Deciduous Fruits and Nuts

Integrated production and marketing of deciduous fruits and nuts vary considerably by individual products. Only limited vertical integration exists for most of these items in Texas. However, there are several outstanding exceptions. An estimated 90 percent of the plums and peaches and 30 percent of the blackberries produced in East Texas are marketed through this system. One major outlet for pecans in Central Texas also is under the integrated system.
VERTICAL INTEGRATION IN TEXAS AGRICULTURE
Deciduous Fruits and Nuts

Nature and Extent
The extent and type of vertical integration in marketing deciduous fruits and nuts vary considerably by individual products. Grower-shipper organizations are the most significant integrating influence at the production level for deciduous fruits marketed fresh. Cooperative grower-shipper organizations handle an estimated 20 percent of the total United States volume of the major deciduous fruits and tree nuts. Cooperatives in the Pacific Northwest handle about half of the crop, but in the East only a minor part of the crop is handled by cooperatives. Processors also have established integrated marketing programs. They control sizable blocks of peach, pear and apple orchards in California.

Tree nuts also are handled by highly integrated marketing organizations. In California, grower organizations market most of the production of these nuts. Cranberries marketed in the United States are another example of a highly integrated marketing system. A large integrated producer association markets both fresh and processed cranberries.

Vertical integration in the production and marketing of deciduous fruits and tree nuts in Texas is limited, but, there are several outstanding exceptions. An estimated 90 percent of the plums and peaches are marketed through this type of integrated organization. This organization also handles the marketing of a considerable volume of cottonseed products. Thus, in the vertical integration of marketing activities, often several commodities are combined to increase operating efficiency.

Management Practices
Growers marketing through cooperatives generally have a contract to sell their entire crop through the organization. Although these grower-shipper organizations exercise no direct control over a farmer's production decisions, a number do have a field service that advises on production practices.

In California, processors control marketing from a sizable block of peach, pear and apple orchards. These processors for example finance clingstone orchards, and the growers pay off the indebtedness over a 10-year period, during which time they are obligated to sell peaches to the financing processor.

A California almond growers association and a walnut growers association manage the shelling, processing and packaging phases of these industries. They finance nation-wide advertising to stimulate consumer demand and maintain stocks at principal marketing centers around the nation.

The cranberry producers association determines what portions of the crop, in order to maximize income, should be sold fresh and what portions should be processed in its canning facilities. Its brand label is familiar to the homemaker.

Most vertical integration in marketing deciduous fruits and nuts in Texas has been in the following manner:

Peach growers produce, grade, package and have direct contact with the chain stores. This involves about 90 percent of the peach crop.

In East Texas, a plum growers' association operates cold storage facilities near Tyler by which plums are stored and shipments are spread more uniformly over the season, or a crop is held until more favorable prices develop. Through its sales office, direct arrangements are made for marketing to large food distributors or processors.

The management of the blackberry association makes contracts between the organization and the member growers. A base price is included in the contract plus a bonus, the amount of which depends on market returns. The non-members' crops are produced for private canneries which have contracts with food brokers. The canneries pack either under their own label or that of the food broker.

The pecan growers association in Texas exercises little control over the producers, although the organization does all the grading, packaging and wholesaling of its members' production.

Advantages
Advantages to be gained from integrated marketing of deciduous fruits and nuts are mainly those associated with large-volume operations. These include:

1. An improved bargaining position.
2. Better opportunity to sell direct to large food chains.
3. Possibility of establishing brand names for Texas products and building consumer acceptance and demand for the brand.
4. Improved quality control through more uniform production, harvesting, packing and shipping procedures.
5. Development of better market information regarding prices and available outlets.
6. Development of market research programs to improve the producers' competitive position in the market and increase the number of markets served.
Disadvantages

Disadvantages that may result from integrated marketing of deciduous fruits and nuts also are associated mainly with large-volume operations. These include:

1. Adherence by producers to overall control over marketing of their production.

2. Additional administrative expense of an integrated marketing organization.

3. Adherence to adopted fruit maturity and size standards.

4. Time and expense of attending organization meetings and voting on marketing regulations, merchandising and advertising program alternatives and financial budgets.

Vertical integration refers to the linking together of two or more stages of production, processing or marketing activities under one management. The key feature of vertical integration is the centralization of decision-making, risk-bearing and supervision.

This is the fourteenth leaflet in the series "Vertical Integration in Texas Agriculture." Similar releases on other crops and livestock important to the Texas economy will follow.

By bringing together present knowledge and current practices regarding vertical integration in Texas agriculture, the staff of the Texas Agricultural Extension Service and Texas Agricultural Experiment Station in the Department of Agricultural Economics and Sociology hope to help you make wiser decisions about this matter.

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