaches this conclusion:

"The large auction companies appear to have demonstrated that this method of sale disposes of large quantities of fruit quickly and with competitive forces given more effect than is generally possible at private sale.

"The auctions also . . . tend to eliminate duplication in distributing fruits. Auctions appear to adjust prices more effectively to supply and demand conditions and to equalize them as among different sales transactions. This appears advantageous to growers and also to buyers, the latter being able to buy with greater assurance."—Federal Trade Commission.

These auctions concentrate the entire buying power of the market at one time on a single commodity. Competitive bidding raises the price to the highest level at which the necessary volume of the commodity will move.

This price is known to every one. It establishes a dependable market in the whole surrounding area. It is, in effect, a constant barometer of the relation of supply to demand. This makes it all the more important that supplies be regulated, not only in weekly volume, but also among markets. Only thus can growers receive the best price. This can best be accomplished by a high percentage of cooperative control.

Buying flourishes when the trade has confidence. It dries up when the market is unstable.

We have demonstrated over and over in our own Exchange experience, and, more recently, under industry-wide proration, that more fruit can be sold on a stabilized market than on an unregulated market.

Fruit auctions are not auctions in the common sense of the word which implies a distress sale. They are boards of trade where buyers come day after day to make their purchases.

Buyers include jobbers, brokers, chain stores, independent retailers and peddlers. In a small carlot market the three or four jobbers might conceivably get together to fix the buying price. But this is impossible in the auction markets because of the great number of buyers.

Furthermore, the auction company shoulders the credit risk. It pays the shipper within 48 hours at the most, even though it may extend 10-day credit to the buyer.

Well known brands get a premium over the unknown at auctions. Although less than half of our Exchange oranges and lemons are sold at auction, some of the biggest and best Sunkist associations auction three-fourths of their fruit. Other associations prefer private sale, and have built a demand for their house brands in these markets.

I have explained auction selling in detail because some people in the industry have made it their business to spread much false information concerning it.

Our interest in auctions is only in their use as a necessary sales facility. Neither I nor any one connected with the Ex-

change in any capacity, nor the Exchange itself, has any financial interest in any eastern auction or in any other distributing agency.

But regardless of where Exchange fruit is sold, it does not go to market unheralded and unwanted.

The Exchange maintains its own sales offices in 56 of the principal cities of the United States and Canada. Ten of these are in the auction markets. The other 46 are in private sale markets.

This makes possible the most complete and dependable daily market news service in existence on any perishable commodity.

These offices are headed by men who average 22 years in Exchange service. They are responsible only to the growers. Their success is measured solely by their results for the growers.

They do more than see that Exchange fruit gets the highest price. They know the capacity of the market. They know what fruit is on the way.

The Exchange also maintains representatives in European and trans-Pacific countries. When an export opportunity exists the Exchange knows about it and is organized to act upon it.

Wherever Sunkist fruit goes, Sunkist advertising goes with it. Advertising builds the demand. The Exchange sales organization sees that the demand is made effective.

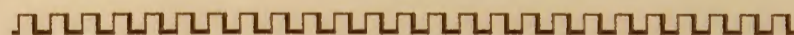
No other agency has these facilities. Without them, no agency is able to show comparable returns to growers. This is another fact borne out by the Federal Trade Commission's Report on Agricultural Income. Every grower should read it.

Build demand. Put it to work one hundred per cent. Keep supplies in line. That is the formula for making a market.

Three-fourths of the growers in California and Arizona are already united to support this program as members of the California Fruit Growers Exchange. The entire citrus industry benefits from their cooperation. Still more could be done with greater support.

You can no longer succeed as a citrus grower unless the industry succeeds. The best way you can guarantee its success is to join the California Fruit Growers Exchange.

T W E N T Y



VI

"ECONOMIES OF COOPERATION"

(Broadcast December 8, 1938)

A DAY or so following my first radio talk, a grower telephoned the Los Angeles office of the Exchange.

"I want to know about Mr. Teague's salary as president of the Exchange," she said. "My neighbor insists it is one hundred and fifty thousand dollars a year. I say it is only fifty thousand dollars a year. Who is right?"

Most of you know the answer. I have been president of the Exchange for nineteen years. During that time I have never received one cent of salary or other compensation from the Exchange.

My interests as a grower are large. My livelihood depends on my success as a grower. I know I cannot succeed unless the industry succeeds.

And from more than forty years' experience, I know I can best help the industry by working with other growers in the Exchange.

