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United Nations Industrial Development Organization

Expert group meeting on processing
selected tropical fruits and vegetables
for export to premium markets

Salvador, Bahia, Brasil, 25 - 29 October 1971

OVERSEAS MARKETING OF AUSTRALIAN CANNED FRUITS ✓

by

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Australian Canned Fruits Board
Melbourne, Australia

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SUMMARY

OVERSEAS MARKETING OF AUSTRALIAN CANNED FRUITS

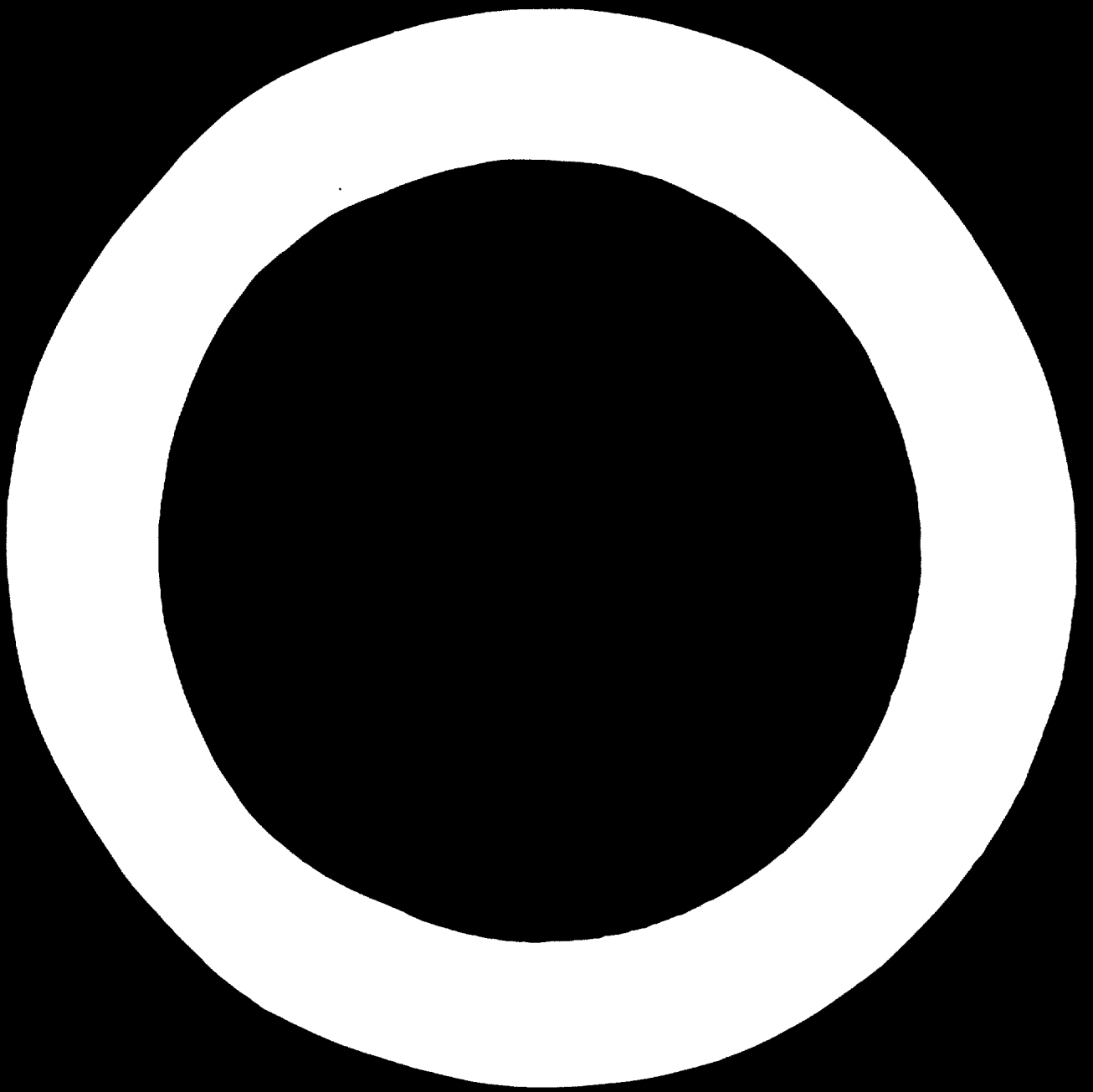
by

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In this paper, the Australian canned fruits industry is subjected to examination, in the hope that its experience of overseas marketing will be of value to the tropical fruit and vegetable processing industries represented at this meeting.

The Australian fruit industry developed rapidly after the 1914-18 World War, when ex-servicemen were encouraged to plant orchards in the areas where irrigation was available to provide a dependable source of water. Fruit production soon exceeded the requirements of the small domestic market and co-operative canneries were established to process the surplus fruit. Unfortunately prices for canned fruits on export markets were unattractive at the time, and it was realized by

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the industry that there was an urgent need for the orderly marketing of the surplus production.

It was considered that co-operation among exporters would improve the returns from exports and that this would help to stabilize prices on the domestic market. Consequently, with the approval of fruit processors, in 1926 the Commonwealth Government established a Board to control the export of canned deciduous fruits and develop overseas markets.

The Board later agreed to control the export of canned pineapples in order to stabilize the prices for all varieties of canned fruits being exported from Australia. In recent years, however, the domestic market has been the main outlet for canned pineapple because of the decline in export prices.

The total production of canned fruits in Australia has steadily increased to an annual level of over 13,500,000 basic cartons. Only about 30% of this quantity is consumed in Australia and hence the industry is dependent on overseas markets for the disposal of the balance.

The Australian Canned Fruits Board is comprised of ten members representing canneries and fruitgrowers and one member appointed to represent the Government. The principal function of the Board is to encourage, assist and promote exports of Australian canned fruits, but it is not empowered to control the production or marketing of canned fruits within Australia.

All exporters of canned fruits are required to have an export licence, which may be obtained by giving an undertaking that the minimum prices and marketing conditions determined by the Board will be observed. In order that the Board may control the export of canned fruits, exporters are also required to obtain a permit from the Board for each overseas shipment of canned fruits.

