

a loss of revenue to the concentrate industry.<sup>12 13</sup> The loss in revenue would occur because the character of the demand for the product is such that gross revenue falls at intermediate price levels but increases in both low and high price ranges.

In years of above-normal supply, it appears that the concentrate industry would benefit by arranging cooperative promotional programs with retailers. One approach might involve persuading retailers to "push" concentrate in heavy supply situations while at the same time maintaining a relatively constant percentage mark-up on price. Even though a price reduction were required to move the increase in supply, retailers would realize a higher gross profit. Furthermore, if the increased volume lowered the unit cost of retailing the product, retailers would obtain a higher net profit as well. At the same time, the gross revenue to the concentrate industry would also increase.

Any number of alternatives might be pursued should the concentrate industry seek to develop a cooperative program with the retail trade for the purpose of coping with the problem of above-normal supplies. However, specific arrangements mutually beneficial to both interests will be more likely to succeed. Judging from the character of the demand for frozen orange concentrate as determined by this study, an arrangement involving a relatively constant percentage mark-up on selling price could well be favorable to both groups. This pricing method seemingly would be desirable from the standpoint of the concentrate industry, and perhaps acceptable to the retail trade as well.

---

<sup>12</sup> Certainly, it is not meant to imply that the industry should expand concentrate output unduly in periods of long supply without consideration of costs and returns. The shape of the revenue function, however, suggests that an attempt on the part of the industry to stabilize income over time by withholding a part of the supply during long years and disposing of it in short years may well result in a lower income over time.

<sup>13</sup> The terms "concentrate supplier" and "concentrate industry" have been used synonymously in this section. In many cases frozen food distributors and not concentrators supply the retailer with frozen orange concentrate. Charges for the services of such agencies should be reckoned with in deriving returns to the concentrate industry. However, since little is known regarding the nature of intermediate distributing costs, these costs have been ignored. Although the omission of such costs over-simplifies the analysis, the general principle holds.