It should be borne in mind that the Exchange is an organization of growers. It was formed by growers to help themselves. Its purpose has always been to give the growers a marketing service at cost — without profit.

For this reason, in the 45 years of the Exchange, hundreds of growers have donated their time and energy in its service.

No president of the Exchange has ever received a salary.

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None of the 25 directors has ever been paid anything by the Exchange.

I mention these salary rumors for several reasons. In the first place, they are typical of the malicious misinformation which is being spread by those who profit from the disorganization of growers.

For another thing, they illustrate the rebirth of grower-interest in marketing costs. When prices were high, growers were little concerned with them. Now they wisely realize that a dollar saved in marketing is just as valuable as a dollar gained from the sale of fruit.

The Exchange's marketing costs today are the lowest they have ever been. They are the lowest in the citrus industry — or any other industry. Last year they were five and two one-hundredths cents per packed box, *I repeat — five and two one-hundredths cents per packed box, which is about three and one-third cents a field box.*

These low costs are made possible by collective action and large volume. National advertising, at any cost that could be paid by the grower, is likewise only possible under large-scale, united effort. Without it, this vitally necessary consumer demand work could not, and would not, be done.

Exchange advertising has made the demand and kept it in place with increasing production during most of the past thirty years. Thus, have all growers, in and out of the Exchange, and in Florida and Texas, greatly benefited. *But only Exchange growers receive the premium prices which prevail on Sunkist fruit.*

This price premium *repays with profit* the money invested in advertising. Right now, the Exchange assessment for advertising is five cents per packed box on oranges, ten cents on lemons, three cents on grapefruit.

Another thing, Exchange growers are able to hire executives of the highest ability to carry out their marketing program and sell their fruit.

The value is seen all through the Exchange organization—from packing house manager to district sales manager and general manager.

The Exchange is a big business — one of the biggest in the country. It sold 80 thousand cars of fruit last year for 14 thou-

sand growers. Men lacking in proper ability could easily lose for growers many times the entire marketing cost of the Exchange.

The salaries of these men are also inflated by rumors obviously difficult to trace their sources. Here are the facts:

The annual salaries of the entire executive staff of the Exchange, the eight highest paid men, depended upon to run the business for the growers, amount to *one-fourth of one cent a packed box.*

If these men worked for nothing, growers would save fifty cents an acre or *five dollars a year* for the average ten-acre grove.

And *all* the salaries in the Exchange, *East and West, here and abroad, including advertising and dealer service*, amounted last season to *less than four cents a packed box.* Bear in mind, no employee of the Exchange receives any compensation whatever, other than salary.

Thus, through large-scale, non-profit operation, the Exchange grower has the services of a marketing organization that has no equal anywhere.

The Sunkist Building, like salaries and other costs, comes in for misrepresentation, too. Here are the facts:

The central offices of the Exchange are now housed in a building which cost the growers nothing to build and which will belong to them free and clear before many years.

Before this building was erected, the Exchange's rented space was becoming inadequate to house the growing business. New quarters had to be found.

A committee of growers canvassed the available rental properties. Suitable space could not be obtained, except at increased expense.

The committee also secured estimates of the cost of a lot and suitable building, including a long-needed auditorium for weekly meetings.

It was found that the cost, for land and building complete, would be \$482,000. The rental which had been paid in the past would carry interest, upkeep and depreciation, and pay off the entire principal in twenty-five years, or less.

The money was borrowed and the investment made. It looked like 1935 was a good time to build and it was.

As an item included in regular marketing expense, members are charged the same amount paid as rent for the old space. As soon as the building is paid for, this expense will be reduced to taxes and upkeep.

*The economies of cooperation are literally too numerous to mention in these few minutes.*

As the benefits of group action unfold, it is found that many things which were *done singly* can be *better done* collectively.

It is found that many things which could *not be done by a single grower, can be done at small cost* when growers get together.

Exchange growers are familiar with the numerous services performed for them by their own associations. These services vary according to local needs and wishes of the growers.

Cooperation has given us our by-products plants. They have returned us over eleven million dollars on fruit we paid to dump before we had them.

Cooperation has given us the Fruit Growers Supply Company. Formed to insure dependable supplies at fair prices, it has saved many dollars for growers.

These two operations will have more attention in a later broadcast.

Our Mutual Indemnity Compact and Blanket Compensation Insurance save a quarter million dollars per year for Exchange growers.

Credit losses are always a threat to individual growers and shippers. Sound management has almost eliminated them in the Exchange. Last year the total loss from bad debts on all Exchange business was \$635, one-thousandth of one per cent.