The principal export markets for canned fruits are the United Kingdom, Continental Europe and Canada. The Board prescribes minimum prices and selling conditions to be observed by exporters to these markets but it does not exercise control over the prices and conditions applicable to sales in other markets.

The Board is represented on the Overseas Trade Publicity Committee which was established by the Government to co-ordinate the publicity and promotional activities by Australian Marketing Boards in overseas markets. All types of

publicity media are used to advertise to consumers the excellent quality of Australian primary products and the value of this promotional support is appreciated by overseas buyers.

Australian manufacturers have been exhorted by the Government to take an active interest in the export trade. The facilities of the Department of Trade and Industry, which has Trade Commissioners in all important overseas markets, are available to assist exporters. Income tax concessions are granted for expenditure in connection with the development of export markets and a Government-sponsored insurance corporation enables exporters to insure against the risk of non-payment for their export sales.

The quality of the canned fruits exported from Australia is supervised by Government inspectors stationed at canneries to ensure that the premises conform to the required standards and that the fruit is graded, labelled and packed in accordance with the regulations.

The Board has an annual income of about A\$ 700,000 which is derived mainly from a levy on exports of canned fruits from Australia and an excise duty on deliveries of canned deciduous fruits in Australia. This income is principally expended on overseas publicity and promotion and the maintenance of offices in Melbourne and London to service the requirements of the Board.

Unfortunately the present world production of canned fruits exceeds the demand and prices are very competitive in export markets. However, the canned fruits industry has experienced this situation in the past and no doubt new markets again will be found for the surplus, perhaps by the development of new products.

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Preface

By way of introduction, perhaps it would be of interest to refer briefly to the important role which primary products have played in the development of Australia.

The first immigrants arrived in Australia from England in 1788, but the crops that were planted in the early years were barely sufficient for the subsistence of the small population whilst exploration and development of the new country was taking place. After the settlement had become established on a permanent basis, it was realised that Australia had almost unlimited land which could be developed into a flourishing agricultural industry to provide the foundation of economic growth.

The range of climates in Australia enabled a wide variety of primary products to be produced. Initially it was the suitability of the country for growing wool which was exploited most successfully and this formed the basis of a growing export trade. The ships brought out from England the goods which were not produced in Australia and returned with cargoes of wool to supply the ever-increasing demands of the mills in Europe.

As Australia grew in population and developed its agricultural resources, its export income was almost entirely derived from the sale of surplus primary products. This has been a traditional feature of the Australian economy although in recent years exports of minerals and manufactured goods have made an increasing contribution to overseas earnings. Today, Australia has a population of over 12,500,000 and the value of its export income from agriculture is in the vicinity of A\$2,000,000,000 per annum.

Development of the Canned Fruits Industry

The availability of irrigation led to the creation of large and prosperous fruitgrowing areas in the Goulburn Valley (in Victoria), the Murrumbidgee Irrigation Area (in New South Wales) and the Murray Valley (in South Australia).

It was during the 1914-18 World War, when the orchards came into full bearing, that it first became apparent that the domestic market was not large enough to absorb the additional fruit available. As this was wartime, it was not practicable for the surplus to be exported.

After the War, as part of its repatriation policy, the Government encouraged ex-servicemen to settle on the land and this led to the planting of a large number of new orchards. As these trees reached bearing age, the industry was in a serious state of over-production and co-operative canneries were established in the fruitgrowing districts to provide fruitgrowers with outlets for their crops.

In these years, the Government financed fruit pools for the purchase, manufacture and sale of fruit suitable for canning. This was done at the request of fruitgrowers because canners had refused to take the whole of the crop offered, claiming that the high cost of labour, sugar and tinplate made it unprofitable for canned fruit to be exported at ruling world prices. Under the pooling arrangements, the canners paid growers a nominated price for their fruit but, unfortunately, the canned fruit was sold overseas at low prices, resulting in a substantial loss to the pool.

The Government then decided to assist the industry by means of production and export bounties on the condition that the fruitgrowers were paid a fair price for their fruit. All these measures were costing the Government a considerable amount of money and it eventually demanded that the industry should be organised on a sound basis.

The unsatisfactory economic position of the industry was basically due to the fact that production had overtaken the capacity of the domestic market and canneries would not process all the available fruit because there was an absence of permanent export markets for the surplus and world prices for canned fruits were declining.

It is generally accepted that, where the domestic price is different from the export price, sellers will favour the market with the higher price. This market tends to become over-supplied with the result that the higher price will tend to fall to the price level in the other market. Thus there is a need for the orderly marketing of the exportable surplus so as to obtain the best prices overseas and maintain firm prices on the domestic market.

Unfortunately, the industry was not organised to improve its situation by drawing upon the experience gained in previous years. In overseas markets, individual Australian exporters were selling in competition not only with each other but also the importers handling canned fruits from other countries.

By selling in isolation, these exporters were often congesting the market and placing themselves in a weak bargaining position with buyers. The disposal problems for some brands were aggravated when continuity of supply could not be assured or there was a lack of uniformity of quality.

Because of the need for an improvement in the methods of distribution, and the lack of market research and effective advertising, exporters were not exploiting the full potential of overseas markets for canned fruits. It was apparent to those concerned about the future welfare of the industry that there was an urgent need for co-operation among exporters especially as production was expanding and this would increase the surplus to be exported.

Establishment of the Board

Eventually, the organisations representing fruit growers and processors requested the Commonwealth Government to establish an 'Export Control Board' with statutory power to control the export of canned fruits and to develop overseas markets.

It was considered that such a Board would have the authority and status to obtain increased returns for the industry by co-ordinating the marketing activities of individual exporters. The introduction of orderly marketing overseas was expected to eliminate internecine competition among Australian exporters whereas the expansion of export outlets was expected to restore stability to the domestic market.

It was foreseen that the establishment of the Board would enhance Australia's overseas reputation as an exporter, and that the projected increase in exports would make a valuable contribution to overseas earnings. It was also anticipated that the Board would be able to improve the quality of canned fruit being exported by sponsoring the introduction of regulations prescribing standards for the processing, grading and packing of the product.

