

# California Fruit Growers' Exchange

*How 8,000 fruit farmers got together and turned loss into profit by mutual help and business methods*

By DON FRANCISCO

Perhaps no agricultural commerce is more interesting than that of citrus fruits as handled in California, principally thru the California Fruit Growers' Exchange. The story of the early problems of the industry, the war against crop pests, the fight with the manufacturers of orchard and packing supplies, how serious losses from decay were eliminated, the fight with speculators and crop manipulators, how the country's consumption of citrus fruits was increased to prevent an over-production, and how these mutual dangers welded the growers together and developed one of the most remarkable selling organizations in the world—these facts would make a story as interesting and instructive as a history of the great war.

The citrus industry of California represents an investment of over \$205,000,000. There are 205,000 acres of oranges, lemons and grapefruit in the state, and it costs about \$1,000 an acre to bring the groves into bearing. In a normal crop year 50,000 carloads of fruit are shipped, more than 90 per cent. of which is produced in a comparatively small area in California. About 67 per cent. of these shipments, having a delivered value of approximately \$38,500,000, was forwarded by the California Fruit Growers' Exchange. This organization is conducted by the growers themselves at actual cost and provides a marketing service which is less expensive than that developed for any other agricultural crop in the world.

## Co-operative Supply Helps

Thru its mutual supply company the Exchange places for its growers an annual order about as follows: 10,355,000 boxes, 214 carloads of tissue paper, 40 carloads of nails, 445 tons of cover-crop seed, 600 tons of sodium cyanide, 26,000 tons of fertilizer.

The growers get the benefit of large buying power and wholesale prices. They have also perfected a mutual indemnity compact whereby property damage and losses are pooled by all members.

Here is a great business institution better organized, more efficient, more smoothly working than the average business machine—and dealing with much more complicated problems. And yet its organizers and managers are chiefly unknown to fame, and draw from their achievements only the most modest salaries.

## Old System was a Loser

Twenty years ago the citrus fruit growers of California produced 6,000 carloads of oranges and lemons. They sold the crop to local or distant buyers, or consigned it on commission. This system of distribution finally failed, because a few buyers only were in the field, and they were not working in the interest of the grower. Like the selling of Pacific Coast apples in recent years, or of California deciduous fruits a few years ago, the system of selling the fruit at the point of production collapsed because the unorganized distribution of the buyer could not take care of the rapidly increasing business. The California citrus growers were forced to take the distribution out of the hands of the

buyers and to develop their own system of distribution thru which the crop could be systematically placed in the markets of the United States and Canada, and there sold thru their own agents to the jobbing trade on a f.o.b. basis; on a delivered basis subject to condition on arrival; for cash California acceptance; or to jobbers, retailers or others thru auction in the larger cities.

## Early Organization of Growers

The growers began to work together twenty-five years or more ago. They first formed local associations, built packing houses, and selected managers to handle their business, the object being to bring together the fruit of the individual growers, standardize the grades, and prepare it for sale. They then federated the local associations into what is now the California Fruit Growers' Exchange. They placed their own agents in the leading cities of the United States and Canada, and thru them now sell the vast crop to 2,500 fruit jobbers, who in turn re-sell it to 300,000 or more retail dealers either direct or thru travelling salesmen. One-third of the crop is sold in the largest cities at public auction, either to wholesale or retail dealers. Thru

prepared for shipment; the district exchange, which acts as a clearing house for the associations of a community; the California Fruit Growers' Exchange, which provides agents thru which the district exchanges, in co-operation with the associations, distribute and market the fruit of the grower, and which handles all the general business problems affecting the distribution of the crop. All of the organizations operate at cost, and each distributes the entire net proceeds to the growers after operating expenses are deducted. The proceeds of sales are deposited by the Exchange agent in a national bank and check immediately drawn in favor of the shipper. The deposits draw interest until return of the check, which earnings serve to reduce the cost of operation.

## The Local Association

There are 171 local associations of growers or individual shippers in the Exchange, representing about 67 per cent. of the citrus industry. The association assembles the fruit in the packing houses and there grades, packs and prepares it for shipment. The leading associations pick the fruit for the members and some prune and fumigate the trees. Usually the fruit of the growers is mingled in common pools extending over a few weeks, or occasionally thruout a season. The grower receives his share of the proceeds of a pool pro-rated on the number of pounds of each size and grade of fruit which he delivers to the packing house. Each association has its own brands for each grade of fruit. The association brand must appear on the box and the name of the association must also appear on the fruit wrapper. The fruit of the higher grades of Exchange shippers is packed under the "Sunkist" brand, which supplements the brand of the association. "Sunkist" is a copyrighted trade mark owned by the California Fruit Growers' Exchange. Thru national advertising "Sunkist" has become the best known fruit brand in America.