Our Traffic Department fights the industry's freight rate battles. It collects loss and damage claims without charge.

Exchange pest control experts — four of them — help formulate an economical and effective pest control policy for the industry. They give valuable free advice to Exchange growers.

The Research Department has given us new uses for our fruit and by-products. It has developed new, low-cost methods in fruit handling, packing and shipping.

All along the line — in every branch of our business as

growers — *the Exchange has had a single aim: to increase the net return of its members.* That is because it is owned by growers and operated by their elected representatives.

It has done this *by cutting our costs to the lowest in the industry — by increasing the consumption of our fruit — by getting the best prices for it.*

Individual growers cannot do this. Small, scattered groups of growers cannot do this. It is possible only through *majority cooperation.*

I urge every grower listening tonight, not already a member, to join the Exchange for better citrus returns.



*Citrusly speaking, these are dramatic and interesting days in Southern California.*

*You read in the headlines, hear over the air, and feel in your bones the resurgence of a cooperative spirit which had been allowed to stagnate.*

*To get the picture go back to the days when the California Fruit Growers Exchange was born. The citrus industry was choking with surpluses and weak from the blood-letting of low prices.*

*Recovery of a sick citrus industry under cooperative control was one of the most outstanding business stories of the era. Group action brought better prices and Sun-kist growers met crisis after crisis in further achievements which deserved and got front page recordance. So much so that students of marketing throughout the world refer to the Exchange as the model of cooperative action. Its directors' sessions are virtually town meetings where every grower may have a voice. It has done a magnificent job of advertising; of fending off surpluses with by-product uses; and of publicizing the health and goodness of citrus.*

*Results (of President Teague's broadcasts) were not unlike the first shot at Lexington. Citrus growers jumped into the fray. Public sentiment crystallized rapidly and the marketing agreement was quickly restored.*

*But the notable part of the story is the new spirit of the members of the Exchange. Complacency has been replaced by militancy.*

*And what started out as an old-fashioned revival of cooperative spirit among citrus growers, has spread into other groups, and history is being made. — PACIFIC RURAL PRESS, December 24, 1938.*



## VII

### BY-PRODUCTS AND THE MARKETING PROGRAM

(Broadcast December 13, 1938)

**I**N FORMER talks I have referred to by-products as one of the important benefits of large cooperative control. It is important that we citrus growers approach the subject of by-products with the right perspective.

We are in the fresh fruit business. We are interested in citrus products only because they help us do better with our fresh fruit.

For every dollar return we get from by-products, we get a hundred dollars from fresh fruit.

The policy of Exchange growers is based on this approach. We use by-products to get salvage from unmerchantable fruit — whether it be low grade or surplus.

Our policy is to sell the fruit fresh to the limit of the market. Our policy is to protect the fresh-fruit market from undue competition of by-products.

We convert the unsalable fruit into flavoring oils, pectin, bottlers' concentrates, citric acid, stock feed and other similar products.

This, we feel, is the soundest policy under present conditions. We must, however, keep an open mind towards change.

If canned orange or lemon juice is developed of a quality as good or nearly as good as fresh fruit, its convenience will have a great appeal to the consumer. Should these citrus juices be canned and marketed in large volume without control, total returns per acre could be seriously reduced.

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We could scarcely prevent the canning of juices if we wanted to. A dozen manufacturing concerns are already canning here to some extent.

In the event canning becomes important, we have just one means of protecting the fresh fruit market. That is to control the price of fruit which goes into the can.

When fruit is plentiful, canners buy at any price they wish to pay. The result is cheap canned juice to depress the price of fresh fruit. The only way this can be avoided is to have a large percentage of control in a single organization.

Grapefruit growers have already ruined the market for their fresh fruit by selling unlimited quantities to canners at distress figures. The effect is not only to depress this year's market, but to carry over this year's surplus to depress next year's market.

We do not need to let this happen to our oranges and lemons. Here in California we have all of the lemons and practically all of the oranges likely to make acceptable canned juice. If all of this fruit were under the control of the Exchange, we could control the price of fruit for canning to protect the fresh fruit market.

We could go forward with confidence that people could choose either fresh fruit or canned juice without injury to grower returns. Actually, we would benefit from an increased demand.

It makes no difference to the grower in what form his fruit is sold, so long as he gets a fair price for it. With such a program, canning could be a great benefit to the industry.