Previously, the Commonwealth Government had established Export Control Boards for the marketing of dairy produce and dried fruits and it was largely due to the success of these Boards that legislation was introduced in 1926 to create the Canned Fruits Control Board to regulate and promote the sale of canned fruits in overseas markets.

Perhaps it should be explained that the jurisdiction of the Commonwealth Government is limited by the Australian Constitution to overseas trade and therefore the powers of Australian Marketing Boards established under Commonwealth legislation are limited to export control. The Commonwealth Government is unable to regulate interstate or intrastate trade, the latter being the prerogative of the various State Governments.

It is noteworthy that provision was made for a poll of fruit processors to be held to determine whether they were in favour of the Act. The poll resulted in the majority voting in favour of the Act being brought into operation.

The Canned Fruits Control Board held its first meeting in January 1927.

Early Problems

For several years, the Government provided assistance to the industry by the payment of bounties on peaches exported to the United Kingdom which was the world's largest importer of canned fruits. The canners contended that, unless a subsidy was paid, it was unprofitable to export canned fruit to the United Kingdom.

The London market was weak, due to oversupply, and the prices being offered were below the Australian cost of production. However, the Board considered that the exportable surplus should continue to be sent to the United Kingdom to prevent Australian canned fruit disappearing from that market.

The industry was not in a position to meet the losses on exports because the domestic market, which was already overstocked, would not bear an increase in prices nor could the fruitgrowers afford to accept a lower price for their fruit.

During the depression years, the production of canned fruit continued to increase but world prices were very low and consignment stocks had to be sold under distress. However, this was largely responsible for the development of new markets, an important aspect of the Board's activities in the ensuing decade. During this period, the world market for canned fruits expanded greatly and prices improved, with the result that Australian exports doubled between 1931 and 1938.

In August 1937 the name of the Board was changed from the Canned Fruits Control Board to the Australian Canned Fruits Board.

Post-War Developments

The Australian canned fruits industry endured a depressed period during the 1939-1945 World War when the export trade was disrupted but since then it has made tremendous advances in increasing its production capacity and export sales.

When normal trade was resumed after the War, there was a strong demand for canned fruits because all countries importing canned fruits were short of stocks. Australia was the principal supplier of canned fruits to the United Kingdom, where distribution was controlled by the Government until 1954. Export prices were considerably higher than domestic prices and the industry enjoyed new prosperity.

This encouraged the planting of new orchards because canners were in a position to pay higher prices for their fruit. It is significant that the prices paid for canning peaches rose from £16 to £56 per long ton between 1947 and 1956. Horticultural research also played its part in the production boom, and yields per acre increased dramatically.

However, South African production was also rising rapidly and the resumption of Californian exports exerted a steady influence on export prices. This, in turn, led to a reduction in the prices being paid to fruitgrowers for their fruit. The industry therefore devoted its attention to expanding the domestic market and developing new overseas markets. Continental Europe was a market of increasing importance.

A setback was suffered in 1956, when half the peach trees in Victoria had to be removed as the result of disastrous floods. In subsequent years, there were heavy plantings to compensate for these losses.

In 1963 the Australian Canned Fruits Board was reconstituted and given wider powers under the Canned Fruits Export Marketing Act. On this occasion a poll was not taken but overwhelming support from representative industry organisations was demonstrated to the Government before the legislation was introduced to Parliament.

From 1964 to 1970 the Australian canned fruits industry has experienced another period of expansion with total production increasing by about 45 per cent in this period. Although there was a steady growth in the domestic market, it was the overseas markets which absorbed most of the increase in production.

Canned Pineapples

Prior to 1925 domestic consumption absorbed the total production of canned pineapples in Australia and there was little interest in the export trade. Thus, pineapples were not included among the canned fruits brought under the control of the Board when it was established in 1926 although provision was made for other varieties (including pineapples) to be controlled later.

Local demand declined under the competition from other varieties of canned fruit and consequently from 1930-32 a small quantity of canned pineapples was exported, mostly to Canada. The rapid growth of competition, particularly from countries with low production costs, soon made this market unattractive. It then became necessary to look to the United Kingdom market, where canned pineapple was the most popular variety of canned fruit imported, for disposal of the exportable surplus.

Some canners, who were exporting both canned deciduous fruits and pineapples to the United Kingdom, were able to give price concessions to buyers by offering at low prices the canned pineapples which were not controlled by the Board. Therefore, in December 1932, the Board agreed to the request by pineapple interests that the export of canned pineapples should be brought under the jurisdiction of the Board because the control of pineapples was expected to stabilise export prices for all varieties of canned fruits. The membership of the Board was enlarged to include a representative of the pineapple industry.

After the 1939-45 World War there was a heavy demand in overseas markets for canned pineapples and canners therefore concentrated on exports for the disposal of their production, the prices obtained being more attractive than those in the domestic market. In 1954 the export markets weakened as the result of competition from other supplying countries and the increasing popularity of other varieties of canned fruits. Consequently, as the overseas markets became overstocked, export prices declined rapidly.

The industry then diverted its attention to the domestic market where realisations were more favourable, particularly as other canned fruits were still in short supply. Since 1957 the domestic market has been the principal outlet for canned pineapples and the surplus is exported as opportunities arise, mostly to the United Kingdom and Canada. It is not envisaged that a significant increase in exports will take place unless there is a substantial rise in the level of prices being paid by importing countries.

A ballot of all pineapple growers in Queensland resulted in the introduction of a Rationalisation Plan for the pineapple industry in December 1968. Under this Plan a No. 1 Pool was established to cover domestic market requirements of canned pineapples plus a moderate quantity for export. Production in excess of this quantity is allocated to the No. 2 Pool. Growers are paid a satisfactory price for their deliveries to No. 1 Pool but the price paid for deliveries to No. 2 Pool is dependent upon the actual average return received from exports.

The importance of this Plan can be measured by the fact that in Australia all pineapples are grown and canned in Queensland with the exception of a small quantity grown in northern New South Wales. The smooth Cayenne is the most popular variety and this is sold on the fresh market, in addition to being canned as slices, pieces or crushed.

In 1969, 48,250,000 plants were grown, from which about 97,500 tons were produced, the quantity processed by canneries being about 80,000 tons. The level of production varies with climatic conditions but it is possible to grow two crops of pineapple each year and this enables processing to be almost continuous throughout the year.