A leading factor in the success of the exchange system is the character of the fruit and the efficiency with which it is handled in preparing it for sale. A community may become prosperous, or the average grower can be kept in financial distress by the character of the local organization. The merchandising of oranges and lemons rests fundamentally on good fruit, well graded, well packed, and of good keeping quality. It rests next on systematic distribution and efficient exchange service. Improper handling leads to decay and often causes the growers of a community a loss equal to one-third or more of the cost of production, and as much as the jobber's cost of distribution.

## The District Exchange

There are eighteen district exchanges, each composed of several local associations. The district exchange is a non-profit organization, operating at cost. It acts as a clearing house in marketing the fruit in co-operation with the associations thru the facilities provided by the California Fruit Growers' Exchange.

Continued on Page 42

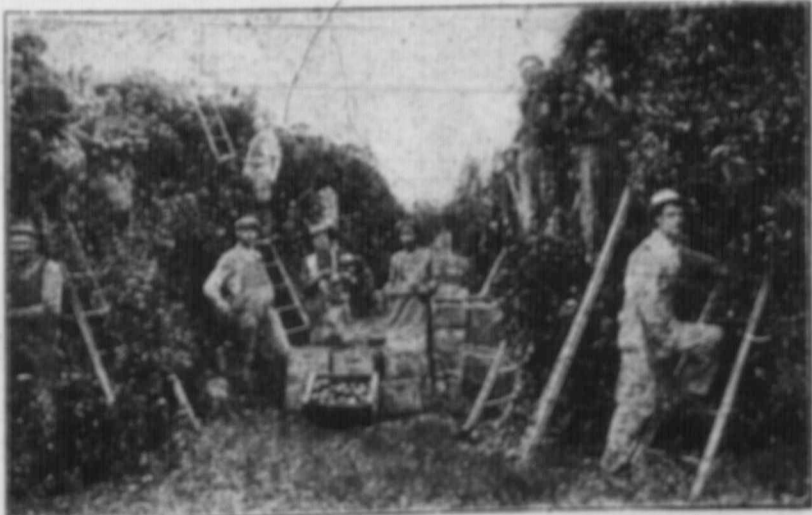


ORANGE PACKING HOUSE, LORDBERG, CALIFORNIA

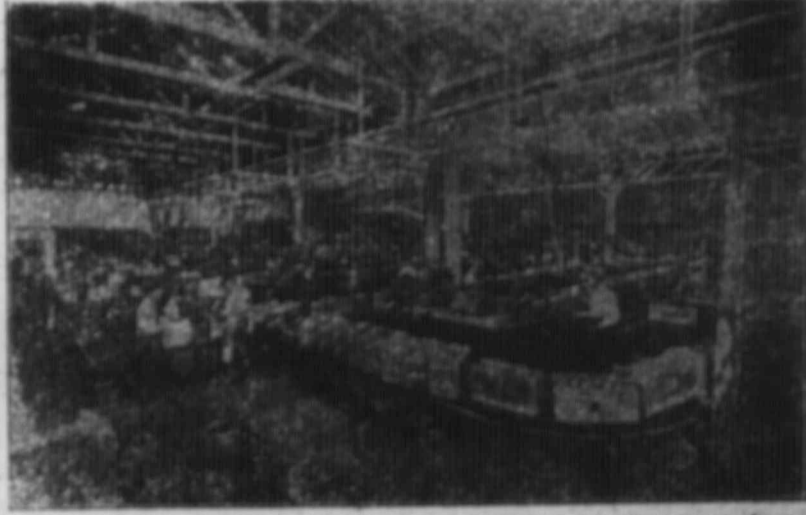
the central exchange, the growers are placed in daily touch with trade conditions in every market thruout the United States, Canada and foreign markets; with the supplies of Exchange fruit on track or rolling to each market; the condition of the fruit; the details regarding the sale of each car; the weather conditions; the supplies of other fruits that compete with citrus fruits; the responsibility of the trade; and with every factor which leads to an intelligent distribution of the fruit. This telegraphic information is placed in the hands of the Exchange shippers daily, a market news service having been developed more effectively by the Exchange than by any other American agricultural industry. The daily bulletin includes all telegrams passing between the agents and the shippers regarding each car; a catalog of the details of Exchange cars leaving California; several special reports from private sale and auction markets, and at the end of each week and month summaries of the different business operations of the system.

## The Exchange Units

The Exchange is built on three foundation stones: the associations of growers, thru which the fruit is



Orange Picking. Members of the La Verne Orange and Lemon Growers' Association, Lordberg, California



Packing Room. Capacity, Twelve Cars Per Day. La Verne Orange and Lemon Growers' Association, Lordberg, California