If the growers control the price of fruit for canning, it is not essential that they enter the canning field. The Exchange, representing 75 per cent of the growers, has had the policy of keeping fully in touch with the canning business. It has prepared itself to meet any situation that may develop.

The Exchange already has by-products facilities that are far ahead of anything else in the industry.

The development of these well-organized and experienced facilities is an example of the foresight of Exchange growers. The possession of product plants has been a God-send to our members, particularly during recent years.

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In the first place, they have relieved the grower of the costly problem of getting rid of unsalable fruit. The products companies assume the entire responsibility for disposal. They pick up the fruit at the packing house and pay the haulage charges.

They do more than save this expense. They have returned over eleven million dollars to growers from the sale of by-products. They have turned a liability into an asset.

Exchange products plants must be prepared to absorb all the eliminated fruit from all Exchange packing houses. Its returns are based on all of the fruit so handled.

Some individual operators, who only take a small fraction of a grower's eliminated fruit of such quality as they select, may pay more per ton for the fruit handled. But such operations are not comparable with those of the Exchange, and cannot solve the products problem of the industry.

This year the products plants demonstrated a new usefulness. The Federal Government agreed to pay \$8 a ton, under a diversion program, for certain grades of oranges, when converted into products which did not compete with fresh fruit. Exchange growers received \$432,000 from the government this year because they had adequate facilities to process the great volume of unsalable fruit — as much as 600 tons a day — for which there was no other by-products outlet.

The two Exchange products plants are the largest of their kind in the world.

The Exchange Lemon Products Company has its plant in Corona, California. It was organized in 1915 and is owned by the lemon-shipping associations of the Exchange. It represents an investment of \$548,000 and has returned nearly \$8,000,000 to growers.

The Exchange Orange Products Company has plants at Ontario and Lindsay, California. It was organized in 1921 and is owned by the Exchange. More than \$3,000,000 have already been returned to growers from an investment of less than \$800,000.

Inasmuch as by-products are purchased by an entirely different class of trade than handle fresh fruit, it was necessary to set up a separate sales department manned by specialists in the field.

This agency is known as the Products Department of the California Fruit Growers Exchange. It maintains offices in Ontario, (California), New York and Chicago, and salesmen and representatives in all parts of the United States and many foreign countries.

The Exchange maintains a well staffed and equipped Research Department to conduct fundamental investigations of by-products and the problems of packing, storing and shipping fresh fruit. It has contributed new citrus products, new ways of making them, and new ways of using them.

The Exchange by-products facilities have already returned many times their cost to Exchange members. They have relieved us of dumping charges. They have enabled us to qualify for Government payments. But most important of all, they have helped the price of our salable fruit.

Without cooperation we could have none of this. We need more cooperation today. In the event that orange and lemon juice canning becomes a large-scale reality, we cannot survive without full cooperative control. "United we stand; divided we fall."

I urge all citrus growers to study their needs and the needs of the industry. I urge you to join your fellow growers in the Exchange.

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*Dear Mr. Teague: As a grower deeply concerned with the welfare of California agriculture as well as with the problem of making a considerable portion of my living out of producing citrus fruit, I want to express my appreciation to you for the vision, courage and sacrifice you have and are giving to the citrus industry directly and to our state and nation indirectly.*

*I believe much good is certain to result from the timely and forthright statements you are making over the radio.*

*Sincerely yours,*

*E. C. KIMBALL, Vice-President,  
Calif. Farm Bureau Federation.*

VIII

THE LEMON GROWERS' PROBLEM

(Broadcast December 15, 1938)

THIS far, no group of farmers or growers anywhere have come through the depression in as good shape as the lemon growers of California.

This record is remarkable in itself. But it is all the more remarkable when you realize what has been accomplished in the face of an annual surplus averaging 20 per cent for the past twelve years.

Surpluses usually mean disastrous prices. But the returns of lemon growers have remained good. You won't find the equal anywhere in the history of agriculture.

Returns have been good, because 90 per cent of the production has been grown by members of the California Fruit Growers Exchange. With this high percentage of control, we have been able to keep shipments in line with demand.

We have sent the surplus to by-products. We could do this and still get a better return than outside shippers who attempted to market all their fruit, because advertised Sunkist fruit commands a big price premium in markets everywhere.

*A high per cent of control, plus proration, within the Exchange — that is the reason for the success of the lemon industry up to now. No one can name another reason. There is no other reason.*

Opponents of the Exchange say there must be competition in marketing to stimulate efficiency — or the Exchange will go dead on its feet. Does this look like it? Would 90 per cent

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of the lemon growers have stuck together for all these years if the results were inefficient? Of course not.