Tropical Fruit Salad is a mixture of pineapple, papaw, banana and/or passionfruit, with orange juice, but the production of this pack is restricted due to the limited availability of suitable papaw. Another important avenue for the disposal of pineapples is the market for canned pineapple juice and blended drinks which are finding increasing popularity.

The foregoing has been a brief examination of the development of the Australian canned fruits industry, the conditions leading to the establishment of the Australian Canned Fruits Board and the state of the industry today.

It is now appropriate that attention should be given to the present nature of the Board and its activities, especially in regard to the regulation of overseas marketing and the promotion of sales of Australian canned fruits in overseas markets.

Although this will deal with Australian canned deciduous fruits principally, it is believed that the Board's experience in the export marketing of these products will be of value to the representatives at the Meeting who are concerned with the marketing of the processed tropical fruits and vegetables under study.

Membership of the Board

The present composition of the Australian Canned Fruits Board is as follows:

| | |
|--|--|
| Canned Deciduous Fruits: | 3 representatives of co-operative canneries 3 representatives of other canneries |
| Canned pineapple products: | 1 representative of canneries producing canned pineapples or canned pineapple juice |
| (These seven members are elected by a formal poll) | |
| Growers of canning apricots, peaches and pears: | 3 representatives who are nominated by the Australian Canning Fruitgrowers' Association |
| Commonwealth Government: | 1 representative appointed by the Minister for Primary Industry. |

It will be noted that the Board is fully representative of the industry and should not be regarded as an agency of the Government. Although canners have the largest number of representatives, no section has a majority of voting power.

The Government representative is usually a senior Government official with an intimate knowledge of the industry's operations and he is in a position to interpret Government policy as well as advise on the co-ordination of the Board's activities with those of other Marketing Boards.

The Chairman of the Board is appointed by the Board members, subject to the approval of the Minister for Primary Industry, but it is not essential for him to be one of the eleven members mentioned above.

All Board members, including the Chairman, hold office for a term of three years but are then eligible for re-appointment. They are entitled to fees for attendance at Board meetings, in addition to the reimbursement of travelling expenses. Each Board member may appoint a deputy who is entitled to attend Board meetings when the Board member is absent.

Functions and Powers of the Board

To explain the nature of the Board and its activities, the following is a summary of its functions, powers and responsibilities. Some of these items are referred to in more detail later in this paper.

1. It is a corporate entity with perpetual succession. It may sue and be sued and it is therefore legally responsible for its actions;
2. It is required to encourage, assist and promote the exportation of canned fruits from Australia and the consumption and sale outside Australia of Australian canned fruits;
3. It may do what it considers necessary to improve the quality of Australian canned fruits and the methods of production, storage and transport thereof;
4. It may accept responsibility for the disposal of any canned fruit which is placed under its control voluntarily for export. It may also purchase canned fruit under certain conditions;
5. To enable the Board effectively to control exports of canned fruits and their sale and distribution after export:
 - a) the exporter must hold a licence to export and this is issued only on the recommendation of the Board;
 - b) the exporter must obtain an export permit from the Board;
 - c) exports must be made in accordance with such conditions as are prescribed by the Board.
6. It recommends the rates of export levy and excise duty to be imposed by the Australian Government;
7. It is responsible for marine freight contracts pertaining to the shipment of canned fruits to overseas markets. In practice, these contracts are generally negotiated by the Board on behalf of exporters in an endeavour to obtain more favourable rates than would have been possible otherwise;
8. It negotiates a marine insurance contract on behalf of exporters in order to obtain the maximum cover at competitive premiums;

9. It may require the submission of returns or information in relation to the canned fruits industry;
10. It is recognised as the authority for the industry on matters connected with the export of canned fruits. This enables it to maintain a close liaison between the canned fruits industry and Government Departments on industry affairs;
11. It takes a vigilant interest in movements in world tariffs for canned fruits;
12. It compiles statistics on production, sales, exports, stocks and prices of Australian canned fruits and it has research facilities to examine similar information about competing countries.

Production

The Board does not have the authority to control the production of canned fruits because, under the Australian Constitution, only the State Governments have this power. Cannery are therefore free to use their own judgment as to the quantity of canned fruits they will produce.

Australia is the second largest producer of canned fruits in the world, but only about 30 per cent of the production is sold on the domestic market. It is therefore essential that the balance of the pack is exported, to relieve the pressure on the domestic market which is fully supplied. (The U.S.A. is the largest producer in the world but it is in the fortunate position of having a large domestic market which consumes in excess of 90 per cent of the canned fruits produced).

The level of production of the Australian, canned fruits industry and its dependence on overseas markets is illustrated by the following statistics. They relate to the year 1968, which is regarded as an average year not greatly affected by crop losses.

| | <u>Production</u> ('000 basic cartons) | <u>Exports</u> ('000 basic cartons) |
|-----------------|---|--|
| Apricots | 723 | 417 |
| Peaches | 5134 | 4112 |
| Pears | 3206 | 2656 |
| Mixed Fruits | 1902 | 1390 |
| Total Deciduous | (10965) | (8575) |

| | <u>Production</u> ('000 basic cartons) | <u>Exports</u> ('000 basic cartons) |
|----------------------|--|---|
| Pineapple | 1499 | 546 |
| Tropical Fruit Salad | 403 | 82 |
| Pineapple Juice | <u>672</u> | <u>41</u> |
| Total | <u>13539</u> | <u>9244</u> |
| Value | A\$75,000,000 | A\$50,000,000 |

The following analysis of the destination of these exports shows clearly which are the principal markets importing canned fruits.

| Deciduous Fruits: | ('000 basic cartons) |
|-------------------------|-----------------------|
| United Kingdom | 4835 |
| Europe | 2339 |
| Canada | 921 |
| Other | <u>480</u> |
| | <u>8575</u> |
| Pineapple Products: | |
| United Kingdom | 308 |
| Canada | 171 |
| Other | <u>190</u> |
| | <u>669</u> |

(Note - a basic carton comprises 24 x No. 2 $\frac{1}{2}$ size cans, or the equivalent thereof)

Control of Exports

At present, the Board is empowered to control the export of canned apricots, peaches, pears, pineapples, mixtures of these varieties, and pineapple juice, but provision has been made for other canned fruits and canned fruit juices to be included should this become desirable. It is important to mention that the Board has no authority to control the marketing of these products within Australia.