And you cannot escape another conclusion. Think how much better the orange growers would have fared during this time if the Exchange had controlled 90 per cent of the orange crop instead of only 70 per cent.

So far, I have spoken of the past. But what of the future for lemon growers? As long as only 20 per cent of the crop had to be sent to by-products, Exchange growers could carry the whole load for the reasons I have pointed out.

The time has come when Exchange growers cannot continue to take the entire burden. The surplus has become too large. In the immediate future, young lemon acreage foreshadows a surplus of 30 to 40 per cent in full crop years.

It is obvious that Exchange growers cannot afford to divert more and more fruit, while outside growers go on shipping more and more without restriction on a protected market. We cannot continue to protect the market, unless outside shippers take their full share of surplus elimination.

From the growers' standpoint, the ideal solution would be to have all growers join the Exchange. Then we would have unanimous support in keeping supply within the demand — and in building demand to absorb the supply.

Lacking this, we must have industry-wide proration — volume proration such as we have on oranges. Otherwise, it is a ship-as-you please program until enough growers go broke and their groves are pulled out.

In 1935 we had a taste of the heavy production to come. We tried to start a prorate program at that time. Many more than the required two-thirds of the growers quickly signed the agreement.

But the Mutual Orange Distributors, American Fruit Growers and a few others, handling altogether less than 10 per cent of the lemons, — took court action. They blocked the wishes of nine out of ten growers — and there has been no industry-wide lemon prorate.

In light of recent orange prorate developments, it is interesting to analyze the motives of these shippers. They said, in effect, "Why, yes—we'd be in favor of *orange proration* if Florida would prorate too."

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Why then, do these same shippers oppose *lemon proration*? No other district grows any lemons to speak of. We have practically all of them in California. Lemon proration here is equivalent to nation-wide proration of oranges.

Your guess is as good as mine as to why they oppose it. *But they do.*

Some shippers have attacked the policy of the Exchange in protecting the market for lemons during these dozen years of surplus. They charge that good prices have attracted further plantings. They say that if we had not controlled shipments we would not have bigger surpluses coming up.

They overlook the fact that many other producers, with or without cooperation or proration, are experiencing similar problems.

One thing is certain at any rate. We wouldn't have had much money from our lemons for the past twelve years.

That same argument can be projected into the future. Will proration lead to larger and larger surpluses in the years to come?

I should like to consider that question for a moment.

Success always invites competition. That is true in any business. You can't name a business, a profession or any occupation that is not overcrowded in the opinion of those engaged in it.

Everyone in every line of work would like to build a wall around his calling and let no more enter it.

But this is a free country. Every one is free to plant. Any man may use his land in the way he thinks will bring the best return.

Under prorate — or under any system — the law of supply and demand will still prevail.

The most efficient, lowest cost, best financed growers will survive. The inefficient, high cost, poorly financed growers will go first.

The grower who can spread his costs over a carload of fruit per acre will survive longer than the one who has to spread those same costs over a half car per acre.

Without proration, the process is quick, violent and painful to all. Prices become so low that even the best growers are endangered.

Under a prorate, some protection is given to the reasonably efficient producer while the adjustment is going on. When there are heavy surpluses, it is impossible, even with proration, to maintain a price level which will keep the least efficient producers in business.

If we desert the voluntary American method of surplus control, which is cooperation and proration, there are only two alternatives. One is regimented licensing of land. Surely we do not want that. The other is unregulated, destructive competition.

Right now we must keep shipments in line with demand through proration. We must strengthen our efforts to increase the demand.

Our task in this direction is much more difficult than that of the orange growers. It is much easier to get people to use more oranges than to use more lemons. I know, because I have been growing both oranges and lemons for many years.

There is no single use of lemons which gets them into consumption day after day in large quantities. The possible exception is cold lemonade, but this demand is effective only in hot weather.

The lemon is a fruit of many uses. It is a flavoring, a decoration, a refreshment, a rinse for the hair, a cosmetic — to mention just a few.

The Exchange has brought many of these uses into popularity through advertising. It has spent thousands of dollars and years of time in efforts to develop new food uses, health uses and beauty uses for lemons. Before advertising them in a large way, it has always tested their advertising value in a small way.

This research and testing has recently given us another new use for lemons. Many of you have not yet heard of it. It has been going through the proving process for the past four years. We believe it holds much promise for the future expansion of the lemon market.