It should be noted that the Board is not authorised to compel producers to export their goods and that it is only with the consent of the producer that the Board may trade in the goods he has produced.

To enable the Board to control exports of canned fruits, all exporters are required to have an export licence which is issued annually by the Minister for Primary Industry on the recommendation of the Board. In applying for a licence, the exporter gives an undertaking to observe the minimum prices and conditions laid down by the Board in regard to the export of canned fruits and their sale and distribution after export. Export licences are normally granted only to firms having the facilities necessary for the conduct of export marketing along orderly lines. In addition to canner-exporters, licences are issued to recognised export agents trading in small shipments to miscellaneous markets.

After receiving an export licence, the exporter is required to obtain from the Board a permit for each shipment of canned fruits to overseas markets. Although this is usually a formality, an important principle is involved because the permit is the means by which the Board may prevent an export taking place should circumstances make this desirable.

Marketing

(a) Minimum Prices and Selling Conditions:

The principal function of the Australian Canned Fruits Board is "to encourage, assist and promote the exportation of canned fruits from Australia and the consumption and sale outside Australia of Australian canned fruits". The Board therefore determines the general marketing policy to be followed by exporters and it supervises the overseas marketing to ensure that its selling terms and conditions are observed.

The principal markets for Australian canned fruits are the United Kingdom, Continental Europe and Canada and it is for these markets that the Board has exercised its power to prescribe minimum prices and related selling conditions. This is to ensure that there is orderly marketing by Australian exporters and that they have an "umbrella" under which they can unite to meet the competition from other countries.

In markets not controlled by the Board, exporters are entitled to sell at prices and conditions of their own choice, but often they will reach voluntary agreement on the prices to be quoted to a particular market in the interest of orderly marketing. As a matter of principle, the Board does not introduce controls in an overseas market unless this is requested by a

majority of the exporters selling in that market. This situation normally would not arise unless the volume of trade was sufficient to require price supervision.

It is customary for the Board to announce minimum prices and selling conditions at the commencement of each season and they may be varied during the year to suit changing market conditions. Before setting its minimum prices for a particular market, the Board is presented with all available information on stocks held by Australian canners and their competitors, the strength of current prices in the market, the views of agents and buyers, also crop prospects and any increases in canners' costs. After consultation with the canners exporting to that market, prices are determined according to the Board's commercial judgment of what is correct.

The opening prices for each season are generally set at a level as attractive as possible in order to effect substantial early sales without weakening the market. This enables exporters to proceed with the financial and shipping arrangements for the clearance of the stocks allocated to the market concerned. Exporters are entitled to seek a premium for their particular brands, but selling below the Board's minimum prices is not permitted.

Sales are generally made under contract for future delivery at the contracted price. The Board may direct that uniform sales contracts shall be used, to ensure that the minimum price structure is not circumvented by concessions being allowed on the associated selling terms. In the event of there being a reduction in the Board's minimum prices, buyers customarily would be permitted to purchase the undelivered balance of their contracts at the lower prices.

The Board's selling conditions for each market are usually determined after the views of the canners exporting to that market have been canvassed. In the case of Canada, there is a permanent committee of canners which makes recommendations to the Board on matters affecting their position in the Canadian market.

In special circumstances, the Board may consider it necessary to protect the interests of exporters by allotting quotas for exports of a particular variety of fruit, or for exports to a certain market.

In order to encourage buyers to take prompt delivery of their requirements, the selling conditions may provide for the payment of an early shipping allowance if shipment is effected prior to a certain date.

Quantity discounts play an important part in marketing because they act as an incentive to buyers to purchase larger quantities. Buyers are encouraged to make subsequent purchases in the knowledge that the quantity discount will apply until the end of the marketing period. The discount rates are set so as to provide sufficient inducement to the larger buyers but this objective is sometimes frustrated when smaller buyers combine to qualify for a higher discount rate. To discourage the tendency on the part of larger buyers to pass on quantity discounts to the smaller buyers, the payment of a deferred discount at the end of the marketing season can be an effective solution.

In order to enforce its minimum prices and selling conditions the Board may require exporters to submit copies of invoices and/or sales contracts for examination. However, the knowledge that a breach has been committed is soon known to the offender's competitors and it is in this way that the Board would become aware of it first.

(b) Consignments:

In earlier years, shipments on consignment were prohibited because of the problems that would be caused in the event of there being an excessive accumulation of unsold stocks. Under the burden of bank interest, storage and other charges, exporters would be under considerable financial pressure to sell at reduced prices and buyers, anxious to exploit this situation, probably would resort to ordering from hand-to-mouth in anticipation of a price decline.

Nowadays, because of the problems associated with shipping delays, it is necessary in some markets for consignment stocks to be held at reasonable levels to provide buyers with deliveries when required.

(c) Agents:

In the markets controlled by the Board, the agents appointed by exporters must be approved by the Board. Before this approval is given, an investigation is made into the status and suitability of the agent, in order to be satisfied that he will adhere to the Board's minimum prices and selling conditions.

The Board may determine the maximum rate of selling commission to be paid to the agent, but the agent is not permitted to pass any part of it on to the buyer in any form.

An agent has several lines of communication with the Board - either directly, through his principal, or through the Board's own representative in his market. The agent's importance should not be underestimated as he provides the liaison between buyer and seller and he is therefore in a unique position to supply information on conditions in the market.

(d) Alternative Methods of Distribution:

There are other methods in which canned fruits are marketed overseas, although these are not favoured by the Board under present conditions. For example the goods could be sold through selected importer-distributors. The danger of this approach, however, is that the importers concerned may purchase their requirements from other countries if more attractive terms were offered.

Alternatively, the goods could be handled by a sole selling agency. The principal advantages of this arrangement would be the elimination of competition between agents, the rationalisation of distribution methods and the co-ordination of promotional activities. In addition, the sole agent is in a better position to negotiate with large buyers for the sale of surplus stocks at special rates.

(e) Market Intelligence:

The Board has an Overseas Representative in London who keeps it informed on the market situation in the United Kingdom and Europe. He is in close contact with agents and buyers, and this enables him to report promptly to the Board on developments which could affect the marketing of canned fruits in that area. Elsewhere around the world the Board is fortunate to be able to call upon the Government Trade Commissioners for marketing information.

The Board has comprehensive records containing information and statistics concerning world markets for canned fruits. These records are invaluable for market research and form the basis of a reporting service which provides exporters with information on price movements, competitive activity, tariff movements and other matters relating to export marketing.

The Board has supported Trade Missions to overseas markets with potential opportunities for expanding sales of Australian canned fruits. It has also sponsored overseas market surveys into consumer preferences for canned fruits.

The Board has close contact with the Department of Trade and Industry which provides an extensive marketing service to all Australian exporters. Market studies may be obtained from the Department and these are helpful in determining the marketing techniques which should be followed by exporters in particular markets. In addition, the Department advises the Board of trade enquiries and market opportunities which come to its notice.

(f) Promotion Activities:

In earlier years, quality and flavour were sufficient to sell canned fruits in overseas markets but, with the tremendous increase in production throughout the world, export competition today is very keen. Buyers are very much aware of the fact that it is no longer a sellers' market.

A large proportion of the Board's income is expended on overseas publicity and promotion in the principal markets for canned fruits. This is generally carried out under the auspices of the Government's Overseas Trade Publicity Committee which shares the cost of and in most cases organises the publicity for Australian Marketing Boards.

The O.T.P.C. was formed in 1926 to plan and co-ordinate the publicity campaigns which were being conducted separately by the various Marketing Boards. Today, under the administration of the Department of Trade and Industry, the O.T.P.C. operates in all important markets and it is responsible for the annual expenditure of over A\$2,000,000 on the promotion of Australian goods. The principal objectives of this expenditure are the creation of a favourable image of the quality of Australian primary products and the identification of these products to the consumer.

Each of the Boards is represented on the Committee and customarily it is the Board's Chairman who is appointed. Periodically the O.T.P.C. meets in overseas markets and this allows its members to evaluate at first hand the trends and promotional requirements of the market, to study the promotional

techniques used by Australia's competitors, to consult with the local representatives of the various industries and to determine and plan future promotional activity.

The publicity programmes conducted by the O.T.P.C. obtain the fullest support of importers, wholesalers and retailers who appreciate that they provide a strong stimulus for consumers to buy Australian products. All types of media are used, particularly newspapers, magazines and outdoor posters, to advertise to the consumer that Australian products are of excellent quality and value. This is achieved by the use of a common theme, which is appropriate to the products individually and collectively.

In trade journals, O.T.P.C. expenditure is aimed at informing trade buyers of the support they will receive from Australian publicity at consumer level. At the retail stores Australian canned fruits are promoted regularly throughout the year and this is done in a variety of ways including the provision of point-of-sale material, window displays and demonstrators, in addition to general advertising support.

In many markets, this promotion of Australian canned fruits is supplemented by canners' individual advertising and promotional activity for their own brands and the combined effort makes a strong impression on buyers, retailers and consumers.

Perhaps it is pertinent to mention that there are some advantages for marketing products under a National brand or distinctive label. For example, a substantial tonnage of Australian butter has been marketed successfully in the United Kingdom under the "Kangaroo" brand.

Although an important section of the market is reserved for products sold under buyers' brands, it is important to the future of an industry that it should maintain a strong market for its own brands. Those exporters selling their product under buyers' brands should be aware of the ever-present risk that the buyer may decide to obtain further supplies from another source. Because of this risk and because the benefit of the goodwill arising from publicity remains with the brand-owner and not the supplier, it has been the Board's policy to leave the advertising and promotion of buyers' brands to the owners themselves.

Perhaps it should be reiterated that the Board is not empowered to promote the sale of canned fruits on the domestic market. Instead, this is carried out by the individual canners although valuable support is received from the promotional activities of the Australian Canned Fruit Sales Promotion Committee. This is an organisation financed by the fruitgrowers which has as its primary objective the expansion of the domestic market for Australian canned fruit.

(g) Export Incentives:

The Australian Government has introduced a number of schemes to encourage Australian manufacturers of all products to become more export conscious and thus increase Australia's earnings from overseas trade. The success of this programme may be measured by the growth in exports of Australian products - in 1964/65 the annual value of total exports was about A\$2,500,000,000 but in 1969/70 this value had increased to approximately A\$4,000,000,000.

The principal export incentive is the allowance of income tax concessions for export market development expenditure. This incentive is designed to encourage firms to incur promotional expenditure in advance of sales, and to assist exporters to expand their sales in existing markets and enter new overseas markets. In addition, rebates of payroll tax are granted to employers who have increased their export sales above the average annual level in a base period.

The Export Payments Insurance Corporation was established in 1956 to enable Australian exporters to insure against losses incurred due to the non-payment of their overseas accounts. The normal risks covered are insolvency or protracted default in payment by the buyer but cover is also provided against political risks such as the imposition of exchange controls or export licensing restrictions, and catastrophic risks caused by external events outside the control of both the exporter and buyer. The scheme has been very successful and the continued growth of its business is an indication of its value to exporters.

The Department of Trade and Industry actively encourages the expansion of Australian exports and is able to provide exporters with expert advice on all aspects of export development. Reference already has been made to the Trade Commissioner Service whose representatives in all important overseas markets not only obtain marketing information for exporters but also supply

buyers with information about Australian products.

The widespread publicity within Australia of the need for "Export Action" has created a new awareness among manufacturers and the population in general that a vigorous export trade is essential for Australia to maintain its prosperity.

(h) Quality Control:

By permitting only quality products to be exported, Australia has earned a reputation for high standards of quality in overseas markets.

All canned fruit produced for export is required to conform to Government specifications for quality and packaging. Furthermore, any premises used for the processing, packaging and storage of canned fruits for export must be registered with the Department of Primary Industry and comply with specific standards of construction, equipment, operation and hygiene.