It fulfills all the requirements. It involves the use of a lemon a day for each person who adopts it. And, if we can get one person in a hundred to use a lemon a day, we will have increased the national consumption by 20 per cent !

This use is simply the drinking of lemon juice, water and bicarbonate of soda each morning or evening as a mild laxative.

We subjected this use to extensive market tests with very encouraging results. This year, in consequence, you will see Sunkist lemon and soda advertisements in national magazines and newspapers.

*We need the increased demand. We are going after it for all we are worth.*

Now—do you outside growers think it fair that the job of building demand should fall entirely on the shoulders of Exchange growers, as it has in the past?

I urge you to get in the Exchange where the job can be done. You'll save enough on costs and make enough extra from your Sunkist lemons to repay your advertising assessment and then some.

I know this is true. Why else would I be an Exchange grower? How else could the Exchange have held 90 per cent of the growers for years against the constant solicitation of outsiders?

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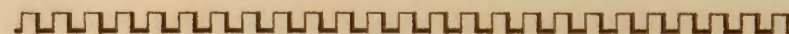
FARM CREDIT ADMINISTRATION  
Washington, D. C.

December 16, 1938

*... I was delighted to get your radio talks. I hope the Exchange will see fit to put these talks in a small circular for distribution because the problems you discussed are constant ones and I believe you have correctly diagnosed the situation and offered a solution. It appears to me, therefore, that these talks are worth putting in permanent form for distribution from time to time when similar situations arise.*

*Yours sincerely,*

E. A. STOKDYK,  
Deputy Governor.



IX

SERVICE OF SUPPLY

(Broadcast December 20, 1938)

OLD-TIME citrus growers learned many a lesson that recent growers have fortunately been spared. But it is important that all growers know of these costly experiences, to prevent them occurring again.

Within the memory of many, a combination of supply manufacturers sought to raise their prices by more than two-thirds in a single season. They would have succeeded, had it not been for the fact that a high percentage of growers was grouped in a single great cooperative. Other suppliers could have taken the same advantage many times since, but for the same reason.

It may seem paradoxical, that we who cooperate to get better prices for our fruit should take exception to price-fixing combinations among our suppliers. The difference is this. In perishable agricultural products, there is no danger of prices unfair to consumers being established through regulatory measures. No group of growers will permit the elimination of large volumes of fruit to establish unreasonable prices.

The same situation does not always exist in combinations of business groups. In such cases, a few large operators may control the supply and set prices much higher than supply and demand warrant.

For instance: up to 1906, growers had been paying about 12½ cents each for boxes in which the fruit is packed. Mills were not plentiful, and lumber interests saw an opportunity to capitalize on the situation at the growers' expense.

They formed a selling organization and informed buyers

that shook for the next season would cost 21 cents a box. This was an increase of  $8\frac{1}{2}$  cents a box, or more than two-thirds, over the old price.

This would have cost the growers a million dollars that year. Such a raise on this year's large volume would have cost three million dollars, which is almost double the entire marketing cost of the Exchange.

What could we growers do? We were dealing in perishables. We had to ship our fruit. We had to have boxes.

Individual growers and those gathered in small groups found they could do nothing about it. But the members of the California Fruit Growers Exchange knew they could do plenty. And what they did has been a protection, not only to Exchange growers, but to *all* growers, ever since.

I shan't burden you with details. The Exchange financed other mills to install box-making machinery. They broke the box trust. The trust cut prices below cost in an effort to embarrass the Exchange. But the growers knew what was going on. Members remained loyal. Many outside growers joined. *The Exchange went into the fight with 48 per cent of the growers. It came out with 61 per cent.*

When the going is rough, cooperation most clearly demonstrates its value. The Exchange was born of adversity; the harder the times, the faster its membership has grown.

The box-shook problem was not finally licked until the Exchange bought its own mills and timberlands—at Hilt, California, in 1910, and at Susanville in 1921.

Today the Exchange manufactures less than half of its members' shook requirements, but in an emergency it could furnish the entire supply. The operation has cleared itself of its original indebtedness.

It stands as an object lesson to sellers that Exchange members will take whatever steps are necessary to assure adequate sources of supply at reasonable prices.

In working out the box-shook problem, it was necessary to form a separate company, owned by the member-associations of the Exchange. It is known as the Fruit Growers Supply Company. It provides a protection, service and economy to growers, enabling members to benefit by collective buying as well as collective selling.