The regulations laid down by the Department of Primary Industry for canned fruits contain specifications for three export grades - Fancy, Choice and Standard - and embrace many aspects of quality standards, including the size, colour, maturity and texture of the fruit, syrup strength and minimum fill per can. Export labels must be approved by the Department and the information on the label must include the name of the processor or exporter or registered brand, description and net weight of the product as well as the word "Australia" to denote its origin.

The Department of Primary Industry has inspectors at exporting canneries exercising supervision over the quality of the fruit being processed and the accuracy of the information on can labels and cartons to ensure that the regulations are observed. It also has inspectors on duty at ports when the canned fruit is loaded for export and there are officers stationed in the United Kingdom to check cutturns in the United Kingdom and Europe.

In the last twenty years, the canneries have more than trebled their production capacity. By continuous modernisation of equipment and attention to standards they have been able to earn and maintain an excellent reputation for efficiency and quality.

From the marketing point-of-view, it will be appreciated that buyers are more willing to accept a product if its quality has been graded according to official standards. There is usually a limited market for the sub-standard

product and countries which offer these canned fruits can only sell them at a much lower price. Grading standards are especially important in competitive markets.

(i) Packaging:

There is a uniformity in the can sizes used for the production of canned fruits. Insofar as exports are concerned, the principal sizes are:

| <u>Can Size</u> | <u>Minimum</u> <u>ounces</u> | <u>contents</u> <u>grams</u> |
|---------------------|---------------------------------|---------------------------------|
| 8 oz. | 8 | 226 |
| No. 1 | 15 | 425 |
| No. 2 $\frac{1}{2}$ | 29 | 822 |
| No. 10 | 104 | 2948 |

The canned fruits industry uses millions of cans, labels and fibreboard cartons each year. It is therefore making an important contribution to the development of the tinplate, printing and paper industries.

Among recent innovations in the packaging of canned fruits is the development of the shrinkwrap process by which polythene is used to enclose and seal small cardboard trays of canned fruit which are popular in cash-and-carry warehouses. The reduction in weight and easy handling are other features which appeal to the retailer customers of these warehouses.

(j) Transport:

The introduction of container ships for the carriage of Australian exports has been an important development for the canned fruits industry. The use of sealed containers for the transportation of canned fruits has almost eliminated handling damage and pilferage. Furthermore, there has been a welcome reduction in the delivery period from the cannery warehouse into the buyer's store. All canners are equipped to take advantage of this service and containers are now used almost exclusively for shipments to the United Kingdom.

Financing Arrangements

With the concurrence of the Minister for Primary Industry, the Board may purchase canned fruit on its own behalf and make whatever arrangements it feels are necessary for its disposal. Under certain conditions, the Board could obtain a Bank advance, guaranteed by the Government, in order to exercise

this power.

The Board is also empowered to accept control of any canned fruit which is voluntarily placed under its control for export from Australia and may arrange for its storage, shipment and sale on behalf of the owner of the canned fruit. In these circumstances the Board has full power, on behalf of the owner, to give security over the canned fruit.

To date, neither of these powers has been exercised by the Board.

Research

The State Departments of Agriculture have excellent research facilities to assist the fruitgrowers to improve the quality of their fruit. Increased yields per acre have resulted from their research into new varieties, soil management, drainage, plant nutrition, pest control and harvesting methods. The Board has given financial support to several horticultural research projects which have made important contributions to the development of the fruitgrowing sector of the industry.

Several years ago, the Board sponsored research by the Commonwealth Scientific and Industrial Research Organisation into the cause of water damage occurring to exports of canned fruits while in transit to overseas markets. The recommendations resulting from this research have enabled canners to effectively reduce the incidence of this problem.

Administration

(a) Finance:

The income of the Board is derived from:

- (a) A levy on exports of canned fruits from Australia. The present levy on canned deciduous fruits is 3 ¢ per dozen 30 oz. cans (or the equivalent thereof) but the levy on pineapple products is at a lesser rate. The Board's income from this levy is estimated to be approximately A\$400,000 in 1970;
- (b) An excise duty on deliveries of canned deciduous fruits within Australia. The present rate of excise duty is 5 ¢ per dozen 30 oz. cans (or the equivalent thereof) and this is estimated to provide the Board with an income of approximately A\$330,000 in 1970.

Under the Australian Constitution, export levies and excise duties may only be collected by the Commonwealth Government but the payments relating to canned fruits are appropriated from Consolidated Revenue for payment to the Board. Nevertheless, it should be appreciated that the Board's income is derived from the industry it represents.

The financial statements of the Board are subject to Government audit.

The Board is not required to pay income tax but there are certain restrictions on the investment of its surplus funds, with the result that Government-guaranteed securities are usually purchased as investments.

(b) Staff:

The Board engages its own staff who are employed under similar terms to Commonwealth public servants. Applicants are attracted by the prospect of permanent employment in good working conditions and other benefits include superannuation and generous sick leave, annual leave and furlough entitlements.

(c) Offices:

The Board's central office is situated in Melbourne where the staff carries out a wide variety of duties on behalf of the Board. These include implementation of the Board's decisions, liaison with Government Departments and industry personnel, negotiation of marine freight and marine insurance contracts, forecasting of shipping space requirements, accounting, research, compilation of statistics, issue of export permits, and the dissemination of information to the industry.

The Board also has an office in London where the Overseas Representative, with the assistance of a small staff, attends to the administration of the Board's marketing policy in the United Kingdom and Europe and reports to the Board on matters concerned with the marketing of canned fruits in that area. Another important function of the London office is to take an active part in the advertising and promotion of Australian canned fruits in the United Kingdom and Europe. It represents the Board in the planning and implementation of the O.T.P.C. publicity campaigns and participates in the formulation and negotiation of in-store promotions for canned fruits.

(d) Annual Report:

The Board publishes an Annual Report on its operations for each calendar year and this is presented to Parliament (copies may be obtained on applica-

tion to the Board).

General

It is believed that the Board's marketing policies have a stabilising influence on the overseas markets in which it is involved. In the United Kingdom, for example, the prices nominated by the Board tend to be used by buyers as the measuring stick for assessing the prices set by competing countries.

It is significant that two other countries which are large producers of canned fruit have established marketing boards to regulate their exports, namely the South African Canned Fruit Export Board and the Malayan Pineapple Industry Board. No doubt the activities of the Australian Canned Fruits Board were subjected to careful examination before the South African and Malayan Boards were established and it would be reasonable to assume that they considered the Australian Board had operated successfully.

In recent years, there has been an increasing amount of co-operation between Australia, South Africa and California with the result that several meetings have been held to explore the possibility of joint activity to develop world markets for canned peaches. Information is exchanged between the three countries on matters of common interest and it is considered that this co-operation may result in a better understanding of the problems faced by the canned fruits industry in each country.

Conclusion

The Board was initially created with the approval of the canned fruits industry and it has operated successfully because it has retained the confidence of the industry it represents.

Since the Board's establishment in 1926, the production of Australian canned fruits has continued to grow. However, by the introduction of orderly marketing, the Board has been able to arrange for the exportable surplus to be sold in overseas markets, thus strengthening the domestic market and bringing stability to the industry.

Its principal objective always has been to widen the demand for Australian canned fruits in overseas markets and it can justly claim much of

the credit for the tremendous growth in the quantity exported, despite adverse conditions on numerous occasions. The main factors which are considered to have been responsible for this achievement are the maintenance of a high standard of quality for the product, market research, competitive pricing, orderly marketing and strong promotional activity in support of sales.

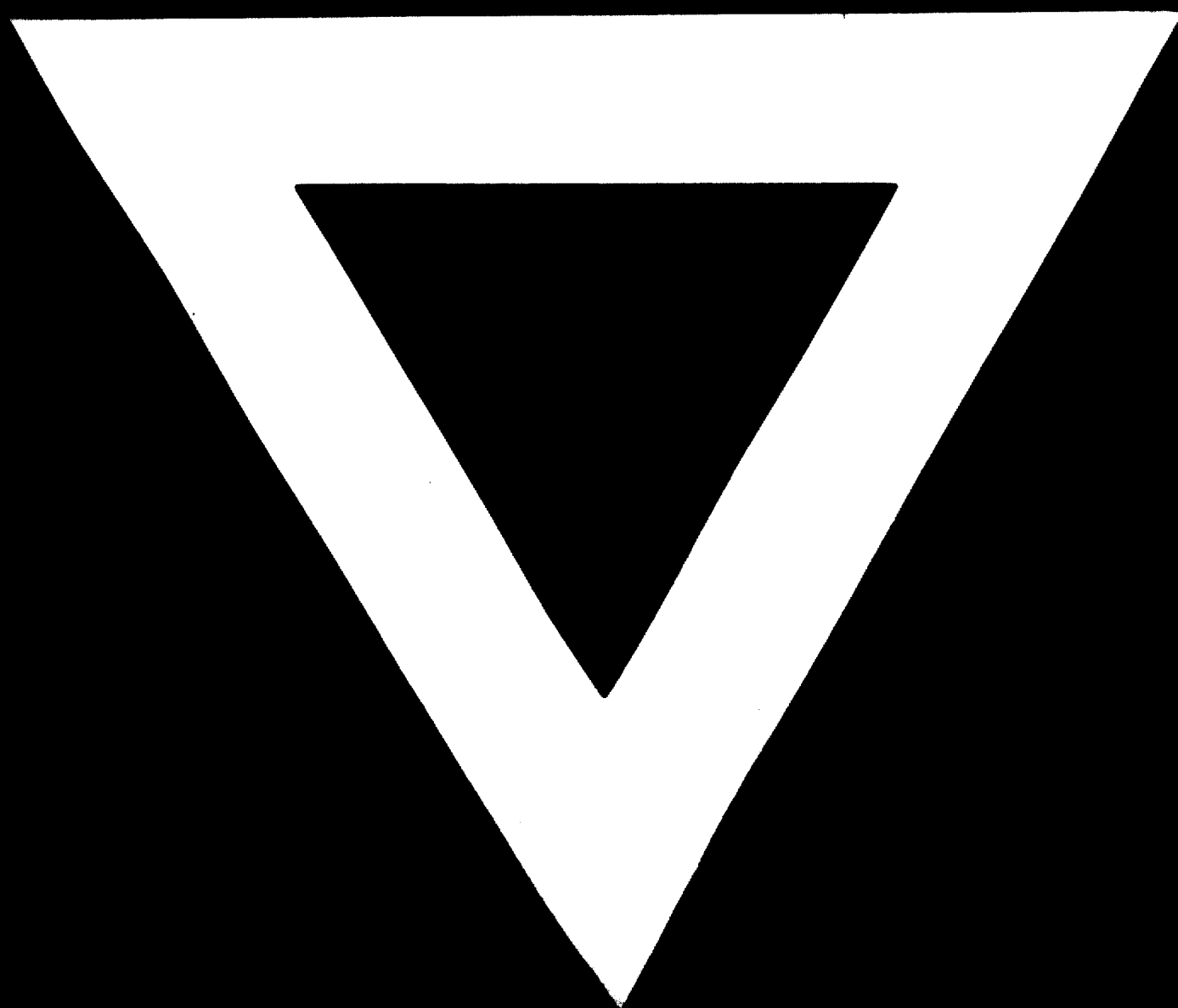
At the present time, the supply of canned fruits to world markets exceeds the demand and in these circumstances prices are highly competitive. Consequently, profit margins are low and, in some instances, non-existent.

It is difficult to be optimistic about the future when one considers that all the countries exporting canned fruits are expecting substantial increase in their production which will not be absorbed by domestic markets. The present protectionist policies of the E.E.C. are likely to further restrict opportunities for non-E.E.C. countries to dispose of their exports.

However, the canned fruits industry has faced similar crises in the past and found ways of overcoming the problems. One must have confidence that the industry will again rise to the occasion and that, perhaps by international co-operation, new markets will be developed to absorb the surplus. It would be a tragedy if the fruit was allowed to rot on the ground.

Perhaps some of the tropical fruit and vegetable processing industries to be represented at this Meeting are at present facing similar problems to those which have been encountered by the Australian canned fruits industry at various times. If those industries are able to find a solution to their problems by drawing upon the experience of the Australian canned fruits industry, this paper will have achieved its purpose.





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