Today, the paid-up capital of the Supply Company is six million dollars. It needs no more capital. For every dollar of capital collected now, a dollar is refunded to the grower holding the oldest outstanding stock. The average grower gets back each year the same amount he puts in, through a revolving fund.

The manufacture of box-shook has become the minor part of the ten million dollar annual business of the company. By far the larger portion is the wholesale purchase of other packing and orchard supplies for associations and growers.

We are dealing with perishable fruits in great volume. We must have ample quantities of shook, wraps, nails, labels, washing powder and other material on hand when the fruit is ready to go. We must have fertilizers, sprays, covercrop seed and—above all — *heater oil* in the grove at the right time.

In January, 1929, although lumber was plentiful, outside mills could not deliver sufficient boxes because their lumber was not dry enough to ship. Our own mills had to come through with nearly two million boxes in thirty days — and they did.

I do not need to remind you of the great job done in supplying heater oil to Exchange members during the 1937 freeze.

It is the primary purpose of the Supply Company to furnish the major materials for grove and packing house. It employs no salesmen to solicit the business of Exchange members. It does not make a point of purchasing everything from household furnishings to Christmas gifts.

By holding as closely as possible to its broad purpose, the Supply Company achieves a very low overhead cost. This cost runs well under two per cent compared to ten per cent and more in some cooperative supply services.

Because of its financial standing and large-scale efficient buying, the Supply Company is usually able to make considerable savings on its purchases. These savings are distributed to growers as refunds. They have amounted to nearly eight million dollars since the Company was formed.

But the greatest savings, of course, have come from the protection of a fair price level for materials which a united grower support provides. At one time or another, the Exchange has had to protect its members from unwarranted price advances on nearly all of the important commodities purchased.



Just recently, the Supply Company had difficulty in securing dusting sulphur on the Pacific Coast at a fair price. It is the Company's policy, of course, to buy everything it can from local suppliers. Last year, it became necessary to import a considerable tonnage of sulphur from the east coast to insure a fair price. This activity of the Supply Company resulted in a saving of approximately \$15 a ton to citrus growers in California.

We Exchange growers are in the box-making business solely to give ourselves protection. We have no special desire to enter any other business. But if, as time goes on, we find we are being placed at a disadvantage by manufacturers, we may be forced to expand this type of activity.

We could not do this if we did not have a central buying organization loyally supported by the great majority of growers. We could do a much better job if we had the support of those now outside the Exchange.

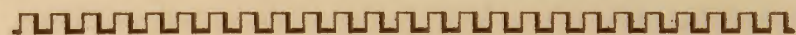
There is a saying that "competition is the life of trade." No one knows who said it first, or whether he was a buyer or a seller.

Competition among sellers is good for the buyer — not so good for the seller. Conversely, competition among buyers is what the seller wants.

Apparently confused by these simple facts, some of our competitors talk about the need for "competitive cooperation," whatever that may be.

As growers and sellers of citrus fruits, *we already have too much competition. We must compete with citrus growers elsewhere, with the growers of other fruits, with the producers of other foods, with all those who wish to sell anything to the consuming public.*

Yet some would have us also compete among ourselves. They advocate competition among citrus marketing agencies, because "competition is the life of trade"! Fellow growers — competition is becoming the *death* of citrus growers. *Cooperation is our life.*



X

COOPERATION IS THE ANSWER

(Broadcast December 22, 1938)

**I**N THIS series of broadcasts, I have frankly placed before the citrus growers of California and Arizona the problems of the citrus industry, as I see them and as all of my associates, charged with the responsibility of marketing 75 per cent of the citrus crop, see them.

I am particularly concerned and anxious that we citrus growers shall escape the devastating effects of overproduction, under-consumption and unregulated competition that have overtaken so many other agricultural producers.

The welfare of over 18,000 citrus growers and their families, as well as that of the business men and workers in the great citrus communities, depends upon a right solution.

The citrus industry is second only to oil in importance to the prosperity of California. At least 200,000 people derive their livelihood directly from it.

I have given many years of my life to these problems without compensation other than the returns I get as a grower. After forty years' experience I should know something about the business.

I have pointed out that the industry is facing certain and serious over-production in oranges, lemons and grapefruit.

I have shown that this surplus production, if uncontrolled and unregulated, will mean disastrously low prices.

I have expressed great confidence that this threatened calamity can be avoided if right methods are followed.

I have shown, too, that consumers, as well as producers, benefit from orderly distribution of our crops. It means a steady, full market supply at fair prices, rather than alternate extremes of low and high prices.

Experience has proved that regulation of shipments does not restrict consumption. More fruit is sold on a stabilized market than on one in which no confidence in price levels exists.

I have pointed out that we must *build demand* to the point where it will absorb these heavier crops at a fair price to all. *That is our fight and we are going to win it.*

I have shown that we have had similar situations in former years and that they have always been solved by the constructive policies of the California Fruit Growers Exchange.

These policies have been —

*One* — To build consumer demand through an aggressive, efficient national and international sales organization — and through national advertising and dealer service.

*Two* — To regulate supply to demand to get maximum consumption and protect the price level.

*Three* — To lower costs through the economies of cooperation, which I have described, and through the various agencies which have been set up to that end.

Great possibilities for further benefits to growers, which I have not previously discussed are:

*First* — The better prices that could be obtained in the markets if there were not so many agencies calling on the trade and bidding against each other for sales. This does not strengthen the market. It weakens it.

*Second* — While already the lowest in the industry, Exchange sales costs could be still lower with larger volume.

*Third* — Increased Exchange membership would make available more money for advertising without increasing the investment per box.

I have explained to you how the carrying out of these vital policies was made possible by a group of far-sighted growers forty-five years ago. When the industry was in even greater distress than now, they organized the California Fruit Growers Exchange, a grower-owned cooperative, to market their crops at cost.

I have described the policies and methods by which the Exchange has increased consumer demand, keeping pace most of the time with the rapidly increasing production as it grew from 6,000 cars 45 years ago to its now gigantic proportions of 125,000 carloads or more per year.

This result was made possible by large volume control in a single cooperative. A small assessment per box provided the necessary funds.

If good times had continued we probably would have had little or no surplus in oranges, even today. With so many people unemployed and the purchasing power of the Nation reduced, the problem is more difficult. We hope this is temporary.

Most everybody in the industry will agree that many additional millions have been returned to California and Arizona growers, because of the Exchange.

The Covina Argus in commenting editorially on these broadcasts shows comprehensive understanding when it says:

"If all the owners of groves could be taken back to the days of anarchy in the citrus business — when fruit shipping was all independent, and red ink was the rule and not the exception, it would be easier for them to understand the purport of his words. Small groups of men waxed rich by shipping citrus and other fruits on consignment, returning to the grower a few dollars now and then, sometimes handing him a bill for freight in place of profits.

"Cooperative marketing changed that. It was the California Fruit Growers Exchange which brought order out of chaos. In most years since, the citrus grower has fared far better than almost any other tiller of the soil. His cooperative marketing set-up has been copied over the United States and the world.

"This attempt to destroy the prorating system was a fundamental attack on cooperative marketing, nothing else.

"Patrick Henry, during the American revolution, said that 'we must hang together or we'll hang separately.' That statement might well be inscribed over the door of every packing house in the citrus areas, Florida, Arizona and Texas included."

From an intimate knowledge of the California Fruit Growers Exchange, and all of its operations, I say to you that it is the most comprehensive and efficient method of marketing of a

perishable crop that has ever existed in the history of the world.

It stands high with the trade, with the government departments, with business generally, because of its integrity, honesty and fair dealing.

It is staffed by an exceptionally able group of executives and assistants. They are not overpaid.

The directors of the local associations, from whom the directors of the district exchanges and central Exchange are elected, number more than 1,400 men. They are as able a group as you will find in any industry.

The Exchange is the result of the combined judgment and experience of these men.

If other marketing methods were better, we would adopt them. Whenever we see need of change or improvement, we adopt it and will in the future.

It is your organization, owned and controlled by you — erected to serve you — operated at cost — without profit — honest and sound to the core.

I say to you — the Exchange is the foundation and salvation of your business. Guard well this splendid cooperative marketing organization.

More citrus growers should be members. On the outside, you are only making it more difficult for your own business as a citrus grower to succeed.

The motive for more volume in the Exchange is not profit, or size, but as I have tried to show you, to improve the growers' returns per acre. We don't ask growers to join for the good of the cause alone. The Exchange is the place where growers get the best returns. Three out of every four growers know this and more are finding it out every year.

I have given you the fundamentals and facts of the operation of the Exchange. Let no one, either through lack of accurate knowledge or through selfish, deliberate misrepresentation, dissuade you from your loyalty to this grower-owned and grower-controlled organization.

Every grower, banker and business man who understands what the Exchange is — what it has done — and what it can do, to solve the problems of the citrus industry in the future, should be a crusader in its support.

